DE MONTFORT UNIVERSITY LEICESTER

ANNUAL ACCOUNTS

2017–2018

We transform our students by helping them to develop not only educationally, but also personally and professionally

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External Auditors: Ernst & Young, 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, please contact the Clerk to the Board, Trinity House, De Montfort University, Leicester LE1 9BH.

Everyone at DMU contributes to a high quality and distinctive academic experience

CHAIRMAN'S INTRODUCTION TO THE ANNUAL ACCOUNTS 2017/18

I am pleased to introduce the Annual Accounts for the financial year 2017/18. This past year has seen De Montfort University (DMU) continue on a journey of success at a time when the sector has been the focus of increased scrutiny. I believe that, with excellent strategic leadership, and the continued efforts of our talented and dedicated workforce, we are well placed to not only respond to, but also capitalise on, the challenges that lie ahead.

Last year, we were justly proud when DMU was ranked 'Gold' in the 2017 Teaching Excellence and Student Outcomes Framework (TEF), the only government-endorsed measure of teaching quality in UK higher education. The real-life impact of our work was reinforced by the findings of the 2018 Destination of Leavers from Higher Education survey, which found that 97.3 per cent of DMU graduates from summer 2017 progressed to work or further study after graduating. This is our best ever score, and something we should celebrate at a time when questions continue to be asked as to the value for money offered by a university education.

We also remain strongly committed to widening access to higher education and supporting students from diverse backgrounds to enable them to achieve their full potential.

Key financial results for the year
Surplus before other gains of £10.9m **(2016/17 £14.0m)**
Cash and investments of £82.6m **(2016/17 £70.9m)**
12.1 per cent rise in academic fees and education contracts to £193.1m **(2016/17 £172.2m)**
9.7 per cent rise in total income to £224.8m **(2016/17 £204.9m)**
Capital investment of £26.4m **(2016/17 £34.6m)**

Nearly 50 per cent of our students are from a black, Asian or minority ethnic background and 18 per cent register as disabled; the fourth highest proportion among UK universities. We are proud that many of our applicants are from lower socio-economic backgrounds and are often the first students in their household to attend university. At its core, DMU is about transformational teaching, co-creation, a rich student experience, valuable support services and key strategic partnerships. We reduce attainment gaps and ensure that every one of our students leaves university with the highest possible exit velocity and the best possible chance to pursue their career of choice.

In the face of the UK's vote to leave the European Union – and despite the continued uncertainty as to what this will actually mean for the future of the UK – the university remains absolutely committed to strengthening its global reach. Living, learning and working as part of an international community is integral to the DMU experience. With more than 140 nationalities represented in our staff and student body, we are proud to celebrate our global community, and appreciate the considerable educational, professional and cultural contribution it makes to our learning and research, our city and our nation.

All of these achievements recognise the many years of hard work and commitment from staff and leaders across the university. It is crucial, therefore, that we continue to innovate, demonstrate leadership and engage local, national and international partners in achieving our strategic objectives. Our work with the United Nations (UN) is evidence of this. DMU was recently chosen by the UN as a 'designated hub' for Sustainable Development Goal (SDG) 16 - 'to promote peace, justice and strong institutions'. Going forward, all of our decision-making will be viewed through the prism of the UN's 17 SDGs. Our recently launched Strategic Plan 2018-2023 sets out clearly our mission, values and aims during this period, with the SDGs firmly at its core, in order that these important and real-world issues are integrated into all aspects of our teaching, learning and research.

We have long held the view that universities should be a force for public good, transforming the lives of students and staff, while sharing their knowledge and discoveries for the wider benefit of society. Our successful #DMUlocal engagement programme builds on our commitment to act as a positive force for change in Leicester. Further afield, our Square Mile India programme supports some of the poorest communities in Gujarat, and was recently recognised in the 2018 Times Higher Education Leadership and Management Awards as 'International Strategy of the Year'.

Our award-winning #DMUglobal international experience programme shows our students the power and potential of an education that has inclusiveness and a truly global approach at its heart. By the end of this year, we will have reached the milestone of 10,000 students having travelled overseas with #DMUglobal, visiting more than 60 countries. In 2017, our pioneering mass trips have seen us visit two of the world's most exciting and diverse cities: Berlin and New York, where we celebrated their openness, tolerance and creativity. This afforded our students the freedom to explore their academic disciplines with a fresh perspective. #DMUglobal remains a key recruitment influencer, with a fifth of students choosing to study with us because of the initiative.

A new sector regulator emerged earlier this year. The Office for Students, which replaced the Higher Education Funding Council for England and the Office for Fair Access, is charged with encouraging the growth of a competitive market to inform student choice and deliver value for money. The government also announced its major review of higher education funding in England, the outcome of which is anticipated in early 2019. The uncertainties around the future of the sector's funding model mean we are unable to take our solid financial foundation for granted. I am delighted, therefore, to report that the results for this year reflect another extremely encouraging position, with a surplus of £10.7 million, enabling sustained investment and improvements in our learning, teaching and research. We continue to expand our campus transformation project in order that DMU can become the vision of a 21st century university, with new buildings featuring industry-standard facilities, open green spaces and places to collaborate and create, providing our students with the facilities they deserve to enable them to achieve their ambitions. We must though, remain alert to the ever-changing environment within which we now operate, and the need for a constant focus on costs and efficiency in all areas of our institution, as we seek to deliver the best possible value for money for our students.

During the year, there have been a number of changes in the composition of the board. We bade farewell to Dr Hilary Cass OBE, and Mike Kapur OBE, to whom we are very grateful for his hard work and commitment to the university over a period of nine years as chair of our Audit Committee. In the spring, we welcomed the Chief Constable of Leicestershire Police, Simon Cole, as a new independent governor. The summer then saw the arrival of independent governors Jill Ezard, Lin Hinnigan and Sonia Watson.

I would like to take this opportunity to extend my thanks, and those of the Board of Governors, to the Executive Board and university staff for their invaluable contribution to DMU. My personal thanks also go to my fellow governors for their continued commitment, support and encouragement throughout this past year.

Mr Ian Blatchford
Chairman of the Board of Governors

OPERATING AND FINANCIAL REVIEW 2017/18

De Montfort University (DMU) Leicester's Strategic Plan 2018-23 builds upon our previous framework, which we developed through discussion and engagement across the university. This Strategic Framework underpinned a wide range of activities and improvements, and our new plan – approved by our Board of Governors and launched in the summer of 2018 – continues this drive, setting out the direction required to achieve our ambitions in a vibrant sector.

Our mission:

We are a scholarly community, committed to the public good and driven by an unrivalled ability to challenge convention and create impact.

Our vision:

By 2023, our unsurpassed commitment to the public good and transformational scholarship will position us as the definition of a 21st century global university.

To help us achieve this vision, we're focusing our efforts on the five themes detailed in the Strategic Plan.

1. Delivering a transformational educational experience that works for all
2. Creating and applying knowledge
3. Promoting our city
4. Strengthening our global influence
5. Enhancing our effectiveness through our diverse and vibrant scholarly community

We transform our students by helping them to develop not only educationally, but also personally and professionally. We hold a 'Gold' award in the nationally recognised Teaching Excellence and Student Outcomes Framework (TEF) and our students are encouraged to engage fully with life at DMU, contribute to creating their own unique learning experience and make the most of every opportunity that comes their way.

We have successfully launched innovative programmes such as #DMUglobal and the Universal Design for Learning (UDL), which show our commitment to providing international experiences and inclusive teaching for our students. We are now building on this excellence with #DMUworks – a careers and employability programme focusing on ensuring our students are work-ready – and exploring ways to support and retain students in inclusive ways. DMU Square Mile, #DMUlocal and DMU Square Mile India continue to provide volunteering opportunities for our students, giving them valuable experience and making a real difference in our city and further afield.

DMU has been named the first ever 'University of the Year for Social Inclusion' by The Sunday Times Good University Guide 2019, due to its commitment to diversity, its teaching excellence and the success of its students in exams and graduate job prospects.

We continue to undertake outstanding research projects across our four faculties and in partnership with international academics, businesses, national bodies and the NHS. Research is at the heart of our mission and we recognise the meaningful impact we can have by challenging conventional disciplinary boundaries. In combination with this, we aim to establish inter-disciplinary themes addressing key societal challenges, such as urban living, lifelong wellbeing, creativity in the digital age and social value.

Activity to promote our city continues to increase, with work being undertaken with HM Prison Leicester to transform the lives and prospects of prisoners, and #DMUlocal teaming up with the local NHS hospitals' trust to tackle bowel cancer. This year, record-breaking numbers of students and staff dedicated time to work with local people, showing our prodigious commitment to the public good. The impact is seen across the community, benefiting everyone from children at risk of diabetes to local businesses.

Internationally, our reach, impact and influence all continue to grow. In 2018, the influential Times Higher Education magazine named DMU as one of the 200 best young universities in the world ('under the age of 50'). Our programme in India has won a prestigious national award recognising outstanding work in UK higher education. Square Mile India, which supports some of the poorest communities in Gujarat, was named 'International Strategy of the Year' in the 2018 Times Higher Education Leadership and Management Awards, known as the THELMAs.

Following the UK's vote to leave the European Union (EU), DMU took decisive and positive action through our #LoveInternational campaign. This has evolved and grown out of a desire to protect the residency rights of EU nationals living in the UK, reaffirming our status as a global university, open to the vital contributions made by our international staff, students and stakeholders.

We continue to focus on enhancing our welcoming and inclusive city centre campus, to provide the modern, inspiring environment our students and staff deserve. Valuing a vibrant university community, we established our DMUfreedom equality and diversity charter, in which we commit to helping all students to thrive irrespective of their background.

In addition, we are making considerable progress on our Core Systems Modernisation (CSM) programme, the largest technology-enabled transformation that the university has ever embarked upon. This is improving our ways of working by providing modern, fit-for-purpose systems.

These annual accounts show how we continue to deliver a healthy surplus through a combination of income growth – generated from the successful recruitment and retention of students – alongside a drive for efficiency and value for money. This will enable further investment in our student experience and provides a firm foundation on which to pursue our strategic ambitions.

THE UNIVERSITY'S STATEMENT OF PUBLIC BENEFIT

DMU is an exempt charity by virtue of Schedule 3 of the Charities Act 2011 and, as such, is regulated by the Office for Students.

The university's objectives, as defined in the Education Reform Act 1988, are to 'provide higher education', to 'provide further education' and to 'carry out research and to publish the results of that research' for the public benefit. Members of the university's Board of Governors serve as trustees and are responsible for determining the educational character and mission of the university, overseeing and scrutinising its activities.

When establishing the strategic direction of the university, the Board of Governors and DMU's Executive Board also gave careful consideration to the Charity Commission's guidance on public benefit, and advice issued by the Higher Education Funding Council for England (HEFCE).

We consider the beneficiaries of our charitable status to be all students, both undergraduate and postgraduate, as well as members of the public in the UK and overseas. We believe universities are a public good and that DMU transforms lives by providing inspiring environments for its students and staff, while sharing their discoveries to benefit the world.

Ours is a community in which everyone learns, develops and contributes for the good of all. Research is central to this, enhancing our teaching and serving society's needs. That is why we are investing in research staff and infrastructure, to build on our Research Excellence Framework (REF) results, which judged that almost 60 per cent of DMU's research activities were world-leading or internationally excellent.

It is also an international community, where those from diverse backgrounds and cultures learn from and enrich each other's experiences. We always seek to treat, with dignity, respect and integrity, all those with whom we come into contact.

This ethos led the United Nations (UN) to ask DMU to take the lead in engaging universities across the globe in the #JoinTogether campaign, to help support refugees worldwide. As part of this work, in 2018, DMU twice visited the UN headquarters in New York, to create a global network of universities committed to finding successful ways to integrate refugees into communities, while spreading messages of tolerance and understanding.

Our new Strategic Plan 2018-23 – which sets out DMU's mission, values and strategic aims for the next five years – has been crafted in line with the UN's 17 Sustainable Development Goals (SDGs). Maher Nasser, a senior member of the UN, spoke at one of our summer graduation ceremonies to praise our strong support in addressing global challenges such as hunger, health, education and climate change.

Mr Nasser also announced that DMU has been selected by the UN Academic Impact Group as a 'designated hub' for SDG number 16 – to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels – the first university to be chosen for such a role.

Everyone at DMU contributes to a high quality and distinctive academic experience, harnessing the best new approaches to learning and research. We equip our students with the skills and knowledge to support both their employability and broader lives. We deliver quality and add value in all that we do, understanding and responding to the needs of business and the professions.

This was recognised when DMU was ranked 'Gold' in the 2017 TEF, the only government-endorsed measure of teaching quality in higher education. The TEF panel judged that DMU delivers "consistently outstanding teaching, learning and outcomes for its students. It is of the highest quality found in the UK".

Recent figures support this judgement. Some 97.3 per cent of DMU graduates from summer 2017 are in work or further study after graduating, according to the Destinations of Leavers from Higher Education (DLHE) 2016/17 report, above the sector average of 94.6 per cent.

Our vision is promoted by engagement locally, nationally and internationally. We are strongly committed to widening access to higher education and to supporting students from diverse backgrounds.

This is why we developed our #DMUaspire project with local schools and colleges, to inspire a new generation of undergraduates from hard-to-reach groups, which has boosted exam results in areas of deprivation and created a raft of new university applications.

We seek to communicate clearly and openly within the university, and beyond, and to listen carefully to what people say to us. We encourage an innovative and entrepreneurial attitude to learning, research and partnerships, which enriches us and those with whom we work.

The pioneering #DMUlocal programme is one of our 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 across Leicester and beyond.

Many of these projects are embedded into degree coursework, ensuring hundreds of participating students gain skills to make them stand out in an increasingly competitive jobs market, as well as demonstrating how the work of a university can sustainably support and develop communities.

DMU Square Mile India has added an overseas dimension to the project by involving our award-winning international experience programme, #DMUglobal, to transform the lives of some of the poorest communities in Gujarat.

Students and staff regularly travel to Ahmedabad to work on initiatives such as delivering English classes, running free hearing screenings, teaching dance or drama, or finding ways in which technology could improve lives. They are also designing and building new homes in a community that includes former leprosy sufferers, people who are forced to leave their homes each year due to monsoon flooding.

This innovative work earned DMU Square Mile India a prestigious national award, when it was named 'International Strategy of the Year' in the 2018 THELMAs.

Closer to home, the public can enjoy the state-of-the-art facilities at Queen Elizabeth II Diamond Jubilee Leisure Centre, while our award-winning Vijay Patel Building – the centrepiece of our campus transformation project – has had a positive impact on the community by creating a gateway connecting the city's West End to the centre. Visitors can also enjoy its Riverside Café, with its focus on vegetarian and vegan food, and watch key events on its big screen.

In addition, the building hosts The Gallery, the largest space of its kind in Leicester, which is also open to the public. It has displayed student and staff pieces, plus work by exciting creatives from across the world, including internationally-respected artists and twins Simon and Tom Bloor, influential contemporary artist Jonathan Monk – who studied at DMU – in his first exhibition in his home city, and Turner Prize winner and social commentator Grayson Perry.

These exhibitions helped draw more than 17,000 visitors in its first year, while more than 2,000 people new to The Gallery, many of whom were also new to the campus, came to key events. A children's workshop encouraging cultural practice as open-ended play had more than 200 participants across its three days. It led to the development of a regular programme of monthly workshops for youngsters aged up to 11, with more than 100 participants at each.

On the edge of campus, we have restored the Great Hall of Leicester Castle – which dates back to the 12th century and has played a key role in British history – to bring it back to life as our Leicester Castle Business School. After lying empty for more than two decades, members of the public can now explore the building with guided tours on special open days.

DMU Music offers a programme of extra-curricular opportunities and experiences, which fundamentally reflect core university values. Central to this is our ground-breaking five-year partnership with the Philharmonia Orchestra – one of the world's greatest symphony orchestras which has been resident in Leicester for more than 20 years – and the creation of a DMU Orchestra, which brings together a unique mix of musicians that mirrors the university, the city and our partnerships. As well as performing concerts, they have received coaching from Philharmonia musicians, worked with internationally renowned soloists and presented the first-ever classical performance at HM Prison Leicester.

PROVIDING A TRANSFORMATIVE AND CO-CREATED EDUCATION AND STUDENT EXPERIENCE

Central to this theme is a continuing focus on partnership-led teaching excellence at DMU. Over the course of more than a year, our staff and students discussed best practice in teaching, learning and assessment, and co-created the University Learning, Teaching and Assessment Strategy (ULTAS) 2018-23. Through a series of workshops and focus groups, the university community decided what it means to support and enable the best possible education: that which transforms, takes account of difference and individuality, and arises from common aspirations to succeed.

The university's TEF gold award acknowledges the extraordinary impact a DMU education has on our students, and our commitment to achieving positive outcomes for all students was praised by the TEF panel.

The TEF statement of findings noted that our activities are student-focused and founded on the research and professional practice activities of our staff, and highlights key dimensions of excellent teaching practice at DMU. Alongside our TEF recognition, our UDL framework continues to develop, underpinning all of our student learning, and this is a key theme in the new ULTAS Strategy. Our ambition is to ensure that all programmes provide equitable learning opportunities for every DMU student. We have encouraged staff to continue to develop their teaching delivery in line with UDL and have based all of their development opportunities on this. Furthermore, the Postgraduate Certificate in Learning and Teaching in Higher Education – available to all DMU staff who are new to teaching – and successfully revalidated in the summer of 2017, is built on the UDL philosophy.

