

ANNUAL ACCOUNTS

2010/11

“DMU boosts the UK economy by **£389 million** each year and creates more than **12,000 jobs**”



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Board of Governors and Committees, Senior Executive and Professional Advisers

BOARD OF GOVERNORS

Independent Governors

The Lord Waheed Alli, Hon DLitt (DMU), Hon DLitt (University of Westminster) (Chancellor of the University)	
Mr Jamie Andrews, BA (Hons), MPhil	<i>Joined September 2010</i>
Mr Ian Blatchford, MA (Oxon), MA (Birkbeck), FCMA, FSA (Chairman of the Board - incoming from July 2011)	<i>Joined September 2010</i>
Mr Gautam Bodiwala, CBE, DL, DSc (Hons), MS, FRCS, FRCP, FFAEM	<i>Stepped down July 2011</i>
Mr Kevin Hand	
Mr Mike Kapur, BSc (Hons), ACA, FRSA	
Ms Barbara Matthews, MBE, BSc	<i>Joined September 2010</i>
Ms Marcia Saunders, BA, MA, MSc	
Mr Philip Smith, FCMA, FCT, CPFA, FIMgt	<i>Stepped down November 2010</i>
The Right Reverend Bishop Tim Stevens, MA, DipTh, Hon DCL, Hon DLiH	
Mr Tony Stockdale, ACA	
Sir Richard Tilt, BA (Hons), DipIR, Knight Bachelor	<i>Stepped down November 2010</i>
Mr Andrew Walker, MA (Oxon)	
Mr John Windeler, BA, MBA	

Co-opted Governors

Professor Bill Dawson, BPharm, PhD, MSc, DSc, Hon DSc (Chairman of the Board - outgoing)	<i>Stepped down July 2011</i>
Ms Christine Hancock, BSc (Hons) Econ RN	
Professor Sue Hill, OBE, PhD, MPhil, CBiol, FIBiol, Hon MRCP, Hon DSc (DMU)	
Professor David Stevens, MPhil	

Representative Governors

Mr Ralph Birkenhead, BA (Hons), MSc, ILTM (Academic Board Representative)	
Mr Michael Costall, HND (Computing) (Support Staff Representative - outgoing)	<i>Stepped down July 2010</i>
Mr Vincent Cornelius, MCA PGCert (Support Staff Representative - incoming)	<i>Joined September 2010</i>
Mr Anthony Gregory, BA, MA, RNMH (Teaching Staff Representative)	
Mr Andy Rees, BA (Hons) Econ, MA, PGCE (Academic Board Representative)	
Mr Andy Schooledge (DSU Student Union President – outgoing)	<i>Stepped down July 2011</i>
Mr Liam Davis, BA (Hons) (DSU Student Union President – incoming)	<i>Joined July 2011</i>

Ex-Officio Governor – Chief Executive and Vice-Chancellor

Professor Dominic Shellard, MA, DPhil



CLERK TO THE BOARD

Mrs Rebecca Jenkyn, LLB (Hons)

COMMITTEES OF THE BOARD

Audit Committee

Mr Andrew Walker (Chairman)

Mr Jamie Andrews

Joined March 2011

Ms Marcia Saunders

Stepped down June 2010

Mr Mike Kapur

Governance Committee

Professor Bill Dawson (Chairman)

Stepped down July 2011

The Lord Waheed Alli

Mr Ian Blatchford

Joined June 2011

Mr Gautam Bodiwala

Stepped down July 2011

Mr Andy Rees

Ms Marcia Saunders

Joined June 2011

Professor David Stevens

Stepped down June 2010

Professor Dominic Shellard

Joined June 2011

Remuneration Committee

Professor Bill Dawson (Chairman of the Board)

Stepped down July 2011

The Lord Waheed Alli (Chancellor)

Sir Richard Tilt (Chairman of the Finance and Human Resources Committee)

Stepped down November 2010

Mr Tony Stockdale

Joined April 2011

Strategy and Reputation Committee (Disbanded July 2011)

Finance and Human Resources Committee

Sir Richard Tilt (Chairman - outgoing)

Stepped down November 2010

Professor Bill Dawson (Chairman – outgoing)

Stepped down July 2011

Mr Philip Smith

Stepped down November 2010

Mr Tony Stockdale

Professor Dominic Shellard

Joined July 2010

Mr John Windeler

Professor David Stevens

Joined March 2011

Ms Barbara Matthews

Joined March 2011

Executive Board (Established June 2010)

Professor Dominic Shellard, MA, DPhil (Chief Executive and Vice-Chancellor)

Dr Claire Baines, BSc (Hons), CNAA, PHD, PGCert (Chief Operating Officer)

Professor David Wilson, BA, BPhil, PhD (Deputy Vice-Chancellor and Dean of the Faculty of Business and Law)

Professor Andy Downton, BSc, PhD, Ceng, FIEE, SMIEEE (Pro Vice-Chancellor)

Professor Heidi Macpherson, PhD, FRSA, FHEA (Pro Vice-Chancellor)

Dr Gerard Moran, BA, MA, PhD, FRSA (Pro Vice-Chancellor and Dean of the Faculty of Art, Design and Humanities)

Professor Robert John, PhD, SIEEE, FBCS (Acting Dean of the Faculty of Technology)

Ms Kathie Moore, MA, PGCCE, BA (Hons) RGN (Acting Dean of the Faculty of Health and Life Sciences)

Professor Tim O'Sullivan, BSc (Hons) MA (Acting Dean of the Faculty of Humanities)

Stepped down June 2011

Mr Ben Browne (Director of People and Organisational Development)

Mr John Cunningham, BA (Hons), FCCA (Director of Finance)

Ms Kerry Law (Director of External Relations)

PROFESSIONAL ADVISERS TO THE CORPORATION

Auditors

External Auditors: KPMG LLP, Birmingham

Internal Auditors: Grant Thornton UK LLP, Birmingham

Bankers

National Westminster Bank plc

In accordance with best practice, the Board of Governors maintains a Register of Governors' Interests.

To view the Register, contact the Clerk to the Board, Trinity House, De Montfort University, Leicester LE1 9BH.

Chairman's Introduction to the Annual Accounts 2010/11

I am pleased to introduce the Annual Accounts for 2010/11.

I commenced my position as Chair of the Board of Governors at De Montfort University in July 2011 following the decision of the outgoing Chair, Professor William Dawson, to retire from the Board and would like to take this opportunity to pay tribute to his major contributions to the university and to thank him for his leadership. The past year has also seen the university pursue its agenda of quality and distinctiveness under the direction of its new Vice-Chancellor, Professor Dominic Shellard and senior management team.

Based in the heart of the vibrant, cosmopolitan city of Leicester, De Montfort University (DMU) is an ambitious and innovative institution and is home to around 21,000 students and 2,700 staff, which offers both outstanding teaching and learning experiences and research of international calibre, in all Faculties.