UDL has also led to the technology enhancement we call DMU Replay. This lecture capture provides students with anytime access to audio and/or visual material provided before, during or after staff-led teaching sessions. The availability of, and easy access to, DMU Replay means that all students are able to review the content of sessions at their own convenience. This benefits all students, but especially those with learning differences, international students and those on placement experience. Inaugurated in October 2016 for Level 4 only, DMU Replay was rolled out to all levels of taught programmes in 2017 and now has more than 1.1 million student views, illustrating the demand for this flexible access to learning.

DMU continues to be commended on its UDL enhancement to pedagogy. Nearly 30 higher education institutions have contacted us to learn more about our UDL approach and many have requested visits, information and training advice. The Department for Education (DfE) invited the university to be involved in developing approaches to engage the sector in implementing similar changes, as cited in the DfE guidance Inclusive Teaching and Learning in Higher Education as a Route to Excellence. This is complemented by DMU's inclusion in the Institute for Employability Studies' Models of Support for Students with Disabilities (2017) and the Institute for Public Policy Research's Not by Degrees: Improving Student Mental Health in the UK's Universities (2017).

Students' feedback on their teaching and learning experience, measured by the National Student Survey (NSS) 2017, was above sector average, with 85 per cent of students either 'strongly agreeing' or 'agreeing' that they are satisfied with their overall course experience against a sector satisfaction rate of 83 per cent. DMU engages with its student community, outside of survey feedback, by asking for ongoing feedback on their course and university experience through the Student Voice Committees, as well as through the Ask the Expert panel of senior university staff, an innovation introduced by the pro vice-chancellor (academic) in Autumn 2017. Curriculum enhancements are also tracked via the programme appraisal and enhancement process.

In 2017/18, we continued to work on strengthening our personal tutoring system, undertaking a number of workshops and focus group meetings with staff, and consulting with students via De Montfort Students' Union (DSU), to understand better staff's preparedness and students' expectations and needs. Our personal tutors are often students' first port of call when they require advice and guidance, both academic and pastoral; in the 2018 Course Level Feedback exercise, we were pleased to see a number of very positive student comments about their experiences with their personal tutors.

The university's TEF gold award acknowledges the extraordinary impact a DMU education has on our students

> #DMUglobal's aims include enriching studies, broadening cultural horizons, increasing awareness and understanding of global citizenship

DMU collaborates with DSU to continue to strengthen student representation across the institution, with the recruitment of more than 40 school representative coordinators in 2017/18. Students apply and go through a selection procedure to secure positions as vital 'critical friends' to inform developments in pedagogy and the general student experience. They represent the wider student voice and both DMU and DSU provide mutual support to those participating in this programme. This is one of the best expressions of partnership working between the university and DSU, and helps to create a constructive community of practice within our shared learning environment.

In 2017/18, #DMUlocal delivered more than 150 activities and projects in Leicester and beyond, with more than 4,056 students volunteering to take part. Through these events, students and staff collaborate with local, national and international partners to make a significant contribution to the social and economic development of the areas in which they work. They bring positive change, specifically to the city of Leicester, in three core areas: education, health and regeneration. Some of our projects require students to undertake specialised training, which supplements their programme-based education. Students submit co-curricular volunteering hours for inclusion in their Higher Education Achievement Reports (HEAR), ensuring they are fully recognised for their work. Eighty-seven per cent of volunteers surveyed believe they have acquired new skills that employers will value.

Our award-winning international experience programme, #DMUglobal, has now offered more than 10,000 overseas opportunities since 2014 and in excess of 3,200 in 2017/18. A key factor in its success is that opportunities are linked to academic programmes and curricula. We see this as a major step towards internationalising all undergraduate programmes and ensuring that there is at least one international-assessed component with a range of learning outcomes in every programme of study. #DMUglobal's aims include enriching studies, broadening cultural horizons, increasing awareness and understanding of global citizenship, and helping participants to develop key skills that will be valued by employers.

Since its launch in January 2016, DMU Square Mile India has drawn on our research and academic excellence to transform the livelihoods of people living in poverty. This THELMA-winning initiative offers our students an unforgettable and potentially life-changing experience that gives them the chance to put their skills and learning into practice in a new and challenging environment. Evaluation shows that students taking part in this project have developed both personally and professionally. All of them felt their communication skills had improved, their confidence in their own abilities had increased and their ability to work as part of a team had been enhanced.

Alongside these co-curricular opportunities, we ensure our courses are taught by dedicated lecturers who are recognised and rewarded for their excellent teaching. Our Vice-Chancellor's Distinguished Teaching Awards celebrate those who inspire, both inside and outside the classroom, and in 2017/18 students submitted 674 nominations for these awards.

In addition to this, our academic staff are recognised and rewarded for their teaching excellence, both internally and externally, through our DMU Teacher Fellowships, Advance HE accreditation recognition and National Teaching Fellowships (NTFs). We are particularly proud that 21 NTFs have been awarded to academic staff at the university since the scheme began in 2000, including two new awards in 2017/18.

DMU's learning environment is enriched by research, and our academics champion research-informed teaching. Our VC2020 lectureship programme underlines this emphasis, recruiting excellent researchers with a passion for innovative teaching. These lectureships value research and teaching equally, providing opportunities to create new modules that, in turn, mean teaching on students' degree courses is underpinned by the latest research and practice. The VC2020 cohort of 157 lecturers is complemented by our Early Career Academic Fellows.

We are also proud of the excellent work we do with our partners, such as the Oxford International Education Group (with whom we run the Leicester International Partner College), Leicester College and the NHS. We are currently building a suite of Higher Degree Apprenticeships with new and existing partners.

The latest DLHE survey places DMU equal 17th in the UK for graduate employment rates, with 97.3 per cent of our 2017 graduates in work or further study six months after graduating, up from 96.7 per cent in 2016 and well above the national average. DMU is also the eighth best institution in the UK for performance against our Higher Education Statistics Agency (HESA) benchmark, with employability performance 3.9 per cent above HESA expectations, further highlighting our strength in this area. To provide even more support, we have established a new

Employer Advisory Board that brings together national and regional employer partners to refine joint approaches to placement and graduate recruitment.

To continue building on this success, we are delivering even more student development opportunities – including skills workshops and increased placements – in partnership with businesses and other employers. These include Next, Enterprise Rent-A-Car, Airbus, GCHQ, Emerson, IBM, Pfizer, Vauxhall, GE, Timberland, O'Neill, Leicester City Council and Leicestershire Police.

Alongside our academic and faculty-based activities, the Student and Academic Services (SAAS) team plays a vital role in transforming our students by offering a wide range of services to enhance and improve their experience. Comprising six divisions – admissions, student welfare, academic services, academic quality, careers and the academic support office – SAAS is one of the largest directorates and works closely with faculties, academics and DSU in everything it undertakes.

Our careers and employability team delivers more than 9,000 one-to-one student advice appointments every year, helping to plan careers, write applications and practise interviews. To strengthen its impact, we have significantly increased delivery within faculties, reaching all subject areas by establishing an 'employability family tree' of academic staff to support initiatives.

SAAS leads on the Student Experience Strategy 2016-20, designed to transform our students and help them embrace opportunities, build confidence and realise ambitions. Three key elements – co-creation, transformation and resilience – provide the backbone to the strategy. The plan is ambitious, seeking to fundamentally change and enhance our practices meaning we'll work with students in the most effective ways possible, which will also be its most rewarding aspect.

DMU provides eligible students with a free licence for Brain in Hand, an assistive technology designed to help support individuals with autism, mental health difficulties, Specific Learning Difficulties (SpLDs) and acquired brain injuries. Brain in Hand helps students, especially those who find it difficult to make decisions, respond to everyday problems and self-manage their anxiety, building strategies and solutions for managing change. Students using Brain in Hand can see improvements in their:

- Time management, organisation and routine
- Attendance and participation
- Concentration and focus
- Task planning and goal setting
- Strategies for managing change
- Confidence and independence
- Ability to reduce and cope with anxiety and stress

#DMUworks is the university's ambitious programme to ensure our students are work-ready in an increasingly competitive and global jobs marketplace. Our aim is to develop graduates who are professional, adaptable and business-aware. #DMUworks takes a fresh, flexible and creative approach, offering a wide range of opportunities, in the UK and internationally, including:

- Professional experiences, placements, internships and volunteering
- Work-readiness training, coaching and development
- Business insider visits
- Research and consultancy opportunities

Finally, the Employability Mentoring Project allows the careers and employability team to use the skills, knowledge and experience of industry professionals to aid the transition from DMU student to successful employee. By providing a platform to develop supportive relationships, it matches students to those in employment who can share their expertise, improving students' awareness of industry work requirements and their competitive advantage in the recruitment process. One of the greatest achievements of the project has been its strong focus on student engagement in its core activity, not only as service recipients but also in its design and governance.

Universities UK (UUK) is advocating a joined up, university-wide approach to mental health, and DMU is very much establishing itself as a leader in this field across the sector. The introduction of our Single Point of Access (SPA) initiative, which provides a common referral route to our disability, mental health and counselling services, is in keeping with this philosophy. It facilitates our efforts to offer students personally tailored support packages. Throughout 2017/18, Student Welfare has offered almost 2,000 SPA appointments and continued to develop initiatives that have a positive impact on student wellbeing.

The continued development of the Course Specific Intervention (CSI) Project has seen the initiative provide around 100 sessions across ten separate courses during 2017/18. There is continued evidence, from feedback, of a positive impact on those at risk of non-continuation.

The HealthyDMYOU two-year programme has completed its first year, with its philosophy of a whole-university approach to health and wellbeing resulting in some exciting co-produced work between staff and students. The project works alongside UDL and has a specific focus on developing preventative and consistent approaches, particularly in relation to non-continuation and student attainment.

In 2017/18, DMU also received one year of matched funding from HEFCE to further develop the Mandala Project, our programme tackling sexual and domestic violence. The focus of this work was on developing a sustainable model, including approaches to training, student support and appropriate governance of our interventions. The promotion of healthy relationships forms a core part of this work, and training and events to underpin this have been successfully facilitated.

Our careers and employability team delivers more than 9,000 one-to-one student advice appointments every year

CREATE AND APPLY KNOWLEDGE THAT FURTHERS GLOBAL SOCIETAL AND ECONOMIC DEVELOPMENT

DMU has been engaged in a number of outstanding projects over the year, supported by external research grants and contracts. Highlights include:

Professor Tim Fulford is being supported by the British Academy and the Leverhulme Trust to study and collate the correspondence of Sir Humphry Davy, the 18/19th century chemist and inventor. Famed for inventing a safety lamp that prevented explosions in mines, Davy was the first to isolate a number of elements (including sodium and calcium) and he mentored Michael Faraday, who built on the foundations laid by Davy. Davy was a prolific letter-writer and Professor Fulford is creating four volumes, giving new insights into the intellectual networks of scientists at the start of the great age of discovery. These will be published by Oxford University Press in 2019.

Lecturer Elizabeth Lambourn's acclaimed book, Abraham's Luggage: A Social Life in the Medieval Indian Ocean World, has been published by Cambridge University Press.

Michael Laffan, of Princeton University, New Jersey, USA, said: "Transforming a 12th century list into a history of the stuff of life, Lambourn brilliantly demonstrates how Southern India was linked to the Middle East. From the production of food to the maintenance of purity, and even staying watered and well on the journey itself, this is exemplary Indian Ocean history."

Finbarr Barry Flood, of the Institute of Fine Arts and founder-director of Silsila: Center for Material Histories at New York University, USA, said: "Abraham's Luggage opens a fascinating window onto a world of interconnected Indic, Islamic, and Jewish traditions in the medieval Indian Ocean. From cultures of dining, gifting, medicine, packing, and religious ritual to mercantile shopping habits and shipping, the book is awash with original insights. Its holistic approach offers a compelling and innovative model of interdisciplinary scholarship."

Roxani Eleni Margariti, of Emory University, Atlanta, USA, said: "Lambourn's deeply learned and intellectually enterprising reconstruction of the biology and materiality of travel along the maritime highways of the western Indian Ocean enriches our understanding of how humans have inhabited ships and the high seas in a crucial period of world history."

Mordechai Akiva Friedman, of Tel-Aviv University, Israel, said: "Elizabeth Lambourn brings to life the trip home to Egypt of a 12th century Jewish trader, transforming a Geniza fragment into a mirror of macrohistory and reconstructing the life of a Mediterranean household in India. A fascinating, path-breaking study for Geniza research and the history of material culture in the Indian Ocean."

Professor Kenneth Morrison has been appointed special adviser to the House of Lords International Relations Committee for the UK and the Western Balkans inquiry. In that role, he travelled with the committee to Bosnia and Herzegovina, Serbia, Macedonia and Kosovo. He met with representatives from the government and opposition in each country, as well as non-governmental organizations, journalists, think tanks and the Organization for Security and Co-operation in Europe, UN, EU, NATO and the 'Quint Plus' Group of Ambassadors (UK, Italy, Germany, United States, France, plus the EU). He is co-author of the Freedom House Nations in Transit report on Montenegro with the Montenegrin academic Bojan Baća and is co-organiser of the international conference Why Remember?, which takes place in Sarajevo, Bosnia and Herzegovina. He is also co-adviser (with Bosnian academic Edina Bećirevi, University of Sarajevo) to authors of the report (commissioned by the British Council) on Political and Religious Extremism in the Western Balkans.

Dr Helen Solomon and colleagues in economics have been researching both the role of social media on economic growth and how it affects performance in developing countries. Their original 2015 study provided two explanations for negative consequence of social media on GDP: increases in the search costs for information and the substitution effect from labour to leisure. Recent work examines the effect of social media on firms' sales growth, studying Facebook use in Kenya and Nigeria.

Professor Jonathan Payne, of DMU's People, Organisations and Work Institute, and Caroline Lloyd, from Cardiff University, are using funding from the British Academy to explore the impact of roboticization and artificial intelligence on jobs, skills and job quality. This research focuses on grounded empirical studies of workplaces in the healthcare and food processing sectors of Norway and the UK, to understand the social, political and institutional factors shaping the use of new technologies and their impact on work.

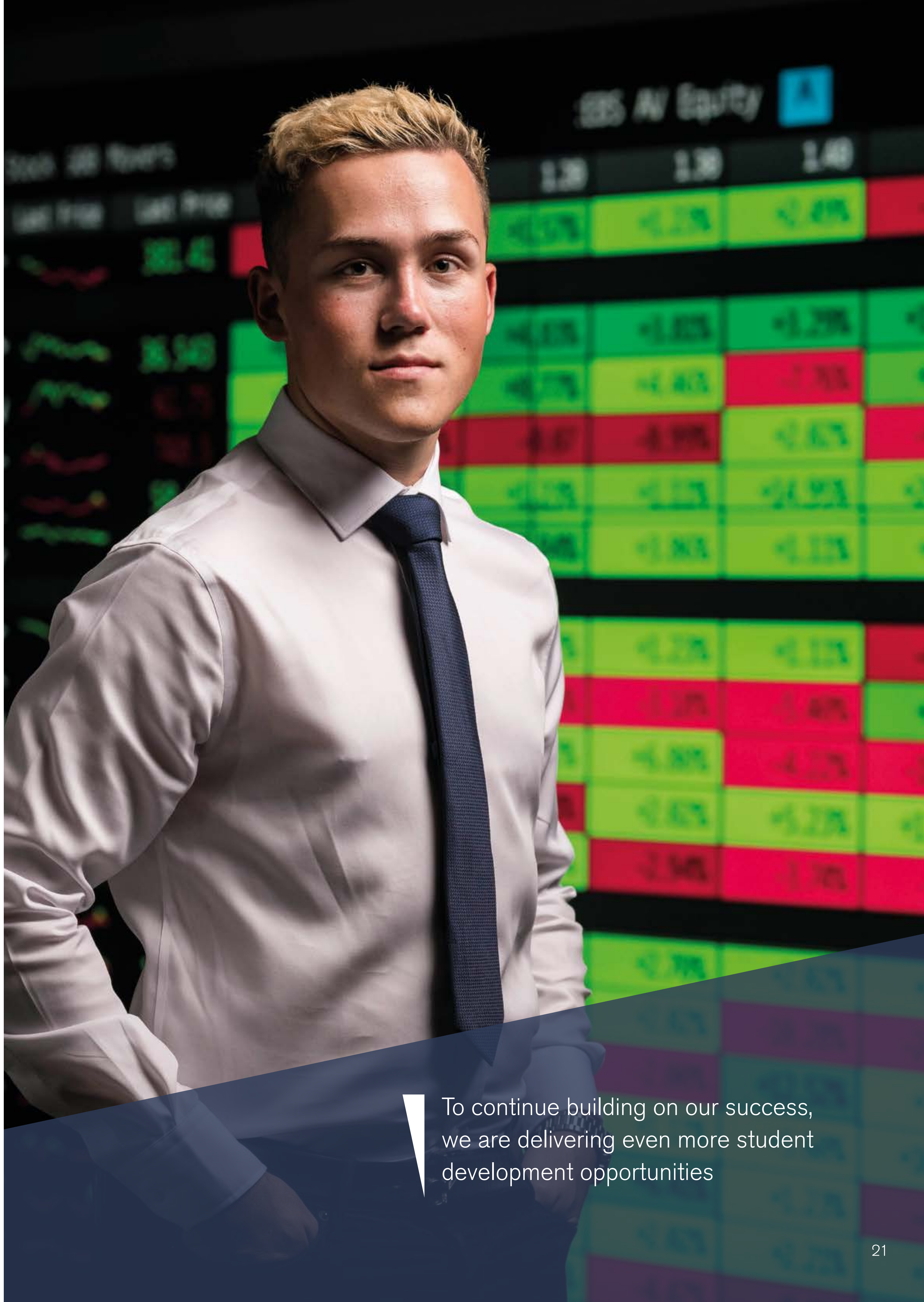
DMU's Centre for Reproduction Research continues to act as a magnet for researchers with an interest in social, cultural and psychological aspects of reproduction. Work covers topics such as egg donation, endometriosis and the role of mitochondria in debates about identity and parentage in assisted reproduction. Recently the centre hosted a symposium with DMU's Photographic History Research Centre, which attracted a lot of attention, and there are plans to develop it further. Topics included the process of visualising embryos, the depiction of menstruation in visual art and the way that fertility clinics advertise themselves online. It is expected that this will lead to further interdisciplinary collaborations.