THE GUIDING PRINCIPLES OF DE MONTFORT UNIVERSITY

De Montfort University believes passionately that universities are a public good through transformation of lives, through the places in which their students and staff live and work, and through sharing their discoveries for the wider benefit of society. Our university is a community in which all staff and students learn, develop and contribute through partnerships to that shared experience. Our research, including that crossing traditional boundaries, is central to our learning community, enhancing the quality of our courses and serving the needs of society in a transformational way. We are also an international community where students and staff from diverse backgrounds and cultures learn from and enrich each other. We seek to treat those we work with, and those with whom we come into contact, with dignity, respect and integrity.

We seek to:

- enable our students and staff to create a high quality and distinctive academic experience using new and exciting approaches to learning and research
- equip our students with graduate skills and knowledge both for employment and for life
- Deliver quality and add value in all that we do
- understand and respond to the needs of business and the professions
- actively promote our learning community through engagement and partnership locally, and in terms of key alliances and collaborations, both nationally and internationally.

We are strongly committed to widening access to higher education and to supporting students from diverse backgrounds to enable them to achieve their full potential. We seek to communicate clearly and openly within the university and beyond, and to listen carefully to what people say to us. We encourage, in all our staff and students, an innovative and entrepreneurial attitude in our approaches to learning, research and business partnerships that enriches us and those with whom we work.

KEY FINANCIAL RESULTS FOR THE YEAR

The Operating and Financial Review provides full details of the University's financial performance in 2010/11, but key highlights include:

- significant improvement in the University's trading position year on year
- 28% increase in total fees of overseas students
- £2.9 million reduction in total expenses
- Energy, utility and maintenance savings of £1.7 million
- Capital investment of £12 million.

GOVERNANCE, GOVERNORS AND STAFF

The end of this academic year brought various changes to the membership of the Board of Governors with the expiry of individuals' periods of tenure and the appointment of new Governors from the areas of commerce and creative industries. Mr Andy Schooledge President of the Students' Union, also stepped down after a year in office and the Board has welcomed the new President, Mr Liam Davis, who will serve on the Board until July 2012. On behalf of the Board of Governors, I thank all those leaving the Board for their contributions, commitment and support and welcome our new members.

I would like to extend my thanks and those of the Board of Governors to the Executive and to all the staff at De Montfort for another very successful year in which we have seen our university strengthen its competitive position and achieve outstanding results in a rapidly changing environment. I would also like personally to thank my fellow governors for their continuing and unstinting support and encouragement.

Mr Ian Blatchford

Chairman of the Board of Governors

Operating and Financial Review

1 SCOPE OF THE ANNUAL ACCOUNTS

The Annual Accounts, approved by the Board of Governors, have been prepared on a consolidated basis and include the results of the university's subsidiary undertaking, De Montfort Expertise Limited.

De Montfort Expertise Limited (DMEL) undertakes activities associated with the promotion of research, consultancy and other marketable activity which, for legal or commercial reasons, are channelled through a limited company. The subsidiary seeks to donate profits to the university using gift aid.

2 UNIVERSITY MISSION AND STRATEGY – QUALITY AND DISTINCTIVENESS

A new vision

The 2010/11 financial year has been a year of strategic development and orientation for De Montfort University (DMU), under the first year of leadership from our Vice-Chancellor, Professor Dominic Shellard. From the outset, in July 2010, Professor Shellard engaged students, staff and the local community in a conversation – through face to face meetings, public events and on-line exchange – about their aspirations and views on the university's mission and future vision. This consultative approach was very well received at all levels at DMU – by students, governors and staff. The resulting strategy, which underpins this mission and vision, builds on DMU's considerable research and teaching strengths, recognises those areas where enhancement is needed, and perhaps most importantly, fully takes into account the radical changes to national higher education policy and funding which will impact predominantly in 2012/13 and beyond. This has resulted in a new mission, vision and strategic plan for 2011 onwards, which was agreed by our Board of Governors in July 2011 and is to be published in September 2011.

The university's mission statement is: we are a university of quality and distinctiveness, distinguished by our commitment to excellence in learning, teaching and the student experience, our life-changing research, dynamic international partnerships, and vibrant links with business. We celebrate the rich cultural diversity of our staff, students and all our partnerships.

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

1. We will develop an inspiring and supportive learning environment that transforms our students and inspires them to make a real difference in society.
2. We will be a university that places research excellence and innovation at the heart of our mission.
3. We will focus on employability and understand the needs of business and professions so that DMU courses are relevant and give our graduates a head start.
4. We will be a recognised leader in creative education and research, built on our reputation in the creative economy, and driven by innovative projects across all faculties.

5. We will be a truly international university, building influential global relationships to enrich our research, teaching and cultural collaboration.
6. We will make a significant contribution to global efforts to achieve environmental sustainability.

A focus on quality and distinctiveness

The new strategic plan is bold and ambitious – but the university is confident in its ability to deliver.

In line with the university's commitment to delivering quality, both in terms of student learning outcomes and of student experience, and after extensive market research and modelling, the university announced in April 2011 its full-time undergraduate fee of £9,000 for 2012/13 entry. DMU is committed to developing its distinctive diverse and inclusive ethos and is offering a generous student package. This will extend its reputation as a leading widening participation access practitioner, and ensure that all appropriately qualified students, whatever their background, are able to benefit from a university education. A range of initiatives have been introduced to bring focus to the student experience and provide support for students as they move into employment. We aim to be sector leading in quality and outcomes, in both these areas.

The Vice-Chancellor has spearheaded the forging of new international partnerships, notably with highly prestigious universities in China and Japan – leading colleagues by example in the drive to diversify the university's overall profile, and student community.

The university's reputation in the creative industries has been cemented through a merger of the faculties of Art and Design and Humanities, including the integration of the Institute for Creative Technology. The merger lays the foundations for a wide range of synergistic teaching and research opportunities. Other high-profile activities include DMUnique, a month-long event showcasing DMU's undergraduate creative credentials, in Carnaby Street, London.

A new management structure for the challenges of the new higher education era

To deliver the vision an Executive Board was set up in July 2010, which has been strengthened both by the appointment of DMU's first Chief Operating Officer, Dr Claire Baines, and the greater involvement of the faculties in the strategic leadership of the institution. This latter has been achieved through the appointment of Pro-Vice-Chancellors/Deans for each of the four faculties.

Achievements in 2010/11

Despite significant organisational development, 2010/11 has been a year of considerable growth and progression for the institution. Notable achievements include:

- An increased national profile for the Vice-Chancellor. High profile engagements include meetings with political leaders

from all parties, and taking a leading role in promoting universities as a public good in the context of an intense national debate about higher education

- A significant increase in the quality of student intake for 2010/11; the maintenance of home/EU undergraduate application levels for 2011/12 at a consistent quality, and a considerable rise in overseas applications
- The delivery of internationally-recognised research outcomes with high impact: three DMU research projects were cited in the report "Big Ideas for the Future", published by Research Councils UK and Universities UK. DMU was the only university to be highlighted three times in this report
- The forging of new international partnerships, for example with Nanjing University and the Ministry of Education, Culture, Sports, Science and Technology in Japan (MEXT)
- An improvement in employability indicators
- Significant improvements in the key teaching and feedback areas of the National Student Survey 2011, and stellar performance in some departments.