Professor Nicky Hudson, leader of the Centre for Reproduction Research, has launched a new book series on reproduction, to address issues such as conception, contraception, abortion, pregnancy, birth, infertility, pre and postnatal care, pre-natal screening and testing, IVF, pre-natal genetic diagnosis, mitochondrial donation, surrogacy, adoption, reproductive donation, family-making and more.

Neglected tropical diseases (NTDs), such as sleeping sickness, dengue and schistosomiasis, threaten millions of people across the world. Development of drugs to treat NTDs has been largely overlooked and have so far received limited investment for research and development. Dr Mingzhong Li, from the School of Pharmacy, has won a Discipline Hopping award from the Engineering and Physical Sciences Research Council (EPSRC). He will partner with academics at the London School of Hygiene and Tropical Medicine to investigate and understand the prevalence and treatment of NTDs, with the ultimate aim to develop low-cost, effective, oral treatments.

The Music, Technology and Innovation – Institute for Sonic Creativity (MTI^2) has significant outreach initiatives, mainly focused on the €4m Creative Europe 'Interfaces' project. Recent initiatives include: workshops in DIY instrument making and sound-based creativity, which are already being run in schools and communities in Greece, Cyprus, Germany and the UK; a resource hub focused on initiatives related to Bringing New Music to New Audiences; and the further development of the internationally recognised EARS 2 pedagogical site with its creative software, Compose with Sounds. MTI^2's composers have been recognised with commissions from Czech Radio (Professor Leigh Landy), Christchurch Symphony Orchestra (Professor John Young) and many festivals and venues. They even included the creation of a new 'protest' synthesizer for the Nonexistence Festival in Hamburg (Dr John Richards). Two MTI^2 broadcasts were featured on the Concertzender in Amsterdam and Kevin Dahan's project focused on one of the world's most important archives in the field of computer music. Computer research in music and acoustics (CCRMA) at Stanford University is, among other things, reconstructing historic works for performance and further documentation.

The Centre for Computing and Social Responsibility (CCSR) continues to draw significant attention from the media and policymakers. In January 2018, the ORBIT (Observatory for Responsible Research and Innovation in ICT) project was launched at the palace of Westminster, drawing a high-profile audience of more than 100 scientists, policymakers and other decision makers. The CCSR submitted four separate pieces of evidence to the House of Lords review on artificial intelligence, which were quoted in the report that was published in April 2018. The CCSR continues to be highly successful in attracting project funding, securing approximately €1.5m in this financial year. In April 2018, it secured the continuation of its role in the EU ICT Flagship Human Brain Project and in May 2018 it started three new international collaborative projects in the areas of international networks of responsible research and innovation (RRI), RRI in the ICT industry, and ethics and human rights in smart information systems. The latter project, coordinated by the CCSR, looks at smart information systems, the combination of big data analytics and artificial intelligence, and forms part of a pool of projects that the European Commission is looking towards to develop guidance for dealing with these ethical issues in EU-funded projects. These activities will inform the funding principles of the €100bn Horizon Europe programme.



PROMOTING OUR CITY

We believe that universities have an important role to play in the cities and communities where they are located. DMU has made a strong commitment to Leicester, through the investment in our campus, our public engagement, our partnerships and work with businesses.

Our work in the city is exemplified through the activities of #DMUlocal. This year, 4,056 students took part in volunteering or events in our local communities – an increase of more than a third on last year. There have been a total of 26,195 hours of volunteer work carried out on 126 projects with 140 organisations and 51,936 people reached by the work. In the past 12 months these included:

Education

Around 400 student volunteers signed up and worked hundreds of hours alongside teaching staff at 60 primary and secondary schools, the vast majority in the city.

The Mathletics sessions helped more than 100 talented maths pupils in Year Six to further improve their skills ahead of their Key Stage 2 Standard Assessment Tests (SATs).

Students have also put on the Playdough scheme, with 260 pupils taking part in a maths-based investment game centred around the notion of gains and losses on the Stock Market, while Excel Yourself has seen a further 70 children in Year 5 come to the DMU campus to improve their understanding and find out how to operate the Excel program.

Pupils aged as young as five are now expected to be 'digitally literate' after a new Government directive. #DMUlocal students worked with more than 620 children to support teachers and show them how to code and create their own simple computer programs. These DMU classes brought excellent results among a 180-pupil sample. Of those tested before the sessions, 95 per cent were working below the Government expected level, only five per cent at the required level and none above. Afterwards, 34 per cent were above the expected level, 53 per cent at the level and only 13 per cent below.

#DMUaspire was developed with local schools and colleges after the city mayor's office raised concerns that too many A-level students from city estates were just missing out on the grades needed for higher education. The impact was not only successful but unexpected, with participants significantly improving their expected exam results to the point where they did not require the additional DMU tariff from the week-long course. #DMUaspire attracted 61 participants, with 60 per cent coming from families with no experience of higher education, half living in areas of significant deprivation and 29 per cent coming from communities in the most disadvantaged wards in the city. There was a 95 per cent retention rate and 58 students completed the programme, with a 100 per cent pass rate. DMU has had applications from 31 of them.

During weekly 'paired reading' sessions to boost pupils' reading age, 40 students went into 17 city primary schools and 10 volunteers visited three secondary schools. On average, according to sample figures produced, the children went up 2.4 stages following the intervention.

More than 100 children, aged from nine to 16, also took part in Leicester's first Lego League on the DMU campus. In the weeks leading up to the event, 35 student volunteers visited 10 city schools taking part in the competition, designed to inspire the engineers of the future, to help pupils prepare.

The Confucius Institute gave Mandarin lessons to 3,306 children, students, staff and public, either on the DMU campus or at one of the 24 schools taking part in the project. In total, more than 16,310 people went to the institute's Chinese New Year Festival, the Mid-Autumn or Moon Festival, regular tai chi classes, tea ceremony events, folk dancing and calligraphy courses. More than 50,000 members of the public, students and DMU staff have now been involved since the institute opened at DMU four years ago.

Health

Leicester faces a series of massive health challenges and #DMUlocal's community projects aim to tackle them, both now and in the coming years. One of the biggest is dealing with the growing number of cases of dementia, with 38 per cent of people now having a close friend or family member suffering with the condition. It is believed there are now 850,000 people with dementia across the UK.

More than 550 DMU students and staff have participated in dementia awareness training in the past three years. These dementia ambassadors create action plans to raise awareness, at the university, local schools and community events, about issues associated with the condition.

Diabetes is another huge health concern, with more than 28,253 people in Leicester diagnosed with the condition. The rise in the past 12 months is a staggering 33 per cent – making the city one of the worst in the country. The university is working with Diabetes UK and has now trained 235 volunteers. This increased awareness has led to more than 650 people across the city taking a diabetes risk assessment.

Every day in Leicestershire, 10 people find out they have cancer and five people die from the illness. By 2030, an estimated 48,000 people in the county will be living with cancer. #DMUlocal has joined charity Macmillan to provide emotional and practical support for people in Leicester dealing with cancer. This work has led to the number of referrals more than doubling since its first year in 2014. Last year, there were 228 referrals to the service and 141 volunteers received training for support roles.

Regeneration

This summer Together For Our City was launched – a strategic document on the increasing collaboration between Leicester City Council and DMU. It aims to build on initiatives run in three city areas, the #DMUlocal regeneration arts projects and ground-breaking work at Leicester Prison.

Thurnby Lodge: In #DMUlocal's third estate project, launched in October 2017, efforts have concentrated on restoring youth provision and helping with social isolation among the elderly and vulnerable. Students have worked with The Boyzee youth club to create activities for children, a project has been launched to help those with Alzheimer's and a partnership has been developed with Thurnby Rangers football club to increase the number of teams.

Beaumont Leys: Strong links have been forged with the city estate, which faces a series of social problems caused by income deprivation and higher-than-average child poverty. Students help provide training courses, IT help and assist in getting the unemployed back to work. The Beaumont Lodge Youth Club was at risk of being closed due to a lack of volunteers, but students have now helped more than 280 children in the past year. Beaumont Park FC and #DMUlocal joined forces to create two girls' teams, an inclusivity team and several boys' teams for more than 100 children.

Fosse: The Square Mile project was started by DMU in the city's Fosse ward back in 2011 and the relationship is still going strong: the Saturday Arts Club runs every week; an IT4Free scheme has more than 30 attendees at its sessions; the most recent Big Rally Park fun day attracted hundreds; and there are strong links with local schools.

Arts and Culture: Tens of thousands of children, students and members of the public were involved in 10 projects running across Leicester last year and next year promises to be even busier, with the launch of a major 25-year project with Arts Council England. The fortnight-long Art-AI (artificial intelligence) event saw 614,869 people take part, visit, interact on social media or in other ways participate at venues across the city. The month-long Love Art showcase of work by students and alumni at New Walk Museum was visited by 50,000 people, and four arts clubs now take place weekly across the city.

Leicester Prison: A unique partnership between HMP Leicester and #DMUlocal has seen more than 40 students put in 650 hours to a series of projects at the prison. In 2016, the prison received a damning report due to increasing levels of violence and drug use and #DMUlocal agreed to help out after a request from the governor, Phil Novis. The target was to get the jail in the top 50 prisons within two years – a target achieved in 12 months with a 21 per cent reduction in violence, in stark contrast to national trends.

Mr Novis said: "The impact of the partnership is impossible to measure with metrics, but I have no doubt they are indelibly linked. They go hand in hand. With the help of DMU, we have been able to create a feeling of community in the prison. The events have helped make prisoners feel part of a community, and feel part of Leicester. It has enabled them to think of something else but violence and drugs".

STRENGTHEN OUR GLOBAL REACH AND INFLUENCE

The unstoppable expansion of DMU's global presence, reach and influence continued apace throughout the academic year 2017/18, as did the university's undiminished determination to heighten its standing and reputation as an international force for good.

The year marked the start of a historic relationship between DMU and the UN, when the university was called upon to be a global leader galvanising a co-ordinated international response to the UN's Together campaign – promoting the safe integration and welfare of refugees. DMU responded, by spearheading two international summits at the UN's New York headquarters, in January and June 2018, and establishing a growing network of 38 partner universities from around the world, all sharing practical ideas on how to help victims of forced migration. DMU joined together with these partner institutions to sign an Action Charter, underscoring their joint commitment to positive and lasting change. Recognising DMU's initial success, the United Nations Academic Impact (UNAI) initiative asked DMU to lead the network in promoting the UN's 17 Sustainable Development Goals (SDGs), which forms an integral part of DMU's refreshed Global Instinct strategy.

The university followed this up by scooping 'International Strategy of the Year' in the THELMAs 2018 for its "simply outstanding" DMU Square Mile India initiative, which seeks to transform lives within some of the poorest communities in Gujarat. In particular, the judges praised the opportunities given to faculties and students to engage with the programme via health outreach work and research, teaching and training activities. Originally formed to support youngsters living in a children's home in the Gandhi Ashram, Ahmedabad, DMU Square Mile India has since expanded and aims to work with thousands in the coming year, in collaboration with local charity partner Manav Sadhna.

Elsewhere, DMU's flagship #LoveInternational campaign continued to inspire, being shortlisted by the Guardian University Awards 2018 in the 'Marketing and Comms Campaign' category. The initiative, launched immediately after the announcement of the EU referendum result, seeks to dispel misconceptions that the UK may not be a hospitable place for overseas visitors and to reassure prospective students that a warm welcome awaits them at DMU.

International student recruitment remained an important focus. The most recent figures published by HESA, relating to the academic year 2016/17, positioned DMU as the top UK university for international student growth. Of particular note, student recruitment from China and Hong Kong surpassed 1,000 enrolments for the first time ever. Meanwhile, DMU signalled its enduring commitment to its home continent by establishing a new regional office in Lisbon, Portugal, in collaboration with Oxford International Education Group (OIEG). OIEG's expert knowledge of the European education market will help DMU grow its continental footprint and open up recruitment in countries within which it has hitherto lacked a strong recruitment presence.

Partnership activity expanded, building on the solid foundations laid down in past years. Student numbers studying overseas for a DMU award surged ahead, growing by five per cent. Significant and exciting work is under way to develop further strategic partnerships over the coming months in China, Malaysia and Europe. To support this, and as a sign of its ambitions for the future, DMU recently launched a Global Partnerships Unit (GPU) under the leadership of a new director, to consolidate and strengthen business development activities relating to transnational education. The GPU will work closely and collaboratively with all faculties to maximise the full potential benefits of each of the university's global partnerships.

At the heart of DMU's international strategy lies the award-winning #DMUglobal initiative, offering students life-changing opportunities to participate in unforgettable experiences designed to illuminate their learning and expand their cultural horizons. By the end of the academic year, more than 10,000 students had travelled overseas as part of the initiative since its launch in 2014, visiting more than 60 countries worldwide, with a further 3,000 students taking advantage of UK-based opportunities including foreign language learning. Following last year's enormously popular mass participation trips to the USA and Germany, this year #DMUglobal pushed the boat out even further. In March 2018, no fewer than 350 students and staff descended on Hong Kong en masse to coincide with the UK Government's GREAT Festival of Innovation, where DMU showcased its work as lead higher education partner, alongside prestigious organisations such as BBC Worldwide, PwC, British Airways and HSBC. While in Hong Kong, students participated in 15 separate trips, each with a unique academic focus relevant to their programmes of study. The trip was a resounding success, registering an overall student satisfaction score of 98 per cent - the highest to date.

The year marked the start of a historic relationship between DMU and the UN

We plan to invest a further £85m over the next five years to create flexible and adaptable teaching and learning spaces and provide state-of-the-art sports facilities

ENHANCE OUR EFFECTIVENESS THROUGH OUR DIVERSE AND VIBRANT SCHOLARLY COMMUNITY

The Enhance theme provides us with the key strategic drivers to achieve our ambitions: developing and empowering our leaders at all levels; outstanding financial performance to ensure sustainability and value for money from our resources; and a relentless focus on being a beacon for diversity, inclusion and equality within our community. Without these things, we cannot achieve the ambitions we have set ourselves in the other four pillars of our strategic plan.

We have made considerable progress with our Core Systems Modernisation (CSM) programme, which is the largest technology-enabled transformation that the university has ever embarked upon. Using the Systems Applications and Products (SAP) business management system as the foundation, we are improving the way we work – both in terms of freeing up resources to enhance the frontline academic and student experience, and also by offering a step change in the way we manage our organisational performance by providing modern, fit-for-purpose systems. In August 2016, we implemented finance and procurement, and during 2017 we launched payroll and human resource (HR) functionality. These are transforming the day-to-day operations of the university, providing enhanced functionality and self-service. The pace of change continued with the third phase, covering the student lifecycle, going live over the summer of 2018.

Crucial to our drive towards our 2023 strategic vision is the role of our DMUfreedom charter, which recognises and reaffirms our unwavering commitment to diversity and equality. This year we became the first university in the UK to apply successfully for a renewal of the prestigious Race Equality Charter Mark. Diversity will continue to enhance our outcomes through the adoption of a pioneering approach to equality analysis. During 2017/18 we have delivered improvements to the management and allocation of academic workloads, as well as implementing projects covering areas such as refreshing our academic staff development, and including training which leads to accreditation by the Higher Education Authority (HEA). We have strengthened our approach to leadership and management, delivering the DMU:Leader programme that focuses upon creating a leadership community that meets the challenges and changes taking place in the sector. Combined with the newly created Managing at DMU programme, we will provide a whole system approach to leadership at all levels.

Our latest staff survey, undertaken by Capita, demonstrated an engaged and satisfied staff community, especially when compared to other organisations subscribing to the Capita survey. We exceeded the sector benchmark scores in 10 out of 19 core questions in the survey with 87 per cent of our staff rated the university as being a 'good place to work', compared to 81 per cent for all Capita's clients.

We continue to invest in our welcoming and inclusive city centre campus in order to provide the first-class environment that creates an atmosphere of innovation, inspiration and community. So far, the award-winning campus transformation has included the impressive new base for the Faculty of Arts, Design and Humanities, which houses sector-leading teaching facilities that will help us continue to be one of the foremost providers of creative higher education in the UK. Through the centre of our campus, we have created vibrant, green open spaces, enhancing the environment for our local community as well as staff and students. We plan to invest a further £85m over the next five years to create flexible and adaptable teaching and learning spaces and provide state-of-the-art sports facilities.

CONCLUSION: LOOKING AHEAD – OPPORTUNITIES AND RISKS

DMU is well positioned to take advantage of opportunities and to manage the risks of the current higher education environment, and those that may arise in future years.

The university proactively reviews the content of the strategic risk register, which is aligned to the five strategic themes outlined in our Strategic Plan, and their associated key performance targets. The annual planning exercise enables monitoring of the strategic risk registers at faculty and directorate level. This integral and important component provides an assurance framework and robust review of the overall university strategic risk register. Key risks that are being managed are as follows:

Failure to maintain appropriate standards of corporate governance and regulatory compliance.

The university recognises the changing higher education landscape and continues to be proactive and ensure compliance. This includes taking into account changes with the Office for Students, as well as changes in legislation, including the university's duty under Prevent, and ensuring compliance with the Consumer Rights Act and the General Data Protection Regulations (GDPR). Institutional projects for these areas are in place and providing governance and wide-reaching commitment to deliver the actions. These projects have seen updated processes, training and staff resources.

Failure to meet targets for increased numbers of international students, both in terms of full-time equivalency and income.

The financial forecast reflects the work undertaken to date on our International Strategy, with forecast growth in student numbers from 2017/18 to 2022/23 supported by our partnership agreements. This results in a forecast increase in annual income by 2022/23 of £21.3m supported by a strategy to increase the proportion of international students at the university. The university's student population from outside the UK is currently 16 per cent, increasing from the previous year. This is a challenging strategy with risks, particularly noting the impact of the EU referendum and national sentiment on immigration, and potential policy changes. It will be important to review the strategy in the context of the size of the market, judged by sector performance in recruiting students from outside of the UK (the current sector average is just less than 19 per cent) and in relation to future government policy on borders, visas and migration. The university will also consider market intelligence about the ambitions and targets set by competitor institutions for international recruitment.

Failure to achieve our Home/EU undergraduate recruitment targets, which encompass number and quality.

Sector recruitment continues to be challenging, however the university has seen an increase in Home students by four per cent. EU recruitment is strong, with a 29 per cent growth for applicants, despite these conditions. However, with the marketisation of the sector, it is critical we maintain our current dynamic approach to recruitment. The inevitable consequence is that there will be 'winners' and 'losers', with the likelihood of organisational consolidation and new entrants to the market. The university is actively engaged in events across Europe, using initiatives such as #LoveInternational to ensure that we mitigate the risk to EU recruitment as much as possible.

Failure of quality recording, collection and utilisation of our data or major IT failure.

The university recognises the value of our data and IT assets and acknowledges the sector (and wider) response to escalating risks regarding data ownership including GDPR and the importance of cyber security. The university is, through the modernisation of our core systems, focused on data governance, ownership and quality. Coupled with our work on GDPR, we are well placed to prepare effective roles and processes for collecting, recording and the utilisation of data. The university's senior officers are committed to the continued development of our systems and in ensuring a secure roadmap for future developments.

Major failure of financial control and sustainability.

Following the Higher Education and Research Bill, and the upcoming Review of Post-18 Education and Funding, we are aware that further changes to fees and funding arrangements for universities are likely. We continue to model reductions in teaching grant funding for 2018/19 and beyond in anticipation of future cuts. There remains the risk that further changes in higher education funding could occur with the newly established Office for Students having an important regulatory remit. We continue to be cautious in our forecasting. It is therefore also vital that we continue to drive efficiencies in our cost base.

DMU is well positioned to take advantage of any opportunities and to manage the risks of the current higher education environment

OPERATING AND FINANCIAL REVIEW 2017/18

Financial performance in 2017/18

The university's financial performance for 2017/18 delivers a significant surplus of £10.7m. This healthy surplus enables the university to continue to make vital capital and programme investments improving the campus estate and enhancing the student experience, at the same time as undertaking a significant re-structuring programme that was completed in the year. This investment will ensure that the university is ideally placed to face the challenges in respect of an increasingly uncertain future.

Results for the year

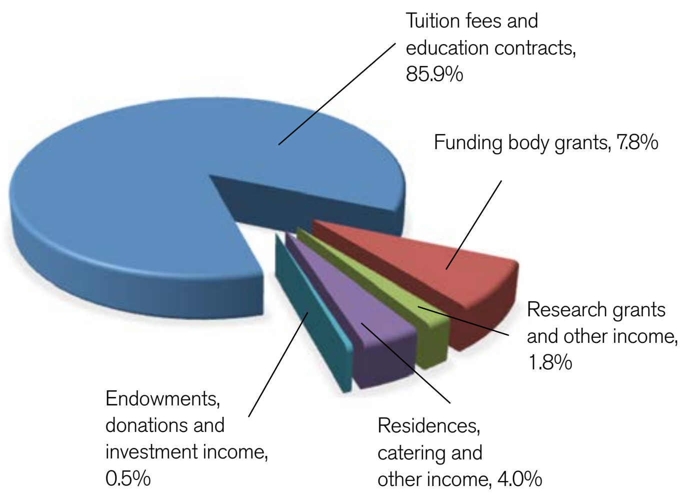
The university's income and expenditure results for the year ended 31 July 2018, are summarised as follows:

	2017/18 £'000	2016/17 £'000
Income	224,842	204,873
Expenditure	213,944	190,923
Surplus before other gains	**10,898**	**13,950**
Loss of disposal of fixed assets	(243)	-
Other gains	33	72
Surplus before taxation	**10,688**	**14,022**
Taxation	45	(72)
Surplus after taxation	**10,733**	**13,950**

Income analysis

Total income of £224.8m increased by £19.9m (9.7%) from 2016/17.

Income analysis 2017/18

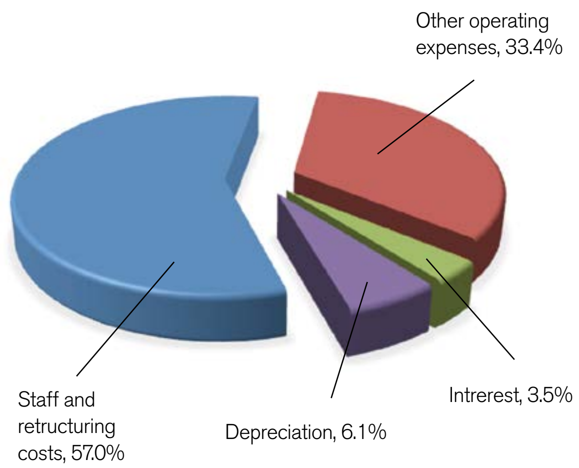


Tuition fees and education contracts increased by £20.9m (12.1%) as a direct result of positive recruitment and retention of students. There was also an increase in research, grants and contracts by £0.1m (2.3%). A decrease for residences, catering and other income £1.0m (10.23%) is reported.

Expenditure analysis

Total expenditure of £213.9m increased by £23.0m (12.1%) from 2016/17.

Expenditure analysis 2017/18



- Staff costs before restructuring increased by £11.8m, reflecting the continued impact of the significant workforce investments – namely in academic staff – to improve the staff to student ratios. Overall this is an increase by 0.7% to 52.4% as a percentage of income compared to the previous year.
- Depreciation charges of £13.1m increased by £1.0m, reflecting the university's continued expenditure on technology assets, the significant investment into the core systems modernisation programme and the campus transformation plan.
- Other operating expenses increased by £6.9m, reflecting the expansion of the #DMUglobal activities to a wider student base, marketing campaign expenditure and the continued investment in the core systems modernisation programme.

Balance sheet

The university's consolidated group Balance Sheet at 31 July 2018 reports total net assets of £187.0m, an increase of £47.6m from 2016/17. This reflects the following items:

- Fixed tangible and intangible assets of £316.5m increased by £13.0m (2016/17: £303.5m). The university invested £26.4m in new fixed assets during 2017/18, of which £15.2m was for core systems modernisation and a periodic refresh of technology assets. The other major capital spend included further redevelopment of the Beaumont Park sport facilities, optimisation of the campus teaching facilities and completion of the Mill Studios refurbishment. This was offset by the depreciation and amortisation charges of £13.1m.
- An increase in current assets of £13.0m due to investment in capital projects and timing of prepayments.
- An increase in creditors of £6.5m, due to the scale and timing of capital projects.
- An increase in provisions of £0.8m mainly due to the completion of the restructuring programme.

Liquidity and reserves

The level of income and expenditure reserves has increased by £47.6m to £187.0m, reflecting the ability of the university to generate sufficient operating cash to fund increased investment in the campus asset infrastructure.

Cash and investments of £82.6m at the year-end, which is an increase of £11.8m, ensures that the university has a strong liquidity position to continue to enrich the student experience, with campus infrastructure renewal, technology modernisation, employability programmes and student enrichment programmes such as #DMUglobal.

Ms Lin Hinnigan
Interim Deputy Chair

Professor D Shellard
Chief Executive and Vice-Chancellor

STATEMENT ON CORPORATE GOVERNANCE

Corporate governance

This statement outlines for readers of the financial statements the corporate governance procedures adopted by the Board of Governors, covering the period from 1 August 2017 to 31 July 2018, and the subsequent period up until the date of approval of the financial statements.

The Board of Governors recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times, and to ensure that it discharges its duties with due regard for the proper conduct of a business that receives public funds. In carrying out its responsibilities, the Board of Governors is committed to demonstrating best practice in all aspects of Corporate Governance and complies with the Committee of University Chairs (CUC) Higher Education Code published in December 2014 and with the requirements of the Charities Act 2006 (as amended) and the Charities Act 2011.

Summary of the university's structure of corporate governance

The university's objectives, powers and framework of governance are set out in its Instrument and Articles of Government. Under the Articles of Government, the Board of Governors has a range of powers and duties, including the ongoing responsibility for the strategic direction of the university, approval of major developments, approval of annual estimates of income and expenditure, ensuring solvency of the institution and safeguarding its assets.

It is a requirement of the Instrument of Government of the Corporation that there should be a majority of board members who are non-executive and independent, and that the board should comprise no fewer than 12 and no more than 24 members (including the Vice-Chancellor ex-officio). Currently, the board has a total of 15 members (including the Vice-Chancellor ex-officio), 12 of whom are independent governors as defined by the Instrument and Articles. The remaining two members of the Board of Governors include representatives of the academic staff and the student body. Membership is actively considered at the Nominations Committee each year.

The principal officer is the Vice-Chancellor, who has responsibility to the Board of Governors for the organisation, direction and management of the university. He is also the designated Accountable Officer for the purposes of the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England (which is superseded by the Terms and Conditions of funding for higher education institutions from 1 April 2018 and which applies during the Office for Students (OfS) transition period to 31 July 2019). The Vice-Chancellor is supported by an Executive Board, which comprises: the Vice-Chancellor; the Deputy Vice-Chancellor; four Faculty Pro Vice-Chancellor/Deans; the Pro Vice-Chancellors for Research, Strategic and International Partnerships, Enterprise and Academic; the Chief Operating Officer; the Associate Chief Operating Officers; the Chief Finance Officer; the Executive Director of People and Organisational Development; the Executive Director of Marketing and Communications; and the Vice-Chancellor's Chief of Staff.

Conduct of business

The Board of Governors is responsible for, among other matters, the determination of the educational character and mission of the university and for the general oversight of its activities. It approves the university's Strategic Plan, the most recent version of which supports and informs the setting of strategic and other priorities up to 2023. The board is also responsible for the maintenance and integrity of the university's website. The board is aware that the challenge is compounded as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

In the conduct of its formal business, and in addition to an annual strategic away day, the board meets four times a year. It has a number of formally constituted sub-committees: Audit; Ethics; Finance and Human Resources and Nominations and Remuneration. Each sub-committee has clearly defined and delegated responsibilities.

The Audit Committee regularly meets with external and internal auditors through their attendance at each meeting of the committee. It considers internal audit reports and recommendations for the improvement of the university's systems of internal control, together with management responses and implementation plans. It also receives and considers reports that affect university business from the OfS, monitors adherence to regulatory requirements and assesses the effectiveness of the external audit process through review and consideration of the annual audit plan, including key areas of audit risk, the external audit management letter, and meeting with the external auditors as necessary. The terms of reference of the Audit Committee incorporate its role in monitoring and reporting upon the effectiveness of the university's risk management, data management quality, and value for money processes and procedures. While senior executives attend meetings of the Audit Committee as necessary, they are not members and the committee may meet the internal and external auditors independently. The university last tendered for external audit services in 2017, with Ernst & Young LLP being appointed in June 2018 for a period of three years.

The Ethics Committee, which has recently been formally reconstituted, promotes the highest standards of ethical behaviour and monitors the ongoing implementation of a university Ethics Code, seeking assurance that its principles, and those of relevant policies that sit beneath it, are fully embedded and actioned across the university.

The Finance and Human Resources Committee, inter alia, recommends, to the Board of Governors, annual revenue and capital budgets, and monitors performance in relation to the approved budgets. The committee also reviews and recommends to the board the university's Financial Regulations, financial policies and the annual financial statements. It reviews the accounting policies that are applied to the preparation of the financial statements and to budgets and estimates, including any significant matters of judgement that require consideration, and meets with the external auditors to discuss the financial statements. 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, staff, students and other parties.

The Nominations Committee reviews the membership of the board, advising on the skills mix required by the board to fulfil its responsibilities. It considers the nomination of new governors, making recommendations to the Board of Governors, as appropriate.

The Remuneration Committee determines the annual remuneration of the Vice-Chancellor and senior post holders, and receives a report on the annual review of other senior academic and professional services staff.

All committees of the board are required to report to the board. They do so in a variety of ways, including the formal presentation of their minutes or a summary of outcomes at board meetings, with key matters reported as substantive agenda items for discussion. In addition, the Audit Committee produces an annual report, which is sent to the OfS' Audit Assurance Service. The Vice-Chancellor also provides a report on the broader operation of the university at each board meeting. As appropriate, members of the Executive Board are present at meetings of the board to expand, where necessary, on reports and answer questions as they arise.

The Board of Governors periodically reviews its own effectiveness in accordance with good practice and CUC guidance, with the most recent review having been undertaken in summer 2015. 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 offered by organisations such as Advance HE (formerly the Leadership Foundation for Higher Education), 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, the board itself and via the Clerk to the Board.

Financial responsibilities of the university's Board of Governors

In accordance with the university's Articles of Government, the Board of Governors is responsible for the oversight of the administration and management (by the Executive Board) of the affairs of the university and is required to present audited financial statements for each financial year. The Board of Governors is responsible for keeping proper accounting records which disclose, with reasonable accuracy at that time, the financial position of the university and enable it to ensure that the 'financial statements' are prepared in accordance with the university's Articles of Government, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. As a Higher Education Corporation, the board, through its designated Accountable Officer, produces 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. These statements are also submitted to OfS, under the terms and conditions of the memorandum of assurance and accountability agreed between it and the university.

In overseeing the preparation of financial statements, the Board of Governors 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 and any material departures disclosed and explained in the financial statements
- Financial statements are prepared on a 'going concern' basis

The Board of Governors has also taken reasonable steps to:

- Ensure that funds from the OfS are used only for the purposes for which they have been given and in accordance with the memorandum of assurance and accountability with the funding council and/or 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

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
- Regular reviews of academic performance and 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
- 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 OfS Accounts Direction and good practice guidance.

The university's risk management approach complies with the OfS Accounts Direction and also reflects guidance provided by the Financial Reporting Council.

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, 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 and extent of those risks; and to manage them efficiently, effectively and economically.

The university has in place a risk assurance framework, focused around its key strategic and operational risks, which will continue to evolve under the university's strategic framework. The risk assurance framework is based on the following principles:

1. The risks in the strategic risk register should flow from the strategic plan and related key performance indicators (KPIs) and should be considered as an integrated part of the institutional performance management process
2. The risks should be high level, few and manageable in number to enable the Executive Board to focus on the major risks that require its attention
3. The risks should be embedded in and useful to the Executive Board's normal business rather than their management being seen as a separate exercise
4. Clear Executive Board-level accountability for each individual risk should be assigned
5. Scoring risk should be a matter of judgment and incorporate the full range of information available to risk owners, rather than a quantitative exercise
6. The risk register should be seen as an evolving document and not 'set in stone'. As such it should be reviewed on an annual basis by the Executive Board

The framework is owned by the Audit Committee on behalf of the Board of Governors, with reports flowing from the Executive Board to the Audit Committee on a biannual basis in November and June. The Executive Board receives quarterly updates to the risk register, the contents of which are owned by relevant Executive Board members. The Director of Strategic Planning is the university's lead officer for risk management. The board reviews an annual risk report at its July meeting and ensures that the register reflects the key strategic risks faced by the university. Should changes be required through the year as a result of a major internal or external unforeseen event, the Executive Board will make a recommendation to the Audit Committee to approve the change on behalf of the Board of Governors.