3 CURRENT RISKS AND UNIVERSITY RESPONSES – A CHANGING ENVIRONMENT

The highest areas of risk and university responses centre upon:

- a) All universities face uncertainty around student demand in the new higher education funding era from 2012/13, as students are faced with the requirement to take out higher student loans to pay for a university education.

To mitigate the risks posed by this potential market volatility, the university has undertaken extensive scenario analysis and planning, to be able to manage possible fluctuations in student populations as the new funding regime beds down. More importantly we are engaged in focused developments to stimulate high student interest in the university's offer. These include: targeted portfolio development based on thorough market research, a uniquely generous student support package for 2012/13 entrants (expressed in the university's agreement with the Office for Fair Access), the provision of clear and comprehensive information for applicants, and initiatives to deliver an increasingly excellent student experience (as evidenced through recent improvements in our National Student Survey results).

- b) New systems of allocating student numbers to institutions are being introduced by government from 2012/13. All universities will have their Student Number Control Limit reduced by the numbers of students who are recruited with the equivalent of A level grades of AAB+ or above; and all universities will have no limit applied to the number of these high quality students they can recruit. In addition, institutions' student number allocations (so-called, core numbers) will also be reduced to allow institutions charging lower fees to bid for

more student places. DMU will therefore lose some students from its core allocation, but has potential to make up these numbers dependent on its ability to recruit high quality students. As these new student number policies are implemented, the core student number could be further reduced year-on-year. For De Montfort this policy change presents challenges as the sector moves from a protected, regulated market in student recruitment to a much freer market.

One way in which DMU is set to respond is by increasing employer engagement and strategic partnerships. Opportunities are also presented for DMU to increase the quality of its student intake. This is in line with the mission and vision of the university. The quality of student intake has already risen over the last three years, and teaching quality indicators from the National Student Survey show that the university is delivering improvement. The guiding principles set out in the university's strategic plan define the university as a public good which transforms lives. We are confident that students will continue to value this life-changing experience over that provided by others providers entering the market.

- c) The proportion of all universities' income which is funded by the HEFCE block grant will diminish from 2012/13, to a situation where most UK student-related income will be from student fees.

To address this, the university is actively pursuing a policy of income diversification, including a strategic push for growth in markets other than full-time undergraduate UK students, through international activity and commercial initiatives.

- d) The university recognises the complex factors which could affect its ability to attract overseas students, including international political developments, the growth of international higher education and UK government immigration policy.

The university is responding to these risks through an ambitious international strategy which includes the development of strategic partnerships, more international activity by the senior team, (particularly the Vice-Chancellor), a strengthened international office, an enhanced international student experience and appropriate portfolio developments, and a greater diversification of sending countries.

- e) The higher education sector has moved from being a low risk area, to being one which is now viewed as medium to high risk by financial institutions. Capital funding from HEFCE is being cut, requiring universities to plan for the accumulation of greater reserves, at the same time as staff costs, including pension costs, are set to increase.

De Montfort University's financial strategy addresses these risks through greater organisational efficiency (a successful voluntary several scheme was run in June 2011), the streamlining and rationalising of activities wherever possible, without impacting on academic delivery, and robust business planning and capital development policies.

4 FINANCIAL STRATEGY AND FINANCIAL SUSTAINABILITY INDICATORS

The university's Financial Strategy will be subject to a review in the 2011/12 financial year. When the existing Financial Strategy was adopted in 2008, the majority of the sector, including De Montfort University, was able to plan on the basis that one of its main sources of income generation, that is the grants received from HEFCE, was relatively stable. The current HE funding changes bring significant risk and uncertainty in respect of this source of income. Also the sector's business and operating model is changing. With the erosion of HEFCE revenue grant and the disappearance of HEFCE capital grants, the university will require to become more reliant upon internally generated funds, development fund raising, private finance/ borrowings, collaboration and more efficient utilisation of existing resources. It is also intended that the review of the Financial Strategy is informed by the university's six specific goals for the future, as set out in the new strategic plan.

The current Key Financial Performance Indicators (KPIs), adopted and monitored at each meeting of the university's Finance and Human Resources Committee (FHRC), will also be reviewed and amended, to take into account the risks and uncertainty that the new HE funding and other potential changes are likely to bring. There will be a requirement to raise the current 'minimum targets' in respect of such KPIs as the annual 'operating surplus' and 'cash flow from operating activity', and to reduce others which are expenditure -related, such as 'staff cost as a % of annual income'.

A summary of some of the current main KPIs, which focus on performance, reserves and liquidity, as derived from the financial statements, is set out below:

Indicator	Target	July 2011
1 Operating surplus		
(i) Minimum annual operating surplus as a % of income (excl FRS17 adjustments)	0.5%	0.7%
(ii) Minimum three years rolling average as a % of income (excl FRS17 adjustments)	2% by 2012, rising to 3% by 2015	1.2%
2 Cash flow from operating activity		
(i) Minimum annual level	£2m	£5.1m
(ii) Minimum three year rolling average	£5m by 2012, rising to £8m by 2015	£5.2m
3 General Reserves		
As a % of annual expenditure	30%	55.3%
4 Liquid balances (cash plus investments)		
(i) Minimum level at months financial year end	One month's worth of annual expenditure	1.6 months
(ii) Rolling 12 months average	Two months months worth of payroll expenditure	3.5 months
5 Current (Liquidity) ratio		
Current assets to current liabilities of 1:1	1:1	1.5:1
6 Long term borrowing		
(i) Net assets (excluding pension surplus/deficit) to debt ratio	2:1 (minimum)	5.9:1
(ii) Annual operating cash flow to annual debt servicing (expressed as a ratio)	1:1 (minimum)	3.8:1

The indicators extracted from the 2010/11 financial statements, when compared with the current targets, demonstrate that the majority of the current KPIs continue to be met. However it is likely that revised targets will provide more of a challenge for the university, in respect of future performance, delivery and the management of costs.

5 FINANCIAL PERFORMANCE FOR 2010/11

Results for the year

The University's income and expenditure results for the year ended 31 July 2011 are summarised as follows:

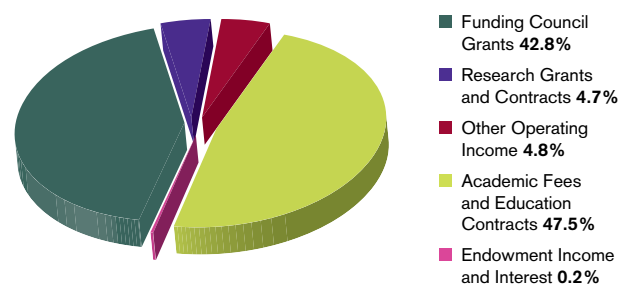
	2010/11 £'000	2009/10 £'000
Income	149,433	149,880
Expenditure	149,921	152,880
Deficit on continuing operations	(488)	(3,000)
Surplus/(deficit) on disposal of assets	255	(203)
Transfer from endowments	75	132
Difference between historic cost depreciation and actual depreciation charge	61	72
Realisation of revaluation surplus on disposal of assets	681	198
Historic cost surplus/(deficit) for year	584	(2,801)

There has been a significant improvement in the University's operating position in 2010/11, as indicated by the reduction in deficit on continuing operations from £3.0 million to £0.5 million. This is largely as a result of the increase in academic fees in the year, in particular overseas student recruitment, and also planned reduction in operating expenditure. The following analysis further demonstrates the improvement, as the annual impact of Financial Reporting Standard (FRS) 17 costs is shown. This analysis shows a surplus on normal operations of £1.00 million for 2010/11 (2009/10: £0.3 million), before deduction of these costs.