This process has been cascaded into the university's faculties and directorates, ensuring that there is a consistent and aligned approach to risk management through which risks are managed at the most appropriate level in the institution.

Going concern statement

After a thorough review of the university's financial forecast and cash position, the Board of Governors has a reasonable expectation that the university has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the university's accounts.

Ms Lin Hinnigan
Interim Deputy Chair

Professor D Shellard
Chief Executive and Vice-Chancellor

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

Opinion

In our opinion:

- De Montfort University's group financial statements and parent institution's financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the institution's affairs as at 31 July 2018, and of the group's and of the parent institution's affairs as at 31 July 2018, and of the group's and parent institution's income and expenditure, gains and losses, changes in reserves for the year then ended, and of the group's cash flows for the year then ended.
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation.

We have audited the financial statements of De Montfort University which comprise:

Group	Parent institution
Consolidated balance sheet as at 31 July 2018	Balance sheet as at 31 July 2018
Consolidated statement of comprehensive income and expenditure account for the year then ended	Statement of comprehensive income and expenditure for the year then ended
Consolidated statement of changes in reserves for the year then ended	Statement of changes in reserves for the year then ended
Consolidated statement of cash flows for the year then ended	Related notes 1 to 27 to the financial statements including a statement of principal accounting policies
Related notes 1 to 27 to the financial statements, including a statement of principal accounting policies	

The financial reporting framework that has been applied in their preparation is applicable by law and United Kingdom Accounting Standards, including FRS 102 'The financial reporting standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report below. We are independent of the group and parent institution in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board of Governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Governors has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent institution's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	Risk of fraud in revenue recognition
Audit scope	We performed an audit of the complete financial information of De Montfort University as the only full scope component of the group. We considered the university's subsidiary, De Montfort Expertise Limited, to be out of scope due to size relative to the group.
Materiality	Overall group materiality of £2.2m which represents 1% of revenues.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of fraud in revenue recognition:	We performed transaction testing in respect of tuition fee income, tracing sampled transactions back to remittance advice and bank statements. For income from research and non-research projects, we followed a tailored approach in order to test the revenue recognition and verify the related project balances (accrued income).	Our testing did not identify any material misstatements in respect of revenue and expenditure recognition. Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the university's financial position.
Refer to the Accounting policies (page 42); and Note 1 of the Consolidated Financial Statements. Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. There is inherently more judgement applied in determining the amount and timing of income to be recognised in respect of tuition fees, and research grants and 'other' income. As such we focused our work on the following key judgements: ▪ Tuition fee income – the timing of certain courses which span the year end create judgement in determining which period the income should be recognised in. ▪ Research grant income and education contracts - judgement is used to determine in which period the award should be recognised and can be dependent on satisfaction of performance conditions; and ▪ Residences, catering and conferences income; health authority income; and other income - the varied nature and size of the income streams creates an opportunity to apply judgement in the period the income is recognised.	'Other' income streams were split out into separate identifiable types and testing was carried out based on consideration of the assessed risk in each area. Testing included sample testing of individual transactions to supporting records. We supplemented our income statement testing with related balance sheet procedures, testing cut-off at year end and verifying the existence of debtors at the Balance Sheet date. In addition, we focused our journal entry testing on manual entries posted to increase revenue. We performed full scope audit procedures over this risk area in one location (the university), which covered 99.79% of the risk amount.	

	Group 2017/18 £'000	Group 2016/17 £'000
Tuition fee income	**193,084**	**172,224**
Research grant income	**4,118**	**4,025**
Other income	**9,025**	**10,054**

In the prior year, our predecessors' auditor's report included a key audit matter in relation to Finance and Payroll system replacement. In the current year this was no longer considered a key audit matter since transition was completed in 2016/17.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determines our audit scope for each entity within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the two reporting components of the group, we selected 1 components (the university), which represent the principal business units within the group. We performed an audit of the complete financial information of the university ('full scope component') based on its size or risk characteristics.

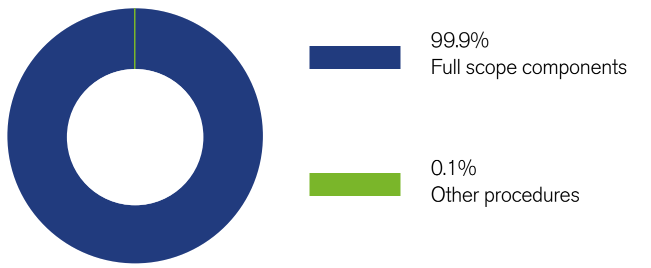
Except as explained below, we did not perform any audit procedures in respect of the other components because we did not consider there to be any accounts that had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting component where we performed audit procedures accounted for 99.9% (2017: 99.8%) of the group's total income, 100% (2017: 100%) of the group's surplus before tax and 99.8% (2017: 99.8%) of the group's total assets.

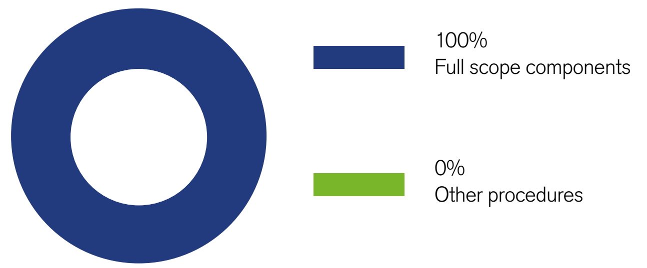
The remaining component represents 0.1% of the group's revenue. We considered this component to be out of scope for the group audit. For this component, we tested consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

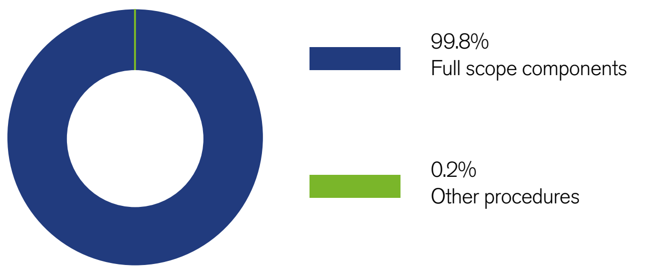
Total income



Surplus before tax



Total assets



Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the group audit team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be £2.2 million (2017: £2 million), which is 1 per cent (2017: 1per cent) of revenue. We believe that revenue provides us with the appropriate basis as the university is a not for profit organisation.

We determined materiality for the parent institution to be £2.2 million (2017: £2 million), which is 1% (2017:1per cent) of revenue.

During the course of our audit, we reassessed initial materiality, which was based on prior year reported revenue, to reflect the current year reported revenue. This resulted in an increase in materiality from £2 million to £2.2 million.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50 per cent (predecessor auditor 2017: 75 per cent) of our planning materiality, namely £1.1m (2017: £1.5m). We have set performance materiality at this percentage due to this being a first year audit for Ernst & Young impacting our level of knowledge and experience of De Montfort University, particularly with respect to prior year audit adjustments and observations, and changes in the finance team at the university in the year.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.112m (2017: £0.1m), which is set at 5 per cent of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 35, other than the financial statements and our auditor's report thereon. The Board of Governors is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Office for Students and their 'Terms and conditions' of funding for higher education institutions

In our opinion, based on the work undertaken in the course of the audit, in all material respects:

- Funds from whatever source administered by De Montfort University have been properly applied to those purposes and managed in accordance with relevant legislation;
- Funds provided by the Office for Students and Research England have been applied in accordance with the applicable terms and conditions attached to them; and
- The requirements of the Office for Students 'accounts direction' for the relevant year's financial statements have been met.

Responsibilities of the Board of Governors

As explained more fully in the Statement of the Board of Governors' responsibilities statement set out on page 33, the Board of Governors is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance, and for such internal control as the Board of Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Governors is responsible for assessing the group and parent institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the group or the parent institution or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are the Office for Students 'Terms and conditions of funding for higher education institutions' and the Higher Education and Research Act 2017.
- We understood how De Montfort University is complying with those frameworks by the oversight of those charged with governance (i.e. considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings in order to influence the perceptions of analysts as to the entity's performance and profitability), the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by considering management's journal entries and potential for bias in the use of judgments and estimates.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
  - Making enquiries of the university's internal legal team;
  - Reviewing the minutes of the Finance and HR Committee, Board of Governors and Audit Committee;
  - Testing manual journal entries; and
  - Testing estimates for unexpected changes in assumptions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **https://www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by De Montfort University on 19 June 2018 to audit the financial statements for the year ending 31 July 2018 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is one year, covering the years ending 31 July 2018.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent institution and we remain independent of the group and the parent institution in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Board of Governors, as a body, in accordance with the Charters and Statutes of De Montfort University. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst and Young LLP

Ernst & Young LLP, Statutory Auditor
Birmingham
3rd December 2018

The maintenance and integrity of De Montfort University's website is the responsibility of the Board of Governors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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. 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 in accordance with FRS 102 as interpreted by the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015. The university is a Public Benefit Entity and has adopted the Public Benefit Entity requirements of FRS 102.

2. ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing these financial statements, management has made the following judgements:

i) Impairment of tangible assets

To determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and, where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

ii) Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives, taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

iii) Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note (25d) in the Annual Accounts, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

iv) Bad and doubtful debts

A provision for bad and doubtful debts is calculated using a formula based on the age of the overdue debt. The formula is applied consistently from year to year but necessarily requires a degree of estimation. Specific provision is made for individual debts where recovery is deemed to be uncertain and this requires an element of judgement.

v) Retirement benefit obligations

The university also operates within two schemes which are accounted for as defined contribution schemes, the Universities Superannuation Scheme ('USS') and the Teachers' Pension Scheme ('TPS'). These are accounted for as defined contribution schemes as insufficient information is available to identify the university's share of the underlying assets and liabilities.

As the university is contractually bound to make deficit recovery payments to USS, this is recognized as a liability on the balance sheet. The USS deficit recovery plan defines the deficit payment required as a percentage of future salaries until 2031. These contributions will be reassessed within each triennial valuation of the scheme. The provision is based on management's estimate of expected future salary inflations, changes in staff numbers and the prevailing rate of discount. See note 25c.

3. TANGIBLE FIXED ASSETS

i) Measurement at initial recognition

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 group under common management control

or

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

ii) Measurement after initial recognition

Land and buildings inherited from Leicestershire County Council on 1 April 1989, and prime teaching buildings, that had been revalued to fair value on 30 May 2012, are measured at deemed cost, being the revalued amount at the date of that revaluation, less depreciation since that date.

All other tangible fixed assets are stated at cost.

Assets held for resale are stated at the lower of cost or net realisable value.

A review for impairment of buildings is carried out annually. If events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable, an impairment charge is made to the Consolidated Statement of Comprehensive Income.

Componentisation is built into the asset lives of the buildings. When significant components are replaced, they have their asset lives individually assessed.

iii) Depreciation

Land is not depreciated. Freehold property is depreciated over expected useful life on a straight line basis. For existing properties, new construction and major renovations, the expected useful life is based on an external appraisal and reflects all of the buildings' major components. Refurbishment projects are depreciated over twenty years.

Leasehold property including improvements to leasehold property, and other leased assets are depreciated over the life of the lease. Other tangible assets are depreciated on a straight line basis over their useful life as follows:

Equipment	Lifespan
Computer equipment	Three years
Other equipment and furniture	Five years
Equipment acquired for specific projects	Over the life of the project (generally three years)
Expenditure which extends useful life	Over additional useful life

Buildings	Lifespan
University-owned buildings	Over expected useful life (20 to 50-plus years)
Leasehold property	Over life of lease

New buildings and major refurbishments to buildings are depreciated from the month in which they are put into service. All other assets are depreciated from the month after they are put into service.

No depreciation is charged on assets in the course of construction.

Depreciation on disposals is provided up to the month before the asset is taken out of use.

iv) Funded tangible fixed assets

Where assets are acquired with the aid of specific grants or donations they are capitalised and depreciated as above.

All non-government grants are released to the Consolidated Statement of Comprehensive Income as donations, as performance criteria are met.

Government grants and donations are treated as deferred capital grants and released to income over the expected useful life of the asset (or the period of the grant in respect of specific projects).

Grants received in respect of land are released to the Consolidated Statement of Comprehensive Income and shown under 'Donations and Endowments' when performance–related conditions are met.

v) Tangible donated fixed assets

Tangible fixed assets other than land that have been donated to the university are capitalised at market value. All non-government donations are released to the Consolidated Statement of Comprehensive Income as donations.

Government donations are treated as deferred capital grants. Assets are depreciated over their estimated useful lives, and a corresponding amount is released from deferred capital grants to the Consolidated Statement of Comprehensive Income.

vi) IT equipment and software licences

IT equipment, such as personal computers and related items, are purchased in bulk through the university's central purchasing and supply system. These items are capitalised as a single group of equipment and depreciated in accordance with i) and iii) above.

IT software licences are treated as a revenue cost and are charged to the Consolidated Statement of Comprehensive Income in the year of purchase.

IT software development is treated as an intangible asset.

vii) Maintenance of premises

The cost of routine maintenance is charged to the Consolidated Statement of Consolidated Income 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 Consolidated Statement of Consolidated Income in the period in which it is incurred.

viii) Heritage assets

Heritage assets are defined as assets that are held principally for their contribution to knowledge and culture.

An independent antiques and fine art assessor valued the heritage assets as at 12 March 2016 on the basis of the value for insurance purposes. Those assets, which are valued either individually or as a group at or in excess of £10,000, are recognised in the Balance Sheet at deemed cost, being this valuation.

Heritage assets are not depreciated since their long economic life and high residual value are an indication that any depreciation charge is immaterial. They are subject to an annual impairment review at the reporting date. They are maintained and the cost of maintenance charged to the Consolidated Statement of Comprehensive Income as incurred.

4. INTANGIBLE ASSETS

Intangible assets are recorded at cost and amortised over their expected useful life.

5. LEASES

Leases in which the university assumes substantially all the risks and rewards of ownership of the leased asset are classifies as finance leases. Leased 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 the 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 the Consolidated Statement of Comprehensive Income in equal amounts over the periods of the leases. Any lease premiums or incentives are spread over the minimum lease term.

6. REVENUE

i) Tuition fees

Revenue from tuition fees represents student fees received and receivable which are attributable to the studies undertaken in the current accounting period. Where the amount of the tuition fee is reduced by a discount then the income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

ii) Funding body grants

Income from Funding Council recurrent grants is in support of general or specific revenue activities of the university. The income is credited direct to the Consolidated Statement of Comprehensive Income on an accruals basis.

Other government grant income is recognised on a systematic basis using the 'percentage of completion' method. Income is recognised based on costs expended during the period.

Government capital grants and contributions received by the university to finance the construction or purchase of capital assets are accounted for as deferred capital grants and released to the Consolidated Statement of Comprehensive Income over the expected useful life of the related assets (or the period of the grant in respect of specific projects).

Grants received in respect of land are released to the Consolidated Statement of Comprehensive Income as donations in the year in which performance conditions are met.

Deferred income in respect of the HEFCE capital grant, which is attributable to subsequent years, is shown and is reported under creditors due within one year and falling due after more than one year in the Balance Sheet.

iii) Research grants and contracts

Other grants and donations from non-government sources including research grants from non-government sources are released to the Consolidated Statement of Comprehensive Income as performance criteria are met. Those transactions under £100,000 are released on an accruals basis. These are shown under research grants and contracts.

iv) Commercial research and consultancy revenue

Revenue from commercial research contracts, consultancy and other services rendered is recognised using the 'percentage of completion' method and is shown under 'Research'.

v) Investment Income

All income from short-term deposits and endowment asset investments is credited to the Consolidated Statement of Consolidated Income on a receivable basis and is shown under 'Investment Income'.

vi) Donations and Endowments

Non-exchange transactions without performance related conditions are donations and endowments.

Endowment assets are reported under investments and cash and cash equivalents.

i) Donations with no restrictions

Charitable donations with no restrictions are recognised in the Consolidated Statement of Comprehensive Income when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability. This includes all donations under £1,000.

ii) Donations and endowments with restrictions

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as restricted reserves with additional disclosure provided within the notes to the accounts.

There are four main types:

Unrestricted permanent endowments

The donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution. Income is recognised on entitlement. Investment returns are recognised immediately and held within the endowment reserve, to the extent that it has not been spent.

Restricted expendable endowments

The donor has specified a particular objective and the donation is expected to be spent over a period of at least 24 months. These are recorded in the Consolidated Statement of Comprehensive Income on entitlement and retained within a restricted endowment reserve until such time that expenditure is incurred in line with the restriction. The university applies a de-minimis of £5,000 for expendable endowments.

Donations with restrictions

The donation doesn't meet the expendable endowment criteria where the general use of the funds is specified by the donor. These are recorded in the Consolidated Statement of Comprehensive Income on entitlement and retained within a restricted reserve until such time that expenditure is incurred in line with the restriction.

Restricted permanent endowments

The donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective. Income is recognised on entitlement. Investment returns are recognised immediately and held within the endowment reserve, to the extent that it has not been spent.

Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the Consolidated Statement of Comprehensive Income to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the Balance Sheet.

iii) Donations for fixed assets

All non-government donations are released to the Consolidated Statement of Comprehensive Income as donations. Government donations are treated as deferred capital grants.

Donations received to be applied to the cost of land are recognised by inclusion as 'Donations' in the Consolidated Statement of Comprehensive income.

iv) Gifts in kind, including donated tangible fixed assets

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

7. STOCK

Stocks are stated at the lower of cost and net realisable value. Consumable items are charged directly to the Consolidated Statement of Comprehensive Income. The first in, first out (FIFO) method is used for costing stock.

8. INCOME TAX

Taxation status

The institution is an exempt charity within the meaning of part 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and does 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 478-488 of the Corporation Tax Act 2010 (CTA2010) 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.

All subsidiary companies are liable to Corporation Tax and Value Added Tax in the same way as any other commercial organisation.

9. DEFERRED TAXATION

ii) Deferred taxation

Provision is made for deferred taxation in respect of subsidiary companies, using the liability method on all material timing differences.

10. EMPLOYEE BENEFITS

i) Short-term employee benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employee renders the service to the university. Any unused benefits are accrued and measured as the additional amount the university expects to pay as a result of the unused entitlement.

ii) Post-employment benefits

Retirement benefits to employees of the university are provided by defined benefit schemes which are funded by contributions from the university and employees. Payments are made to the Teachers' Pension Scheme and 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.

For the Local Government Pension Scheme, the assets of the scheme are included at closing market value and scheme liabilities are measured on an actuarial basis using the projected unit credit 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. The following are recognised in the Consolidated Statement of Comprehensive Income:

a) Changes in the defined asset or liability arising from factors other than cash contributions to the scheme.

b) Actuarial gains and losses

c) Interest charges/returns by applying the discount rate to the net pension deficit/surplus

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 Consolidated Statement of Comprehensive Income as if the schemes were a defined contribution scheme.

Provision is made for enhanced pensions where employees have taken early retirement.

Also a provision is made for any contractual commitment to fund any past deficits within the Universities Superannuation Scheme.

11. BASIS OF CONSOLIDATION

The Consolidated Statement of Comprehensive Income and Balance Sheet include the annual accounts of the corporation and its operating subsidiary undertakings. Details of the university's subsidiary undertakings are provided in the notes to the accounts. The Annual Accounts have been consolidated under the acquisition method of accounting; intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include those of De Montfort University Students' Union Limited, as it is a separate limited company over which the university does not exert control or dominant influence over policy decisions.

12. FINANCIAL INSTRUMENTS

Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an immaterial risk of changes in value i.e. price risk. Cash and cash equivalents consist of cash on hand, demand deposits and short-term deposits/highly liquid investments, less bank overdrafts, which are repayable on demand. Short-term deposits and investments are those with an outstanding maturity of three months or less.

Interest-bearing borrowing

In accordance with the requirements of IAS 39 Financial Instruments, bonds and 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.

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 the Consolidated Statement of Comprehensive Income. 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.

Bad Debts

The university regularly reviews its aged accounts receivable and records an impairment for its estimate of unrecoverable items.

13. INTEREST PAYABLE

Interest is capitalised on borrowings to finance major property development to the extent that it accrues in respect of the period of development. Such costs are capitalised as part of the specific asset.

Other interest payable is charged to the Consolidated Statement of Comprehensive Income.

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, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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.

A contingent liability arises from a past event that gives the university a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the university. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the university a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the university.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

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. Transactions denominated in foreign currencies are recorded at the exchange rate on the transaction date, whilst assets and liabilities are translated at exchange rates at the Balance Sheet date. The resulting exchange rate differences are recognised in the Consolidated Statement of Comprehensive Income.

17. INVESTMENT PROPERTIES

An investment property can comprise land, buildings or part of a building and is one that is used to earn rentals or for capital appreciation or for both, rather than for the supply of goods or services. Property that is used with a primary purpose of supporting education does not meet the definition of an investment property and is accounted for as a tangible fixed asset.

Mixed use property is separated between investment property and fixed assets where rental income is considered material. Where the fair value of the investment property component cannot be measured reliably without undue cost or effort the entire property is accounted for as a tangible fixed asset.

After initial recognition at cost, an investment property is measured at fair value, with any changes in fair value recognised immediately within gains or losses on investments in the Consolidated Statement of Comprehensive Income. Investment properties are not depreciated but are revalued or reviewed as at 31 July each year.

Rentals received in relation to investment properties are credited to Investment Income.

Consideration of whether or not a property is an investment property is made at both the individual entity and consolidated accounts level.

CONSOLIDATED AND CORPORATION STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 JULY 2018

Income	Notes	Group 2018 £'000	Group 2017 £'000	Corporation 2018 £'000	Corporation 2017 £'000
Tuition fees and education contracts	1a	193,084	172,224	192,515	171,837
Funding body grants	1b	17,570	17,619	17,570	17,619
Research grants and contracts	1c	4,118	4,025	4,008	3,882
Other income	1d	9,025	10,054	9,570	10,145
Investment income	1e	947	465	942	460
Donations and endowments	1f	98	486	98	486
Total income		**224,842**	**204,873**	**224,703**	**204,429**
Expenditure					
Staff costs	2	117,853	106,059	117,853	105,638
Staff restructuring costs	2e	4,099	586	4,099	586
Other operating expenses	3	71,404	64,484	71,265	64,461
Interest and other finance costs	4	7,438	7,598	7,438	7,598
Intangible amortisation	7	1,269	523	1,269	523
Depreciation	8	11,881	11,673	11,881	11,673
Total expenditure	**5**	**213,944**	**190,923**	**213,805**	**190,479**
Surplus before other gains/(losses)		**10,898**	**13,950**	**10,898**	**13,950**
Loss on disposal of fixed assets		(243)	-	(243)	-
Gain on investments		33	72	33	72
Surplus before tax		**10,688**	**14,022**	**10,688**	**14,022**
Taxation	6	45	(72)	45	(72)
Surplus for the year		**10,733**	**13,950**	**10,733**	**13,950**
Unrealised surplus on revaluation of land and buildings		-	130	-	130
Actuarial gain in respect of pension schemes	25d	36,859	25,799	36,859	25,799
Total comprehensive income for the year		**47,592**	**39,879**	**47,592**	**39,879**
Represented by:					
Endowment comprehensive income for the year		43	481	43	481
Restricted comprehensive income for the year		6	(1)	6	(1)
Unrestricted comprehensive income for the year		47,568	39,269	47,568	39,269
Revaluation reserve comprehensive income for the year		(25)	130	(25)	130
		47,592	**39,879**	**47,592**	**39,879**

CONSOLIDATED AND CORPORATION STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 JULY 2018

	Income and expenditure account				
Group	Endowment £'000	Restricted £'000	Unrestricted £'000	Revaluation reserve £'000	Total £'000
Balance at 1 August 2017	1,856	19	136,313	1,193	139,381
Surplus from the income and expenditure statement	43	6	10,684	-	10,733
Other comprehensive income	-	-	36,859	-	36,859
Transfers between revaluation and income and expenditure reserve	-	-	25	(25)	-
Total comprehensive income for the year	**43**	**6**	**47,568**	**(25)**	**47,592**
Balance at 31 July 2018	**1,899**	**25**	**183,881**	**1,168**	**186,973**

	Income and expenditure account				
	Endowment £'000	Restricted £'000	Unrestricted £'000	Revaluation reserve £'000	Total £'000
Balance at 1 August 2016	1,375	20	97,044	1,063	99,502
Surplus from the income and expenditure statement	481	(1)	13,470	-	13,950
Other comprehensive income	-	-	25,929	-	25,929
Transfers between revaluation and income and expenditure reserve	-	-	(130)	130	-
Total comprehensive income for the year	**481**	**(1)**	**39,269**	**130**	**39,879**
Balance at 31 July 2017	**1,856**	**19**	**136,313**	**1,193**	**139,381**

	Income and expenditure account				
Corporation	Endowment £'000	Restricted £'000	Unrestricted £'000	Revaluation reserve £'000	Total £'000
Balance at 1 August 2017	1,856	19	136,056	1,193	139,124
Surplus from the income and expenditure statement	43	6	10,684	-	10,733
Other comprehensive income	-	-	36,859	-	36,859
Transfers between revaluation and income and expenditure reserve	-	-	25	(25)	-
Total comprehensive income for the year	**43**	**6**	**47,568**	**(25)**	**47,592**
Balance at 31 July 2018	**1,899**	**25**	**183,624**	**1,168**	**186,716**

	Income and expenditure account				
	Endowment £'000	Restricted £'000	Unrestricted £'000	Revaluation reserve £'000	Total £'000
Balance at 1 August 2016	1,375	20	96,787	1,063	99,245
Surplus from the income and expenditure statement	481	(1)	13,470	-	13,950
Other comprehensive income	-	-	25,929	-	25,929
Transfers between revaluation and income and expenditure reserve	-	-	(130)	130	-
Total comprehensive income for the year	**481**	**(1)**	**39,269**	**130**	**39,879**
Balance at 31 July 2017	**1,856**	**19**	**136,056**	**1,193**	**139,124**

CONSOLIDATED AND CORPORATION BALANCE SHEET
AS AT 31 JULY 2018

Non-current assets	Notes	Group 2018 £'000	Group 2017 £'000	Corporation 2018 £'000	Corporation 2017 £'000
Intangible assets	7	29,237	18,625	29,237	18,625
Tangible fixed assets	8	287,221	284,864	287,221	284,864
Heritage assets	9	1,073	1,073	1,073	1,073
Investment properties	10	3,795	3,794	3,795	3,794
Investments	11	1,102	1,069	1,412	1,379
Total non-current assets		**322,428**	**309,425**	**322,738**	**309,735**
Current assets					
Stocks	12	91	71	91	71
Trade and other receivables	13	9,438	8,224	10,387	8,797
Investments	14	50,000	25,000	50,000	23,916
Cash and cash equivalents	21	31,543	44,812	30,272	44,807
Total current assets		**91,072**	**78,107**	**90,750**	**77,591**
Less: Creditors: amounts falling due within one year	15	(42,217)	(36,272)	(42,462)	(36,323)
Net current assets		**48,855**	**41,835**	**48,288**	**41,268**
Total assets less current liabilities		**371,283**	**351,260**	**371,026**	**351,003**
Creditors: amounts falling due after more than one year	16	(122,352)	(121,825)	(122,352)	(121,825)
Provisions					
Pension provisions	25d	(59,068)	(88,000)	(59,068)	(88,000)
Other provisions	17	(2,890)	(2,054)	(2,890)	(2,054)
Total net assets		**186,973**	**139,381**	**186,716**	**139,124**
Restricted reserves					
Income and expenditure reserve – endowment fund	18	1,899	1,856	1,899	1,856
Income and expenditure reserve – restricted reserve	19	25	19	25	19
Unrestricted reserves					
Income and expenditure reserve - unrestricted		183,881	136,313	183,624	136,056
Revaluation reserve		1,168	1,193	1,168	1,193
Total unrestricted reserves		**185,049**	**137,506**	**184,792**	**137,249**
Total reserves		**186,973**	**139,381**	**186,716**	**139,124**

The financial statements on pages 52 to 70 were approved by the Board of Governors on 30 November 2018 and were signed on its behalf by

Ms Lin Hinnigan
Interim Deputy Chair

Professor D Shellard
Chief Executive and Vice-Chancellor

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2018

	Notes	2018 £'000	2017 £'000
Cash flow from operating activities			
Surplus for the year		10,733	13,950
Adjustment for non-cash items			
Depreciation	8	11,881	11,673
Amortisation of intangible assets	7	1,269	523
Gain on investments		(33)	(72)
(Increase)/decrease in stock		(20)	20
(Increase)/decrease in debtors		(1,214)	1,731
Increase in creditors		5,873	1,752
Increase/(decrease) in provisions		816	(2,877)
Pension costs less contributions payable	25	5,479	4,193
Adjustment for investing or financing activities			
Investment income	1e	(947)	(465)
Interest payable	4	7,438	7,598
Endowments received	18	(84)	(484)
Capital grants income		(1,422)	(1,466)
Loss on the disposal of fixed assets		243	-
Net cash inflow from operating activities		**40,012**	**36,076**
Cash flows from investing activities			
Capital grants receipts		1,888	1,626
Transfer to deposits		(25,000)	-
Income from endowments		42	36
Other interest received		905	429
Payments made to acquire fixed assets		(14,711)	(19,358)
Payments made to acquire intangible assets		(11,651)	(11,464)
Payments made to acquire investment properties		-	(3,794)
		(48,527)	**(32,525)**
Cash flows from financing activities			
Interest paid		(4,838)	(4,837)
Endowments cash received		84	484
Repayments of amounts borrowed		-	(3)
		(4,754)	**(4,356)**
Decrease in cash and cash equivalents in the year		**(13,269)**	**(805)**
Cash and cash equivalents at the beginning of the year		44,812	45,617
Cash and cash equivalents at the end of the year		31,543	44,812
		(13,269)	**(805)**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2018

1. Analysis of income	Group 2017/18 £'000	Group 2016/17 £'000	Corporation 2017/18 £'000	Corporation 2016/17 £'000
a) Tuition fees and education contracts				
Home and EU students	147,456	131,187	146,925	130,835
Overseas students	34,050	26,792	34,050	26,792
Education contracts	9,408	12,207	9,379	12,207
Other contracts	2,170	2,038	2,161	2,003
Total	**193,084**	**172,224**	**192,515**	**171,837**
b) Funding body grants				
Recurrent grants				
Higher Education Funding Council for England	15,109	15,147	15,109	15,147
Learning and Skills Council	469	639	469	639
Specific grants				
Higher Education Innovation Fund	592	386	592	386
Collaborative outreach programme	-	78	-	78
Release of capital grants				
Buildings	822	833	822	833
Equipment	578	536	578	536
Total	**17,570**	**17,619**	**17,570**	**17,619**
c) Research grants and contracts				
Research councils	1,331	339	1,331	339
UK-based charities	97	598	97	548
European Commission	1,543	1,827	1,543	1,827
Other grants and contracts	1,147	1,261	1,037	1,168
Total	**4,118**	**4,025**	**4,008**	**3,882**
d) Other income				
Residences and catering	4,544	4,656	4,538	4,563
Other services rendered	2,091	2,076	1,702	1,542
Other income	2,368	3,225	3,308	3,943
Other capital grants	22	97	22	97
Total	**9,025**	**10,054**	**9,570**	**10,145**
e) Investment income				
Interest from short-term investments	515	429	510	424
Income from restricted expendable endowments	7	6	7	6
Income from restricted permanent endowments	35	30	35	30
Other investment income	390	-	390	-
Total	**947**	**465**	**942**	**460**
f) Donations and endowments				
New endowments	85	478	85	478
Donations with restrictions	13	6	13	6
Unrestricted donations	-	2	-	2
Total	**98**	**486**	**98**	**486**
Total income	**224,842**	**204,873**	**224,703**	**204,429**

2. Staff costs	Group 2017/18 £'000	Group 2016/17 £'000	Corporation 2017/18 £'000	Corporation 2016/17 £'000
a) Staff costs				
Wages and salaries	88,256	80,588	88,256	80,167
Social security costs	9,251	8,594	9,251	8,594
Other pension costs	14,829	12,751	14,829	12,751
Movement on USS pension provision	38	(67)	38	(67)
The financial effects of LGPS pension scheme	5,479	4,193	5,479	4,193
Total	**117,853**	**106,059**	**117,853**	**105,638**
b) Employee numbers				
The average number of persons employed during the year, expressed as full-time equivalents, are disclosed below:				
Academic				
Full-time	815	714		
Part-time	260	276		
Support	1,187	1,149		
Total	**2,262**	**2,139**		
c) Vice-Chancellor emoluments	**£'000**	**£'000**		
Salary	350	286		
Bonus relating to prior year	-	38		
Health insurance	1	1		
Sub-total excluding pension contributions	**351**	**325**		
Pension contributions to USS	7	6		
Total	**358**	**331**		

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.

The Contract of Employment of the Vice-Chancellor provides for termination by the Corporation on giving nine months' notice.

Accommodation for the role of Vice-Chancellor is provided on the campus in a self-contained flat. The Vice-Chancellor does not pay rent, but pays for his private use of gas and electricity. In the financial year 2017/18, he contributed £1,590.01 towards utility bills, which covers not only the flat but the entire building's utility costs. As the flat is self-contained the rest of the building can be used by the university for official events.

In addition the Vice-Chancellor has membership to the Club at The Ivy, the cost of the membership £1,250 and associated top up costs of £1,435.08 are paid by the university.