	2010/11 £'000	2009/10 £'000
Surplus on normal operations	992	263
Impact of FRS17	(1,480)	(3,263)
Deficit on continuing operations	(488)	(3,000)

Income Analysis 2010/11

Total income decreased by £0.4 million, some 0.3%, year-on-year.

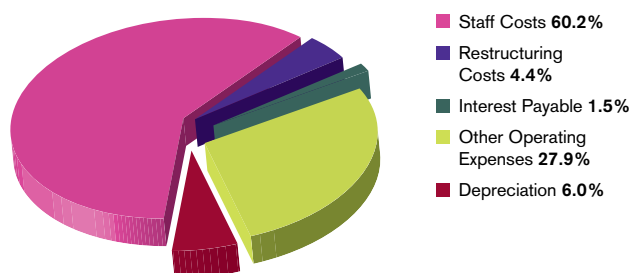


Some significant movements within the individual income categories as analysed above were:

- Funding Council Grants were reduced by £0.6 million (0.9%), mainly as a result of the decrease of £0.5 million in the Teaching part of the Recurrent Grant, in common with other institutions; although off-set by increases in some specific grants such as £0.2 million in respect of funding for the Graduate Internship Project.
- An increase in academic fees and education contracts of £2.6 million (3.8%), as a result of successful overseas student recruitment in 2010/11, resulting in an increase in overseas fees of £2.9 million (28%) year on year.

Expenditure Analysis 2010/11

The University's expenditure reduced by some £2.9 million, or 1.9%, year-on-year.



The major reasons for the significant reduction in expenditure were:

- Ongoing staff costs were reduced by £1.8 million (2%) as a result of the restructuring exercises undertaken in both 2010/11 and the previous year.
- A net decrease of £5.5 million (12%) in 'other operating expenses', arising from planned measures carried out in the year, such as:

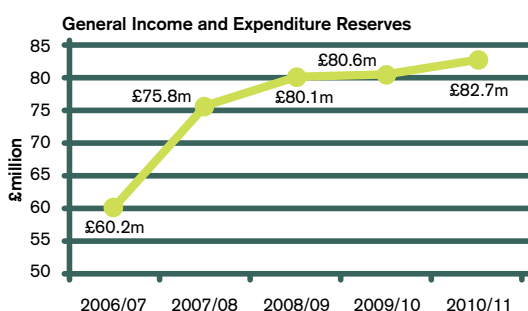
- Reduction in energy costs of £0.7 million, arising from a change in energy supplier during the year,
- reduction in costs relating to residences and catering of £1.7 million, and
- decrease of £0.8 million in respect of repairs and general maintenance to the estate as a result of a review of maintenance costs in order to focus on essential works.

Balance sheet

The University's consolidated group balance sheet at 31 July 2011 disclosed total net assets of £106 million, being an increase of £18.6 million from 2009/10. Net current assets have increased by £1.7 million to £10.4 million. The key changes in the balance sheet year-on-year are:

- The net book value of fixed assets has reduced by £1.3 million as a result of the transfer of the Charles Frears Campus to the current asset category, 'properties held for resale'; the campus being surplus to the operational requirements of the university
- Current debtors have decreased by £2.4 million mainly due to the enhanced credit control procedures put in place in respect of outstanding student debts, coupled with tighter credit control over commercial debt
- Reduction in current creditors of £6.1 million, largely arising from a decrease of some £4.8 million in respect of HEFCE deferred income relating to payments from penalties levied for previous years
- An increase in provisions for liabilities and charges of £1.5 million at 31 July 2011, arising from the ongoing costs of the restructuring exercises.

Liquidity continued to remain healthy bolstered by the positive operating position, and capital grants. The level of general income and expenditure reserves increased by £2.1 million to £82.7 million as at the balance sheet date. The level of general reserves has increased steadily in recent years as highlighted in the following graph:



6. UNIVERSITIES AS A PUBLIC GOOD – DMU'S STATEMENT OF PUBLIC BENEFIT

De Montfort University's new strategic plan articulates a set of guiding principles, which provide a value framework within which the new strategy is developed. Chief among these principles is the concept that universities are a public good - it has been a recurring leitmotiv for the university throughout its mission and visioning processes during this academic year. The Vice-Chancellor has pursued this theme at national level, as De Montfort has contributed to the debate about the future of higher education in the UK, both before and after the publication of the White Paper in June 2011.

This section of our Operating and Financial Review highlights areas in which the university has carried out its activities for the public benefit during the year in furtherance of its charitable objectives, showing how this theme of "universities as a public good" has been embraced by staff and students this year in a positive and creative way.

De Montfort University is an exempt charity by virtue of the Charities Act 1993 and as such is regulated by HEFCE on behalf of the Charity Commission for England and Wales. The university's objects 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. The university's Board of Governors serve as its trustees and are collectively responsible for determining the educational character and mission of the university and provides oversight and scrutiny of its activities.

When establishing the strategic direction of the university, the Board of Governors and the university's Executive Board gave careful consideration to the Charity Commission's general and supplementary guidance on public benefit; and also to the guidance issued by HEFCE in its capacity as principal regulator on behalf of the Commission. We consider the beneficiaries of our charitable status to encompass all students, both undergraduate and postgraduate; as well as members of the general public in the UK and overseas- all are recipients of the public benefit that we aim to deliver when fulfilling our charitable objectives.

Mission and Vision Statements have been approved by the Board of Governors for the university and compliance with these statements for the benefit of the university's beneficiaries or potential beneficiaries underpins the university's new strategic direction and decision making.

A distinct list of guiding principles, also articulated in the strategic plan, shape the university's public benefit activities. These are:

- De Montfort University believes passionately that universities are a public good through transformation of lives, through the places in which their students and staff live and work, and through sharing their discoveries for the wider benefit of society

- Our university is a community in which all our staff and students learn, develop and contribute through partnership to that shared experience
- Our research, including that crossing traditional boundaries, is central to our learning community, enhancing the quality of our programmes and serving the needs of society in a transformational way
- We are also an international community where students and staff from diverse backgrounds and cultures learn from and enrich each other
- We always seek to treat all those we work with and those with whom we come into contact with dignity, respect and integrity.

We seek to:

- Enable our students and staff to create a high quality and distinctive academic experience, utilising new and exciting approaches to learning and research
- Equip our students with graduate skills and knowledge both for employment and for life
- Deliver quality and add value in all that we do
- Understand and respond to the needs of business and the professions
- We actively promote our learning community through engagement and partnership locally, and in terms of key alliances and collaborations, both nationally and internationally
- We are strongly committed to widening access to higher education and to supporting students from diverse backgrounds to enable them to achieve their full potential
- We seek to communicate clearly and openly within the university and beyond, and to listen carefully to what people say to us
- We encourage, in all our staff and students, an innovative and entrepreneurial attitude in our approaches to learning, research and business partnerships that enriches us and those with whom we work.

TRANSFORMATION OF LIVES: TEACHING AND LEARNING

The university offers a wealth of academic courses for undergraduate and postgraduate students across a wide range of disciplines and professions – in the humanities, in art and design, in business and law and in technology, engineering and media.

In 2010/11 the university had 13,790 full-time home students, and 5,771 part-time.

DMU saw a large increase in our overall application levels for 2010/11 entry particularly; this increase has been consolidated for

2011/12 entry. Both home and overseas applications have seen a substantial rise in the levels from 2007/08 to 2011/12. Home and EU full time undergraduate applications increased by 37% and overseas applications increased by 59% in that period.

The quality of teaching at De Montfort can be evidenced in various ways. The university has particular strengths in creative and professional education; more than 60% of its courses have accreditation by an appropriate professional or statutory body. Partnerships with industry, business and the professions complement and inform the development of academic programmes.

This year, six members of academic staff have been made DMU Teacher Fellows in recognition of their innovation and leadership in teaching and learning - and twelve members of staff have been awarded the Vice-Chancellor's Distinguished Teaching Awards. These join the second-largest group of National Teaching Fellows in one university in the UK.

The outstanding achievements of our students on the national stage also bear witness to teaching quality. As an example, DMU fashion and contour design students have won accolades at Graduate Fashion Week and the National Lingerie Awards. The work of Technology students was showcased in June 2011 and included: an educational computer game that aims to raise awareness of Sickle Cell Anaemia and Thalassaemia.

TRANSFORMATION OF LIVES: SUPPORTING STUDENTS THROUGH HIGHER EDUCATION AND BEYOND


The results of the National Student Survey show a picture of consistent improvement in overall student satisfaction with their experience at DMU.

Our score in relation to "overall satisfaction" has increased by 2%, to 84%. Even in the nationally consistently low scoring areas of "assessment and feedback", DMU has achieved consistent improvement through a targeted strategy to improve the quality of feedback provided by academic staff to students, and is now ranked 21st in the country in this important NSS measure.

The breadth and effectiveness of the beneficial services that we offer students, beyond simply the academic, is reflected in the fact that we ranked in the top 20 institutions nationally for providing good "personal development" for students; this success aligns with DMU's vision of the wider lifelong benefits which should be delivered by a university education.

In terms of subjects, DMU's highest ranking subjects are spread across a wide selection of disciplines and reflect a widespread adoption of the university's commitment to quality in terms of the student experience – exceptionally high performing subject areas include Marketing, Dance, Technology, Finance, Fine Art and Architecture.

The university developed a new employability strategy during 2010/11. Our national Employability Performance Indicator increased from 86.3% for 2008/09 leavers, to 87.1% for 2009/10 leavers. The new university employability strategy, spearheaded by



the Vice-Chancellor, emphasises that the university recognises the key importance of employability to the institution, and has introduced a range of innovative ways of both providing work experience and job opportunities for students. Alongside the work of all the faculties, and our Careers and Employment Service, it is expected that the strategy will ensure that future surveys will reflect a continued upward trend in employability. An example of new schemes which will be up and running in 2011/12 is the "Frontrunners" programme of university internships.

SUPPORTING STUDENTS FROM DIVERSE BACKGROUNDS: WIDENING ACCESS AND PARTICIPATION

De Montfort University is proud of its sustained track record in widening participation and access to its courses. Diversity and equality are central to the university's mission and extend throughout its teaching activities and the wider student experiences. This ethos and a welcoming approach have ensured that the university is unrivalled in addressing the needs of the local area and is nationally recognised for the sustained and transformational effect of its education on students.

In 2009/10, 38.5% of full-time undergraduate students were from low-socio-economic groupings (HESA Performance Indicator 2009/10); in 2010/11 41% of our full-time undergraduate UK student entrants were of black and minority ethnic origin, significantly more than other East Midlands universities.

15% of our entrants in 2010/11 had a declared disability, around half of which were "unseen" disabilities such as dyslexia. This 15% is significantly higher than the sector average of 8%; DMU has a wide range of disabled student support facilities, established a disabled student support group in 2010, and the university came 8th among UK universities in the Trailblazers guide to accessibility for disabled students.

During 2010/11, the following measures were in place to ensure that De Montfort University attracts applications from a wide cross-section of society:

- Active participant in the AimHigher national initiative (which ended this year), providing activities targeting Year 7 through to Year 11 students
- Campus and in-school support covering problem solving, subject 'taster' courses, creating visual CVs, university experience days, and study skills session
- Three residential summer schools and three "Gifted and Talented" programmes in Drawing, Performance and Robotics
- Active and effective school and college liaison scheme.

Once students have been accepted at DMU, we have a comprehensive bursary and scholarship programme, which targets students on low income (all students from homes on low incomes are eligible for some support), students entering with access qualifications, and students who are care leavers, or estranged from their family. During 2010/11 nearly 5,000 students received some kind of financial support.

In order to nurture progression and achievement, our first-year students undertake self-assessment to enable us to ensure sufficient support in the transition from school to university; support offered includes language, writing and study skills development through our Centre for Learning and Study Support, a peer mentoring system and specialist support teams for the learning needs of students with disabilities.

We actively monitor and seek to understand the experience of students at DMU, to ensure that the university's teaching and learning provision benefits everyone: this includes student surveys (there has been particular development during 2010/11 with our first and second year surveys), monitoring retention and progression rates (which improved during 2010/11), and collaborating with the HEFCE-funded Back on Course programme. The university runs an initiative to reduce the attainment gap between White and BME students – a sector wide issue which we committed to addressing at DMU.

Trustees were aware of the barriers to higher education which setting a £9,000 fee may create for some sections of the community. For the 2012/13 cohort, the Office for Fair Access has approved DMU's generous and far-reaching access agreement, which will provide a £6,000 package to students eligible for support under the National Scholarship Programme, as well as a student bursary for all students with a household income less than £25,000, and a continuation of our access, care leavers and estranged status bursaries. We will sustain and extend our outreach and retention and progression support activities, including the provision of a dedicated "Remaining on Track" programme for students identified most at risk of non-continuation and have set robust targets.

SERVING THE NEEDS OF SOCIETY IN A TRANSFORMATIONAL WAY: OUR RESEARCH

Research is central to the mission of the university and underpins all the activities we undertake. 2010/11 has been focused on improving research quality and output, in preparation for the Research Excellence Framework exercise in 2014, and we have seen a demonstrable improvement in the number of research council proposals reaching panel stage during 2010/11.