Justification for remuneration package

The remuneration reflected in this year's accounts was determined in July 2017 based on performance in the 2016/17 financial year. The pay justification is therefore reflective of that period of activity. In this year, the Remuneration Committee awarded a salary increase, but no bonus. This was in recognition of the Vice-Chancellor's significant impact on the university's performance, as well as his strong presence and growing influence in the sector. His leadership of DMU's sustained impact is evidenced by the achievement of 'Gold' in the Teaching Excellence Framework (TEF) in this year and significant and continued growth in student recruitment (between 2016/17 and 2017/18 full-time undergraduate student numbers for Home/EU and International increased by 8% and 22%, respectively), income generation and reputation. The Committee was cognisant of volatility and uncertainty in the sector and the ability of the Vice-Chancellor to lead and create resilience in response to enhanced competition, a changing policy landscape and growing public interest in higher education. Further considerations are outlined below:

- In awarding DMU TEF gold the TEF panel highlighted many of the Vice-Chancellor's priorities as being critical contributions to DMU's gold award, including employability, volunteering, student support, real-world research and a culture that rewards and recognises outstanding teaching. DMU's award included eight commendations from the review panel.
- DMU's financial performance and sustainability continued to improve in 2016/17 achieving an end of year surplus of £14m.
- Despite the challenging environment created by the outcome of the EU referendum in June 2016 and demographic changes in the domestic market student recruitment performance was maintained with demand from students from the EU increasing by 26% with a clear correlation between destinations targeted by #DMUglobal and the #LoveInternational campaign, led by the Vice-Chancellor, showing the highest growth.
- Leicester Castle Business School (LCBS) was established with first year student recruitment targets exceeded.
- This year also saw the culmination of the university's £136m Campus Transformation programme with the delivery and opening of the award-winning Vijay Patel building housing the university's Art and Design courses.
- Professor Shellard built on his media profile this year contributing to debate on key issues at the heart of British higher education, both at home and overseas. Professor Shellard was a member of the government delegation for the India-UK TECH summit, hosted by the Prime Minister, and was appointed Global Ambassador to the United Nations by the Gandhi Global Family; work that has subsequently led to an important partnership with the United Nations. He has also maintained his academic profile, co-authoring Shakespeare's Cultural Capital (Macmillan) to excellent critical review.

Relationship between Vice-Chancellor remuneration and other employees

The Vice-Chancellor's basic salary is 10.4 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the institution to its staff.

The Vice-Chancellor's total remuneration is 9.0 times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the institution of its staff.

d) Remuneration of other higher paid staff

Remuneration of other higher paid staff, excluding employer's pension contributions:

	2017/18	2016/17
£100,000 to £104,999	4	4
£105,000 to £109,999	-	-
£110,000 to £114,999	1	1
£115,000 to £119,999	-	1
£120,000 to £124,999	2	-
£125,000 to £129,999	1	2
£130,000 to £134,999	-	1
£135,000 to £139,999	2	1
£140,000 to £144,999	2	-
£145,000 to £149,999	-	-
£150,000 to £154,999	1	1
£155,000 to £159,999	-	-
£160,000 to £164,999	1	-
£165,000 to £169,999	-	1
£170,000 to £174,999	-	-
£175,000 to £179,999	-	-
£180,000 to £184,999	1	-
£185,000 to £189,999	-	-
£190,000 to £194,999	-	-
£195,000 to £199,999	1	-

The Board of Governors has agreed the terms of reference, policy and guidelines for DMU's Remuneration Committee that determines membership, responsibilities and how they must carry out their role. The Remuneration Committee is responsible for meeting the obligations described in those documents and has oversight of their implementation in relation to senior staff remuneration and severance arrangements. These documents and the approach taken comply with the Committee of University Chairs Higher Education Senior Staff Remuneration Code and can be found here:
http://www.dmu.ac.uk/about-dmu/university-governance/the-board-of-governors/sub-committees-of-the-board.aspx

The Remuneration Committee has a specific remit for determining the remuneration of the Vice-Chancellor and those roles determined to be Senior Post-holders which, within the reference period, was the Deputy Vice-Chancellor, Chief Operating Officer, Pro Vice-Chancellors, Chief Finance Officer and Vice-Chancellor's Chief of Staff.

A range of benchmarking data is used to guide remuneration decisions, including data from the higher education sector and beyond. More details can be found in the guidance described above. In order to determine the salary of the Vice-Chancellor and other Senior Post-holders, data on whole sector and similar university averages are considered, as well as those that are considered to be immediate and aspirational competitors, recognising that our aim is to secure and retain those who can enable and drive the university's progress. Senior Professional Service Post holders remuneration is benchmarked against data provided by Korn Ferry/Hay, using the 'Service Sector' average to determine salaries of roles that are generic across sectors.

The university's policy on income derived from external activities for senior post holders can be found here:
http://www.dmu.ac.uk/about-dmu/university-governance/the-board-of-governors/sub-committees-of-the-board.aspx

Key management personnel

The university executive board members are classed as key management personnel who have authority and responsibility for planning, directing and controlling the activities of the institution. This includes compensation paid to key management personnel.

	2017/18 £'000	2016/17 £'000
Key management personnel	**2,033**	**1,689**

e) Restructuring costs - group and corporation

The total amount of any compensation for loss of office paid across the institution

	2017/18 £'000	2016/17 £'000
Staff restructuring costs	**4,099**	**586**
Number of staff to who this was payable	**120**	**28**

f) Trade Union Facility Time

	2017/18
Relevant Union Officials	
Number of employees who were relevant union officials during the relevant period	20
Full-time equivalent employee	19.6 FTE
Percentage of time spent on facility time	
Employees who were relevant union officials employed during the period	
Percentage of time	Number of employees
0%	-
1-50%	20
51-99%	-
100%	-
Percentage of pay bill spent on facility time	
Percentage of total pay bill spent on paying employees who were relevant union officials for facility time during the period	
Total cost of facility time	51,065
Total pay bill	108,644
Percentage of the total pay bill spent on facility time	0.05%
Paid trade union activities	
Time spent on paid trade union activities as a percentage of total paid facility time hours	8.29%

3. Other operating expenses

		Group 2017/18 £'000	Group 2016/17 £'000	Corporation 2017/18 £'000	Corporation 2016/17 £'000
External auditor's remuneration		85	79	75	71
Auditor's fees for non-audit services	Other services supplied pursuant to such legislation	4	3	4	3
	Other services relating to taxation	-	14	-	14
	Other projects	-	61	-	61
Internal audit services		163	132	163	132
Legal, professional and consultancy fees		20,348	16,913	20,522	17,225
Administrative expenses		5,799	7,205	5,819	7,146
Publicity		6,302	5,646	6,302	5,628
General education expenses		4,423	4,709	4,201	4,637
Consumables		9,974	6,047	9,927	6,020
Repairs and general maintenance		3,431	5,076	3,431	5,076
Student bursaries		2,257	2,580	2,257	2,580
Travel and subsistence		5,627	4,641	5,586	4,574
Energy		3,058	2,879	3,058	2,879
Residences and catering		3,319	3,204	3,315	3,203
Rent, rates and insurance		3,002	1,865	3,002	1,831
Grant to De Montfort University Students' Union Limited		1,046	1,045	1,046	1,045
Research grants and contracts		1,479	1,174	1,472	1,139
Staff development		485	413	484	411
Other		602	798	601	786
Total		**71,404**	**64,484**	**71,265**	**64,461**

	Group 2017/18 £'000	Group 2016/17 £'000	Corporation 2017/18 £'000	Corporation 2016/17 £'000
Other operating expenses include:				
Operating leases – buildings	556	750	556	750
Operating leases – equipment	75	186	75	186

Governors

In 2017/18 three governors (Mr Blatchford, Mr Kapur and Mr Stockdale) were remunerated in their roles as Chairs of Committees, total £37,500 (2017: £37,500). Mr Blatchford waived part of his payment.

The total expenses paid to or on behalf of 17 governors was £9,080 (2017: £6,264 to 17 governors). This represents travel and subsistence incurred in attending Board and Committee meetings in their official capacity.

4. Interest payable – group and corporation

	2017/18 £'000	2016/17 £'000
Net financing costs in pension scheme liabilities	2,448	2,615
Interest on USS	20	13
Interest on bond	4,837	4,837
Bond transaction costs	133	133
Total	**7,438**	**7,598**

5. Analysis of 2017/18 expenditure by activity – group and corporation

	Staff costs £'000	Other operating expenses £'000	Depreciation £'000	Interest £'000	2017/18 Total £'000	2016/17 Total £'000
Academic departments	65,766	13,291	2,029	-	81,086	74,322
Academic services	14,557	11,997	2,557	-	29,111	24,807
Admin and central services	10,340	5,499	459	-	16,298	14,150
General education expenditure	3,594	20,460	-	-	24,054	19,046
Staff and student facilities	9,959	8,750	101	-	18,810	17,509
Premises	6,125	10,637	6,633	-	23,395	22,423
Residences and catering	480	1,052	102	-	1,634	1,607
Research grants and contracts	1,462	876	-	-	2,338	3,465
Other expenditure	91	111	-	4,990	5,192	6,157
Provision for restructuring	4,099	-	-	-	4,099	616
Pension scheme's adjustment	5,479	-	-	2,448	7,927	6,821
Total	**121,952**	**72,673**	**11,881**	**7,438**	**213,944**	**190,923**

Other operating expenses includes amortisation.

The depreciation charge has been funded by:

	£'000
Deferred capital grants released	1,422
General income	10,459
Total	**11,881**

6. Taxation – group and corporation

	2017/18 £'000	2016/17 £'000
Corporate Income Tax (CIT) paid/(refunded) – Liaoning University (LNU)	10	10
Provision for CIT for Jinling Institute of Technology (JIT) JEP	(13)	13
Provision for individual income tax (IIT) due in Shenyang Huanggu region	7	49
Historic tax provision, no longer required	(49)	-
Total	**(45)**	**72**

Tax is payable to Chinese Tax Authorities on activity relating to Joint Education Programs (JEP) with partner universities in China.

A tax payment is made each year in relation to income from the LNU JEP.

Provisions have increased by £7.4k, this relates to an estimate of income tax due on staff teaching on the LNU JEP on a fly-in fly-out basis.

7. Intangible fixed assets

	2017/18 £'000	2016/17 £'000
Group and corporation		
Cost or valuation		
At 1 August 2017	19,271	7,807
Transfer from tangible assets under construction	230	-
Additions at cost	11,651	11,464
As at 31 July 2018	**31,152**	**19,271**
Amortisation		
At 1 August 2017	646	123
Charge for the year	1,269	523
As at 31 July 2018	**1,915**	**646**
Net book value:		
At 31 July 2018	**29,237**	**18,625**

The intangible assets represent the core systems modernisation programme (CSM) that replaces a number of items of software that have reached the end of their useful lives, these costs are amortised over 10 years.

Internal staff capitalised within intangible additions at 31 July 2018 was £871,000 (31 July 2017: £1,987,000)

8. Tangible fixed assets

	Land and buildings £'000	Assets under construction £'000	Furniture and equipment £'000	Computer equipment £'000	Total £'000
Group and corporation					
Cost or valuation					
At 1 August 2017	300,540	3,663	11,730	30,531	346,464
Additions at cost	4,875	4,616	1,680	3,540	14,711
Transfers from assets under construction	2,663	(3,310)	97	320	(230)
Disposals	(292)	(243)	(583)	(3,013)	(4,131)
At 31 July 2018	**307,786**	**4,726**	**12,924**	**31,378**	**356,814**
Depreciation					
At 1 August 2017	28,760	-	8,257	24,583	61,600
Charge for the year	6,610	-	1,180	4,091	11,881
Depreciation charge for the year	**6,610**	**-**	**1,180**	**4,091**	**11,881**
Disposals	(292)	-	(583)	(3,013)	(3,888)
At 31 July 2018	**35,078**	**-**	**8,854**	**25,661**	**69,593**
Net book value:					
At 31 July 2018	**272,708**	**4,726**	**4,070**	**5,717**	**287,221**
At 31 July 2017	271,780	3,663	3,473	5,948	284,864

The net book value of tangible fixed assets held under finance leases at 31 July 2018 was nil (31 July 2017: nil).
Internal staff capitalised within computer equipment additions at 31 July 2018 was nil (31 July 2017: nil)
Land and buildings includes £8.9m (2017: £8.9m) of university-owned land that is not depreciated.

	Group and corporation	
The net book value of land and buildings is comprised as follows:	2017/18 £'000	2016/17 £'000
Freehold	266,666	264,919
Long lease	6,042	6,861
Total	**272,708**	**271,780**

9. Heritage assets

	2017/18 £'000	2016/17 £'000
Group and corporation		
Cost or valuation		
At 1 August 2016	1,073	943
Additions at cost	-	130
At 31 July 2017	**1,073**	**1,073**

The university holds a number of pieces of artwork, these were re-valued in 2016 in accordance with the university's accounting policies.

10. Investment properties

	2017/18 £'000	2016/17 £'000
Group and corporation		
Cost or valuation		
At 1 August 2017	3,794	-
Additions at cost	1	3,794
Net book value at 31 July 2018	**3,795**	**3,794**

The investment property currently totalling £3.8m (2017: £3.8m) was purchased on an competitive open market basis in June 2017. This valuation has been updated as at 31 July 2018 by senior management at the university, no change to the value has been recorded as a consequence.

11. Investments

	Group 2017/18 £'000	Group 2016/17 £'000	Corporation 2017/18 £'000	Corporation 2016/17 £'000
Movement in the year				
Balance at beginning of year	1,069	997	1,379	1,307
Appreciation of investments	33	72	33	72
Balance at year end	**1,102**	**1,069**	**1,412**	**1,379**
Analysis of closing balance				
Shareholding in subsidiary undertakings	-	-	310	310
Other investments	134	158	134	158
Shareholding in CVCP Properties PLC	38	38	38	38
Securities and fixed interest stock for endowments	930	873	930	873
Total	**1,102**	**1,069**	**1,412**	**1,379**

a) Shareholdings in subsidiary undertakings

At year end, investments in subsidiary undertakings comprise:

	Group holding %	Corporation 2017/18 £	Corporation 2016/17 £	Description of activities
Directly owned by the university:				
De Montfort Expertise Ltd	100	310,000	310,000	Provision of contract research and development
Leicester Business School Ltd	100	1	1	Dormant company
Leicestershire Business School Ltd	100	1	1	Dormant company
Total		**310,002**	**310,002**	

All of the subsidiary undertakings are incorporated in England and Wales.

b) Other investments	Holding %	Corporation 2017/18 £	Corporation 2016/17 £	Description of activities
Spear Therapeutics Ltd	11.06	234	234	Drug development and research
BTG PLC	<0.01	105,382	130,785	Drug development and research
CYPS Ltd	100.00	100	100	Dormant company
In Smart Ltd	100.00	100	100	Dormant company
Morvus Technology Ltd	<0.40	589	589	Drug development and research
Abeona Therapeutics	<0.70	2,175	1,271	Drug development and research, incorporated in USA
Mediatag Ltd	32.47	150	150	Software development
Venuesim Ltd	33.00	300	300	Software development
WZVI Ltd	10.00	100	100	Science and engineering research
IP By Design Ltd	10.00	25,000	25,000	Intellectual property management consultancy
CYP Design Ltd	20.00	2	2	Drug development and research
Total		**134,132**	**158,631**	

12. Stocks – group and corporation

	2017/18 £'000	2016/17 £'000
Goods for resale	1	2
Art and design supplies	88	69
Computer supplies	2	-
Total	**91**	**71**

13. Trade and other receivables

	Group 2017/18 £'000	Group 2016/17 £'000	Corporation 2017/18 £'000	Corporation 2016/17 £'000
Student receivables	2,152	1,387	2,152	1,379
Other receivables	2,727	3,900	2,624	3,793
Research grants receivables	2,371	963	2,141	748
Prepayments and accrued income	2,188	1,974	2,175	1,902
Subsidiary undertakings	-	-	1,295	975
Total	**9,438**	**8,224**	**10,387**	**8,797**

14. Investments

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

At 31 July 2018:
£50,000,000 of Group Funds was on deposit (31 July 2017: £25,000,000).
£50,000,000 of Corporation Funds was on deposit (31 July 2017: £23,916,000).

15. Creditors: amounts falling due within one year

	Group 2017/18 £'000	Group 2016/17 £'000	Corporation 2017/18 £'000	Corporation 2016/17 £'000
Payments received in advance	19,499	13,336	19,465	13,197
Trade creditors	1,847	4,527	1,704	4,361
Other creditors	2,709	2,139	2,666	2,068
Taxation	1,301	1,152	1,267	1,152
Social security	1,318	1,259	1,317	1,259
Accruals	14,810	13,248	14,362	12,924
Student caution deposits	733	611	733	611
Subsidiary undertakings	-	-	948	751
Total	**42,217**	**36,272**	**42,462**	**36,323**

Payments received in advance

Included within payments received in advance are the following items of income which have been deferred until specific performance related conditions have been met.

	Group 2017/18 £'000	Group 2016/17 £'000	Corporation 2017/18 £'000	Corporation 2016/17 £'000
Research grants received on account	6,426	4,759	6,408	4,636
Capital grant income	1,626	1,554	1,626	1,554
Other income	11,447	7,023	11,431	7,007
Total	**19,499**	**13,336**	**19,465**	**13,197**

16. Creditors: amounts falling due after more than one year – group and corporation

	2017/18 £'000	2016/17 £'000
Bond	90,000	90,000
Bond transaction costs	(3,197)	(3,330)
Bond total	**86,803**	**86,670**
Deferred income	35,549	35,155
Total	**122,352**	**121,825**

See note 26 for further details on the bond listing.