As a real endorsement of the quality of some of the research we conduct at DMU, three of our key projects were showcased in the recent Big Ideas for the Future report, published by Universities UK and Research Councils UK. The report, which was launched in June 2011 during Universities Week, details 100 leading UK research initiatives that will have a profound effect on our future and features DMU's studies into the world's first artificial pancreas, living

underwater and additive manufacturing. The faculties of Health and Life Sciences and Technology have both showcased their research at high-profile events during 2010/11.

While we hope that all our research has direct public benefit to society at large, particularly as DMU's research strengths lie in applied research with quick impact, the following are examples where DMU research is having or has the potential to have a real effect on the general public's lives and being an agent for the public good.

Our researchers are improving lives, developing new techniques and adapting existing methods to target different areas and benefit new and wider groups. Examples include:

- DMU's Professor Philippa Berry is helping scientists predict the impact of natural disasters with the most accurate map of the world's land heights ever created. Using data from NASA's Shuttle Radar Topography Mission (SRTM) along with several European satellites
- NHS-funded research into detection tools for skin cancer
- Research into how early behaviour can influence good nutrition in infants and young children
- An analysis of housing for an ageing population, which links into further research on the use of intelligent technology to support the needs of the elderly and disabled
- Researchers at DMU, led by Professor Joan Taylor, have developed an artificial pancreas which is set to improve the lives of people with diabetes
- Tests on sick newborn babies are being carried out with just a tiny drop of blood, minimising stress on blood levels, following a breakthrough by DMU researchers, Dr Sangeeta Tanna and Dr Graham Lawson. Newborn babies have very little blood available so standard blood tests are unsuitable
- BSc (Hons) Computer Science student Matthew Smalley has created a product that could revolutionise gaming for disabled people. Developed by DMU's Centre for Computational Intelligence (CCI) and the University of DMU researchers have also brought benefits to communities in developing countries – through water projects in Ghana to research which has highlighted the danger of the practice of clay-eating for women in Bangladesh.

ENGAGEMENT AND PARTNERSHIP: PROMOTING SUSTAINABILITY

DMU is making significant progress in its efforts to deliver and promote environmental sustainability.

DMU's Institute of Energy and Sustainable Development (IESD) is leading the way in the research of clean and efficient ways of using energy and is helping countries, companies and individuals drive down their carbon footprints. From research to reduce UK airports'

carbon emissions by 100 per cent by 2050, to the award-winning Wattbox, an automated heating control system which could help people reduce energy consumption in their homes by 20 per cent, the IESD's work is helping to save the planet from the negative effects of global warming.

The institute was also awarded the overall Times Award for Best Consultant/Client Team and the award for best project in the 'Environment' category. The project itself saw DMU become the first university in England to undertake a 'full consumption-based footprint and associated interventions study.'

DMU has continued this proactive approach to measuring and reporting its greenhouse gas emissions through its carbon management plan (CMP). Greenhouse gas emissions at DMU for 2010/11 remain below the 2005 baseline year that the university has set in its CMP. DMU continues to reduce greenhouse gas emissions through the implementation of energy saving measures in its buildings; through its IT provision and through effective space management within the estate; as well as projects such as the student-centred Switch-Off campaign and staff-focused Green Impact project. In 2010/11 the university has reduced the previous year's trend of increasing emissions by reducing its greenhouse gas emissions by over 1000 tonnes.

TRANSFORMATION OF LIVES AND ENGAGEMENT AND PARTNERSHIP: A CONSOLIDATED ESTATE


Estate developments to support our students include:

- Final consolidation of all campuses on one site to improve accessibility and efficiency. This in turn has seen a reduction in the gross internal floor area in use from 219,221 m² at the start of the process to 153,387 m² whilst maintaining student numbers throughout the process, leading to a much more efficient, accessible and welcoming estate overall; the overall enhancement to Leicester City Centre has been recognised by an East Midlands architectural award
- New facilities in the newly refurbished Edith Murphy House for our Nursing and Midwifery students
- A comprehensive programme of disability access improvements
- The start of the construction of a £8.1million Leisure Centre for use by students, staff and the local community.

ENGAGEMENT AND PARTNERSHIP: WORKING WITH AND FOR THE WIDER COMMUNITY

DMU has always been a university with strong local connections and involvements. This year has seen further strides taken to define the university's role as a catalyst for public good locally.

In the 2010/11 period the university commenced its Square Mile (Mile2) Project which is now well developed and on course for its planned formal launch in September 2011. With strong support



at DMU, from the Mayor of Leicester, Sir Peter Soulsby, and local residents, the project is being led by our office of Strategic Partnerships and promises to deliver a unique demonstration of how a university can positively enhance and improve a local community. The project aims to demonstrate how the skills and knowledge of a university can assist and sustain the development of a community and improve the wellbeing and prospects of the residents. The project will be looking to make a measurable impact on the wellbeing of residents and an innovative contribution to public service delivery taking into account health, social, cultural, and economic needs as well as possible changes to the physical and environmental landscape of the community.

In addition the university provides benefit to the local community and region through a wide range of initiatives, such as the Centre for Research on Ethnic Minority Enterprise, our StreetLaw project where law students provide free legal advice, the social networking work of Professor Sue Thomas, and an extensive programme of public events such as our Distinguished Lecture Series and the annual Cultural Exchange festival. The university's links with the cultural and social life of the City has been further strengthened through innovative collaborations, such as the new arrangement that the university will hold its graduation ceremonies in Leicester's iconic new theatre, The Curve. The Students Union (DSU) continues to run a highly successful community volunteering scheme which is being given extra support from the university from 2010/11 onwards – the scheme benefits students in providing life and employability skills, and the local community. The DSU report on volunteering for 2010/11 lists examples of student volunteering activity, including working with over 200 local organizations, and DMU-sponsored project working with young people in care.

AN INTERNATIONAL COMMUNITY – WIDER BENEFIT BEYOND THE UK

Students from across the world are benefiting from DMU's programmes and facilities. In 2010/11 DMU had over 2,000 full-time overseas students.

DMU's numbers of overseas students have seen steady growth over the last 3 years. Our overseas recruitment operation has seen significant increases in applications from China, with applications standing at 1,836 for 2011/12, a six-fold increase on 2007/08 levels. Ghana and Taiwan are sending countries which have both shown consistent improvement in interest, applications and enrolments. Other markets, such as India and Saudi Arabia, are showing more volatility. DMU's international strategy, led by greatly increased engagement by the Vice-Chancellor and other senior figures, focuses on the need to diversify the range of partners and countries sending students to DMU, and cement progression agreements with new, prestigious institutions, in the Far East and elsewhere. For example, our Vice-Chancellor has successfully concluded negotiations on a very significant partnership with Nanjing University, in Jiangsu province.

But our international involvement does not stop at provision of education. An example of wider public benefit activity on the international plan is the establishment of a new link with Tohoku

University in Japan, which was severely affected by the March 2011 earthquake with our Vice-Chancellor visiting the affected area in April 2011 and planning to host 15 of their students in Leicester in September 2011. A number of very promising opportunities for DMU have arisen from the visit, including a variety of strategic partnerships, a showcase exhibition of DMU creative talent in Tokyo to be organised with the British Council as well as of course the opportunity to support closely one of the universities in the area worst affected by the tsunami, Tohoku University.

De Montfort University (DMU) Leicester is joining forces with an Iraqi university to help solve crimes in the country, which has seen a rise in criminal activity since the war began in 2003. The university is working with Karbala University, which is situated 100 km from Baghdad, to develop a new forensic science curriculum and to train academics in the subject.

THE UNIVERSITY AS A PUBLIC GOOD: FUTURE PLAN

In a statement such as this it is not possible to provide full detail on all of the university's activities undertaken during this period and the above is merely a snapshot of examples in particular areas. We are confident that the university has fulfilled its charitable objectives and delivered demonstrable public benefit, overwhelmingly of course through our delivery of a high quality educational experience and enhanced life chances to our students.

The university's strategic plan contains many initiatives in the spirit of demonstrating its own ability to be a "public good". These will expand on existing projects and also involve new and exciting opportunities to its beneficiaries and to society at large.

7 COMMERCIAL ACTIVITY

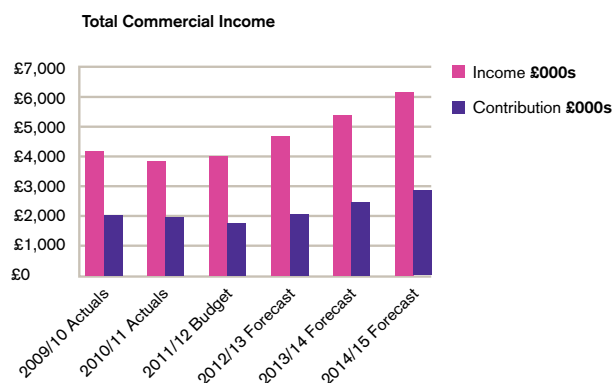
The university separated its research and commercial functions in September 2009, with the Corporate Development Directorate (CDD) providing support to the faculties for their commercial activities.

Commercial activity is classified as consultancy; training and accredited in-company programmes/continuing professional development (CPD).

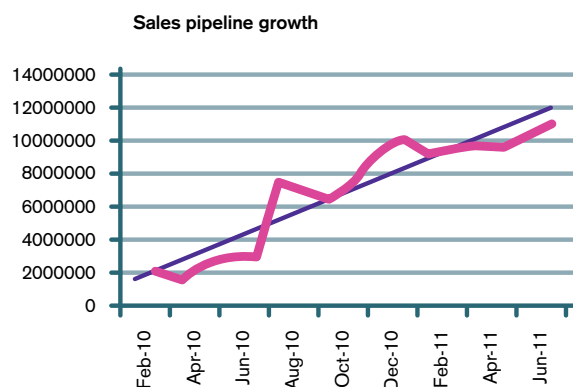
The university works with public and private sector organisations to provide bespoke CPD, training and consultancy. Our clients include, among others, utility companies, automotive companies, constabularies, financial service organisations, healthcare organisations and retailers.

To facilitate professional sales management and reporting, the line management of Business Development Managers (BDMs), which was previously the responsibility of the faculties, came under the remit of the central commercial directorate in August 2010.

Each of the faculties develops a commercial business plan, which, is approved by the Executive Board as part of the overall faculty planning process. These commercial business plans have forecasts and targets, which can be seen in the following graph.

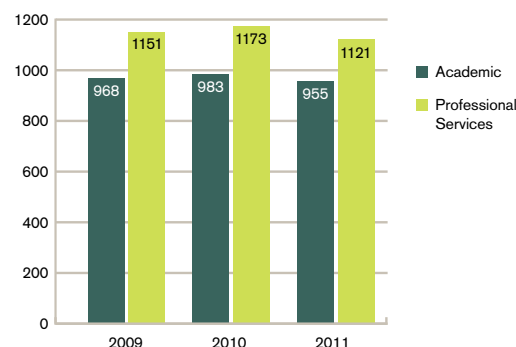


As demonstrated in the graph above, contribution (meaning the university's ability to cover its core overhead cost as well as the cost of delivery of the commercial project) has been maintained in extremely difficult trading conditions and has in fact increased as a percentage of turnover. Commercial income activity is forecast to increase by £1.9 million from 2009/10 to 2014/15 (an increase of 32%), with contribution increasing by £855,000 (an increase of 30%). Since March 2010, open opportunities value increased from £2.2 million in March 2010 to £11 million in July 2011. This demonstrates a marked 80% increase in pipeline.



Whilst the economic downturn has had, and continues to have, a significant impact on the number of opportunities won (with £1.1 million being won in 2009/10, compared to approximately £983,000 won in 2010/11), DMU's corporate development continues to challenge and support faculties in the development and implementation of strategies to counteract this effect, as demonstrated by the forecasts for the coming years.

8 STAFF



Staff FTE in terms of permanent staff has decreased during 2010/11. The small decline in staff numbers for 2010/11 is mainly the result of a robust vacancy management policy – a more noticeable overall reduction in staffing will be seen in the 2011/12 statistics. All staff rationalisation initiatives have been impact-assessed to ensure that the quality of academic and support services to our students is not compromised.

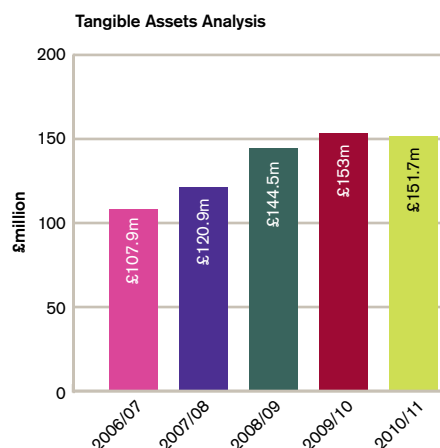
The results of the staff survey in 2011 were positive, including against a set of benchmark institutions and DMU was presented with an award for the most imaginative staff development project by UHR in April 2011, for its Vision Cafés, used to involve staff in the development of the strategic plan.

9 CAPITAL INVESTMENT

£8.5 million refurbishment of the Edith Murphy building was nearly completed by the end of 2010/11, providing up-to-date nursing and midwifery training facilities. 200 study places have been provided by the Greenhouse learning space (£0.75 million), launched at the beginning of the 2011/12 academic year. Half the spaces are equipped with fixed IT, and the area is wireless-enabled. In May 2011, building commenced on the new Leisure Centre. This £8.1million project includes a six-lane, twenty-five meter swimming pool and an eight-court sports hall, as well as climbing wall and café.

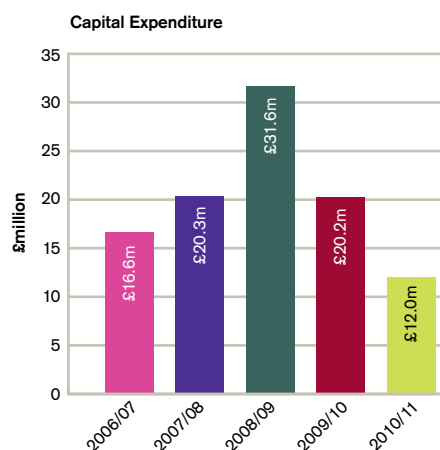
Fixed assets

Tangible assets decreased by £1.3 million (net of depreciation), giving a total fixed assets value of £151.7 million.