17. Provisions for liabilities

	Taxation	Future pensions	Staff restructuring	Obligation to fund deficit on USS pension	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2017	112	1,138	77	727	2,054
Utilised in year	-	(96)	(77)	(64)	(237)
Additions in year	17	460	603	122	1,202
Unused amounts reversed in year	(63)	(66)	-	-	(129)
At 31 July 2018	**66**	**1,436**	**603**	**785**	**2,890**

The provision for future pensions represents the estimated outstanding cost to the university in respect of enhanced pension entitlements, and is reviewed at each financial year end.

The provision for staff restructuring relates to agreements that have been reached for early retirement and voluntary severance as at the Balance Sheet date.

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from the past performance. Management have assessed future employees within the USS scheme salary payment over the period of the contracted obligation in assessing the value of the provision.

18. Endowment reserves – group and corporation

	Unrestricted permanent £'000	Restricted permanent £'000	Restricted expendable £'000	2017/18 Total £'000	2016/17 Total £'000
Capital	1	786	946	1,733	1,279
Accumulated income	-	115	8	123	96
Total	**1**	**901**	**954**	**1,856**	**1,375**
Investment income	-	35	7	42	35
Expenditure	-	(2)	(138)	(140)	(104)
Total	**-**	**33**	**(131)**	**(98)**	**(69)**
New endowments	-	-	84	84	477
Appreciation in market value of investments	-	57	-	57	73
At 31 July 2018	**1**	**991**	**907**	**1,899**	**1,856**
Represented by:					
Capital value	1	843	907	1,751	1,733
Accumulated income	-	148	-	148	123
Total	**1**	**991**	**907**	**1,899**	**1,856**
Analysis by type of purpose:					
Scholarships and bursaries				1,306	1,280
Research support				33	61
Prize funds				521	482
General				39	33
Total				**1,899**	**1,856**
Analysis by asset:					
Current and non-current asset investments				930	873
Cash and cash equivalents				969	983
Total				**1,899**	**1,856**

19. Restricted reserves – group and corporation

Reserves with restrictions are as follows:

	Donations 2017/18 £'000	Donations 2016/17 £'000
Balance at 1 August 2017	19	20
New donations	13	6
Expenditure	(7)	(7)
At 31 July 2018	**25**	**19**

20. Borrowings and lease obligations

	2017/18 £'000	2016/17 £'000
a) Borrowings		
Borrowings in respect of bond issue, bank loans, overdrafts and other loans are repayable as follows:		
In five years or more	90,000	90,000
Total	**90,000**	**90,000**

b) Operating leases

At 31 July 2018, the university had annual commitment under operating leases as follows:

Land and buildings	2017/18 £'000	2016/17 £'000
Future minimum lease payments due:		
Not later than 1 year	379	473
Later than 1 year and not later than 5 years	1,516	1,208
Later than 5 years	759	631
Total lease payments due	**2,654**	**2,312**
Other		
Future minimum lease payments due:		
Not later than 1 year	75	91
Later than 1 year and not later than 5 years	96	59
Total lease payments due	**171**	**150**

21. Cash and cash equivalents

	At 1 August 2017 £'000	Cash flows £'000	At 31 July 2018 £'000
Consolidated			
Cash and cash equivalents	44,812	(13,269)	31,543
Total	**44,812**	**(13,269)**	**31,543**

22. Capital and other commitments

	Intangible fixed assets £'000	Tangible fixed assets £'000	2017/18 Total £'000	2016/17 Total £'000
Provision has not been made for the following capital commitments at 31 July 2018.				
Commitments contracted for	1,932	3,587	5,519	7,729
Authorised but not contracted for	98	17,353	17,451	28,689
Total	**2,030**	**20,940**	**22,970**	**36,418**

23. Contingent liabilities

There are no material contingent liabilities.

24. Related party transactions

The members of the Board of Governors have considered the requirement for disclosure concerning related parties under FRS 102.

It is a requirement of HEFCE that transactions during the year between institutions and the autonomous, non-consolidated students' unions are reported as a related party transaction. Mr Mike Mayes, Vice-President of De Montfort Students' Union, sat on the university's board until June 2018. Ms Mollie Footitt joined the Board in June 2018. The grant paid to the students' union during the year was £1,046,000.

Mr Simon Capper, Independent Governor, serves as the Finance Director at Leicester City Football Club (LCFC) with which the university is party to a Sponsorship Agreement. Leicester City Football Club also buys services from De Montfort Expertise Limited, a company wholly owned by De Montfort University. A standing declaration of interest, which is actively considered when appropriate, operates for Mr Capper with respect to any Board of Governors' business linked to the university's partnership with Leicester City Football Club.

Baroness Doreen Lawrence, Chancellor of De Montfort Unversity provided consultancy services to the university in setting up the Stephen Lawrence Research Centre. The value of services provided to the university during 2017/18 was £20,000.

Mr Ian Blatchford, Independent Governor and Chairman of the Board of Governors, is a Director of the Science Museum Group. The value of services provided to the university by the Science Museum Group during 2017/18 was £27,500.

During the year, Vector Group Limited provided services to the university with a value of £67,792. A close family member of the Vice Chancellor is the majority shareholder and a director of Vector Group Limited.

25. Pension schemes

a) The university's employees belong to two principal 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	2017/18 £'000	2016/17 £'000
Teachers' Pension Scheme: contributions paid	6,690	6,021
Universities Superannuation Scheme: contributions paid	553	476
Local Government Pension Scheme (LGPS)	7,586	6,254
Total other pension costs	**14,829**	**12,751**
The financial effects of LGPS pension scheme	5,479	4,193
Total	**20,308**	**16,944**

The pension charge for the year includes an amount in respect of enhanced pension entitlements of staff taking early retirement that are not accounted for under FRS 102. The calculation of the cost of early retirement provisions charged to the Income and Expenditure Account in the year of retirement is based on the total capital cost of providing enhanced pensions.

An amount of £1,436k (2017: £1,138k), is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the university of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

b) Teachers' Pension Scheme

The university participates in the Teachers' Pension Scheme (TPS), a defined benefit pension scheme which is unfunded. Contributions from both members and employers are credited to the Exchequer which is responsible for meeting the cost of all benefits under arrangements governed by the Superannuation Act 1972. Actuarial valuations are carried out on a notional set of investments.

The pension costs are assessed periodically in accordance with advice from the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Last actuarial valuation	31 March 2012
Actuarial method	Prospective benefits
Investment returns per annum	8.0%
Pension increase per annum	2.0%
Salary scale increases per annum	4.8%
Value of notional assets at date of last valuation	£176,600m
Proportion of members' accrued benefits covered by the actuarial value of the assets	92%

The last valuation of the TPS related to the period 1 April 2005 - 31 March 2012. The Government Actuary's report of June 2014 revealed that the total liabilities of the scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176,600 million.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution has been assessed at 19.75%, plus a supplementary contribution rate of 0.75% (to balance assets and liabilities as required by the regulations within 15 years); a total contribution rate of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable.

Under the definitions set out in FRS 102, Retirement Benefits, the TPS is a multi-employer pension scheme. The university is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the university has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

c) Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed 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. As required by Section 28 of FRS 102 'Employee benefits', the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as the Universities Superannuation Scheme. The accounting for a multi-employer scheme, where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit, results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that the Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The total cost charged to the profit and loss account is £552,938 (2016: £475,860) as shown in note 25a.

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is under way, but not yet completed.

Since the institution cannot identify its share of the Retirement Income Builder Section of the scheme's assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2014 valuation was the third valuation for USS under the 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. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 scheme valuation is complete.

Defined benefit liability numbers for the scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018.

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	**Pre-retirement:** 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.	98% of SPA S1NA 'light' YOB unadjusted for males.
	Post retirement: 96.5% of SAPS S1NMA 'light' for males and 101.3% of RFV00 for females.	99% of SAPS S1NA 'light' YOB with a -1 year adjustment for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.	CMI_2014 with a long term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.8% as at 31 July 2018, are included in note 17 to the financial statements.

The 2017 actuarial valuation of USS has been undertaken, but this has not yet been formerly completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors – specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period – it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount, depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £0.8 million (assuming the same discount rate of 2.8%):

	Approximate monetary amount £'000
The impact of a 1% increase in the discount rate	(50)
The impact of an increase to 6% i.e. an increase of 3.9% in the deficit contribution rate	1,500
The impact of a range of durations for the deficit repayment	
10 years	593
15 years	1,458

d) Local Government Pension Scheme

The university participates in a defined benefit scheme in the UK, the Leicestershire County Council Pension Fund. A full actuarial valuation of the fund was carried out at 31 March 2013 by a qualified independent actuary. This was updated to 31 July 2018 for FRS 102 purposes by a qualified independent actuary. The major assumptions used by the actuary were as follows:

	2018	**2017**
Rate of increase in salaries	3.1%	3.2%
Rate of increase in pensions	2.0%	2.2%
Discount rate for liabilities	2.8%	2.7%
Inflation assumption	2.0%	2.2%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	2018	**2017**
Retiring today		
Males	21.8 years	22.1 years
Females	24.0 years	24.3 years
Retiring in 20 years		
Males	23.2 years	23.8 years
Females	25.5 years	26.2 years

The major categories of plan assets as a percentage of total plan assets

	2018 %	**2017 %**
Equities	62%	67%
Bonds	27%	20%
Property	9%	8%
Cash	2%	5%

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year ended 31 July 2018	**2017/18 £'000**	**2016/17 £'000**
Fair value of plan assets	200,590	177,959
Present value of funded liabilities	(288,590)	(284,950)
Opening position as at 1 August	**(88,000)**	**(106,991)**
Service cost and contributions		
Current service cost	(13,189)	(11,018)
Past service cost	(147)	(210)
Total service cost and contributions	**(13,336)**	**(11,228)**
Financing		
Interest income on plan assets	5,478	4,315
Interest costs on defined benefit obligation	(7,926)	(6,930)
Total net interest	**(2,448)**	**(2,615)**
Total defined benefit costs recognised	**(15,784)**	**(13,843)**
Cash flows		
Employer contributions	7,857	7,035
Total cash flows	**7,857**	**7,035**
Expected closing position	**(95,927)**	**(113,799)**
Remeasurements		
Changes in demographic assumptions	6,234	3,479
Changes in financial assumptions	18,563	(58)
Other experience	-	7,958
Return on assets excluding amounts included in net interest	12,062	14,420
Total remeasurements recognised in Other Comprehensive income	**36,859**	**25,799**
Analysis of the movement in the fair value of plan assets		
Value of assets at 1 August	200,590	177,959
Interest income on plan assets	5,478	4,315
Plan participants' contributions	2,614	2,484
Employer contributions	7,857	7,035
Benefits paid	(5,561)	(5,623)
Return on assets excluding amounts included in net interest	12,062	14,420
Value of assets at 31 July	**223,040**	**200,590**
Analysis of the movement in the present value of funded liabilities		
Present value of liabilities at 1 August	288,590	284,950
Current service cost	13,189	11,018
Past service cost	147	210
Interest cost on defined benefit obligation	7,926	6,930
Plan participants' contributions	2,614	2,484
Benefits paid	(5,561)	(5,623)
Changes in demographic assumptions	(6,234)	(3,479)
Changes in financial assumptions	(18,563)	58
Other experience	-	(7,958)
Present value of liabilities at 31 July	**282,108**	**288,590**
Fair value of plan assets	223,040	200,590
Present value of funded liabilities	(282,108)	(288,590)
Closing position as at 31 July	**(59,068)**	**(88,000)**

Sensitivity analysis

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

Change in assumptions at 31 July 2018	Approximate % increase to employer liability	Approximate monetary amount £'000
0.5% decrease in real discount rate	12%	32,803
0.5% increase in the salary rate increase rate	2%	5,614
0.5% increase in the pension increase rate (CPI)	10%	26,830

26. Financial instruments

Bond disclosures

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%. The £20 million reserve bonds which were held without coupon by the trustee for a five year period to July 2017 has now been 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.

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. The group's treasury management policy governs all treasury management activities and sets out relevant policy objectives and control measures as driven by the university's Financially Sustainability Framework. It is reviewed and approved by the university Finance & Human Resources Committee annually. The treasury management policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Services as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) as recommended by the Higher Education Funding Council for England (HEFCE).

The group's principal financial instruments are the bond, cash, short term deposits and investments. The core objective of these financial instruments is to meet financing needs of the group's operations. Additionally, the group has other financial assets and liabilities arising directly from its operations i.e. trade debtors and creditors.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group's Treasury Management Policy and Bad Debt Write Off Policy lay out the framework for credit risk management. Credit risk is monitored on an ongoing basis.

The group's credit risk arises from bank balances, investments, student debtors and government and commercial organisations as customers. Management of credit risk is a prime objective of Treasury Management Policy. At 31 July 2018, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

Student, government and commercial debtors are reviewed on an ongoing basis and bad debt provisions are made if recovery of credit becomes uncertain. A debtor deemed irrecoverable is written off in accordance with the Bad Debt Write Off Policy. The concentration of risk is limited due to the student base being large and diverse. The treasury management policy states maximum level of investments for each counterparty to mitigate risk concentration. Similarly, the group's investment decisions are based on strict minimum credit-worthiness criteria to ensure the safety of cash and investments. Credit worthiness of the group's banks and money market funds is regularly monitored. Generally, the group does not require collateral against financial assets.

Liquidity risk

Liquidity risk refers to the risk that the group will not be able to meet its financial obligations as they fall due. Regular monitoring of liquidity risk is an essential feature of treasury management activities.

Formal cash flow forecasts are developed, monitored and updated to ensure that adequate working capital is available and excess funds are invested to reduce the carrying cost of funds. The group's policy is to maintain a minimum liquidity of one month expenditure plus 20% reserve and invest excess funds for maturities to maximise investment returns while ensuring there is adequate liquidity to meet our liabilities. At 31 July 2018, the group is holding cash deposits and investments of various maturities, none of which is greater than 12 months. The average maturity of all deposits and investments is 84 days. The group's £1m overdraft facility with National Westminster Bank remained undrawn at the Balance Sheet date.

The long term financing of the group relies on £90m, unsecured Eurobonds maturing in June 2042. The retained bonds held by or on behalf of the group were cancelled on 18 July 2017. The capital amount will be paid at maturity and a coupon of 5.375% is paid semi-annually. The group may, at its option, redeem all, or from time to time any part of, the bonds at the higher of the following:
(a) The principle amount of the bonds to be redeemed
(b) The sum of the Gross Redemption Yield of the benchmark gilt (4.50% Treasury Gilt 2042) and 0.40% plus accrued interest

Unless previously redeemed or purchased and cancelled, the bonds will be redeemed at their principle 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 trust deed) do not exceed 7% of the aggregate of:

(a) Its total consolidated income for the financial year; and

(a) The total cash of the group as at the end of the financial year.

For the financial year ending on 31 July 2018, the ratio was 2.4% (2016/17 2.7%). The bonds may be redeemed at the option of the holder subject to the occurrence of certain events mentioned in the bond trust deed. Moody's reviewed the bond credit rating in February 2018 and confirmed there has been no change to the credit rating, previously reported of Aa3 negative outlook. See Note 19(a) for 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 ringfenced euro bank accounts, set up especially for research projects funded in euros. All other receipts in foreign currencies are converted into pounds sterling unless required for immediate foreign currency payments. Overall, foreign currency exposure is immaterial, being an insignificant portion of total Income and expenditure. At 31 July 2018, the sterling equivalent of all euro bank balances was £1.9m (2016/17: £0.3m).

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 £90m bonds (31 July 2017 – £110m). At 31 July 2018, 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 2018.

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:

	2017/18 Carrying value £m	2017/18 Fair value £m	2016/17 Carrying value £m	2016/17 Fair value £m
5.375%, Unsecured Bonds due 2042	86.8	124.0	86.6	131.7

Value of interest accrued at 31 July 2018 is £0.4m (31 July 2017 - £0.4m).

The bond is listed on the London Stock Exchange, therefore categorised as Level 1 under the requirements of FRS 102 and valued using quoted ask price as at 31 July 2018 in compliance with FRS 102. 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.

HEFCE requires the university to provide for the repayment of the bond in the form of a bond redemption fund of £15m every five years.

The current value of this notional reserve is £15m held within short-term deposits (note 14).

27. Post balance sheet events note

Guaranteed Minimum Payment (GMP) equalisation

As a result of a High Court decision on 26 October 2018, pension schemes which have members with Guaranteed Minimum Pensions (GMPs) must take action to address inequalities in those GMPs if they were contracted-out of the state scheme between 1978 and 1997. The university considers it is likely that this will ruling will impact all of the defined benefit schemes in which it is a participating employer and may result in the recognition of additional liabilities. As a consequence of this ruling, trustees of pension schemes will need to consider the integrity of their pension scheme data, the adjustments to benefits that may be necessary and any implications for scheme liabilities and funding. The High Court ruling on 26 October 2018 creates an obligation on that date for the trustees to amend the scheme rules to reflect the consequences of the ruling. Therefore this is considered to be a non-adjusting event after the reporting period. The calculation of any additional liabilities will be a complex and lengthy process and as such the financial effect of any adjustment that may arise cannot be estimated at this stage. Any adjustment will be reflected in the Annual Accounts for the year ended 31 July 2019.

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