As noted, the University made significant investment in its estates and infrastructure, investing some £12.0 million in land and buildings and equipment replacement and renewal.

Capital investment in recent years is highlighted in the following graph:



10 INFORMATION TECHNOLOGY

DMU has continued to invest in new infrastructure to enhance the student experience during 2010/11, including the replacement of over 1300 PCs and Macs in student labs, and support for major building refurbishments with new classroom technology and office environments – notably for the Faculty of Health and Life Sciences in the Edith Murphy and Hawthorne Buildings.

Significant improvements to student facing and business systems have taken place during the year with a major upgrade to our Virtual Learning Environment in September 2010, and a launch of mobile web applications.

The implementation of the Customer Relations Management system to streamline student enquiry and admissions processes is progressing well with delivery expected in early 2012. Migration to a new web content management system and website is at an advanced stage and will be launched in September 2011.

A new Unified Communication system was installed during May 2011. This will be fully deployed across the university over the next year. This will bring significant benefits to both staff and students through the use of integrated communication tools include instant messaging, video conferencing and on-line meetings. The server consolidation and virtualisation programme continues to contribute to DMU's environmental sustainability objectives.

A new Information Technology strategy is under development to support the university's strategic objectives. This year saw the initiation of a major project to integrate IT and Media Services across the university to facilitate a consistent, integrated and efficient approach to the delivery of IT solutions, support and data management. Underpinning this, DMU aims to establish and strengthen relationships with key ICT vendors and in April 2011 issued a tender for selection and award of a Strategic ICT Supplier framework.

DMU has contributed significantly to national initiatives with JISC (the Government funded body which support IT in education and research) and HEFCE and we have been successful in a number of JISC funding awards across Enterprise Architecture, e-procurement and cloud computing. DMU led the successful STEP-F project for JISC that demonstrated a number of key principles necessary for the adoption of cloud and shared services, drawing together institutions, vendors and sector bodies.

11 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.

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 publicly-funded business. In carrying out its responsibilities, full account is taken of the Committee of University Chairmen's (CUC) Governance Code of Practice and Principles published in November 2004 and of the requirements of the Charities Act 2006.

The university is committed to demonstrating best practice in all aspects of Corporate Governance. This summary describes the manner in which the university has applied the principles set out in Section 1 of the updated Combined Code on Corporate Governance issued by the London Stock Exchange in July 2003. As an independent Corporation deriving its legal status from the Education Reform Act 1988, the university is satisfied that it has complied with the provisions of the Code, in so far as it is applicable.

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 less than 12 and no more than 25 members (including the Vice-Chancellor ex-officio). Currently the Board has a total of 18 members (including the Vice-Chancellor ex-officio), 9 of whom are independent governors as defined under the Articles and a further 3 are co-opted external governors. The remaining five members of the Board of Governors include representatives of the Academic Board, academic staff, non-teaching staff, and the student body. The university has a number of vacant posts to fill should it wish to broaden the depth of its membership which is actively considered at the Governance 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 Financial Memorandum with the Higher Education Funding Council for England. The Vice-Chancellor is supported by an Executive Board comprising the Deputy Vice Chancellor, the Pro Vice-Chancellor for Research and Innovation, the Pro Vice-Chancellor for Teaching and Learning, the Pro Vice-Chancellors/ Deans, the Chief Operating Officer, and Directorate Heads of Finance, People and Organisational Development, and External Relations.

Conduct of business

As has been stated, the Board of Governors is responsible for, among other matters, the determination of the educational character and mission of the university and for oversight of its activities. It approves the Institution's strategy, which it reappraises each year at a specially convened strategic away day meeting, which supports and informs the setting of the strategic and other priorities for the next year. In the conduct of its formal business and in addition to the strategic away day, the Board meets four times a year. It has a number of formally constituted committees- Audit, Finance and Human Resources, Governance, and Remuneration, each of which has clearly defined, delegated responsibilities.

The Audit Committee regularly meets the external and internal auditors through their attendance at each meeting of the Committee. The Audit Committee considers internal audit reports and recommendations for the improvement of the university's systems of internal control, together with management's responses and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England (HEFCE) as

they affect university business, monitors adherence with regulatory requirements and discusses the results of the external audit process with the auditors. The terms of reference of the Audit Committee incorporates 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. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members and the Committee may meet the internal and external auditors on their own for independent discussions.

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 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, not only staff, but also students and other parties.

The Governance Committee reviews the membership of the Board, advising on the skills mix available and that required by the Board to fulfil its responsibilities. It considers nominations of new external Governors, making recommendations to the relevant appointing authority. The Committee also reviews a range of Board-determined policies relating to general compliance issues and ensures that they comply with current statutory requirements and, case law and represent best practice in the sector e.g. public interest disclosure issues, freedom of information, complaints, student discipline, freedom of speech, etc.

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

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

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

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 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 any 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, 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 HEFCE, under the terms and conditions of the Financial Memorandum agreed between the Funding Council and the University.

In causing the financial statements to be prepared, 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 subject to any material departures, disclosed and explained in the financial statements
- Financial statements are prepared on the going concern basis.

The Board of Governors has taken reasonable steps to:

- Ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time-to-time prescribe
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- Safeguard the assets of the university and prevent and detect fraud
- Secure the economical, efficient and effective management of the university's resources and expenditure.

Internal control

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

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

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

Risk management

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

The university's risk management approach complies with the HEFCE Accounts Direction, and also reflects the guidelines provided by the Turnbull Committee. The university has revised its risk management systems during the 2010/11 financial year.

The system of internal control adopted by the Board of Governors is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives and the development of policy and strategy; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

The university has embedded processes to enable full compliance to be sustained. In particular the following processes have been established:

- An annual programme of those topics to be considered by the Board at its meetings to ensure that it is focused on the key strategies, activities and targets for the university
- Performance-monitoring reports designed to monitor performance against targets and provide a link to the university's strategic planning and risk management process
- The development of Key Performance Indicators linked to externally available data, to ensure the university's performance against strategic objectives is viewed within the context of the performance of the higher education sector as a whole
- An organisation-wide risk register that is regularly updated via an independent Risk Management Committee, which reports to the Audit Committee of the Board of Governors. The Risk Management Committee is chaired by the Chief Operating Officer
- A statement of risk management policy agreed by the Board of Governors; and guidelines issued to all risk owners and senior staff
- Updating of the risk register through consultation with Faculties, Directorates and members of Executive Board to ensure broad representation of knowledge, expertise and risk exposure is achieved when identifying and assessing risk. Risk registers are updated at least three times a year with mechanisms for capturing new developments outside of the cycle, these risks cover: governance, management, quality, reputation and financial risks and seek to establish a balanced portfolio of risk exposure
- Identification of 13 corporate risks, aligned to areas of the strategic plan; each of these risks is assigned an owner at Executive Board level
- Members of the Risk Management Committee vote anonymously to arrive at common assessments of the likelihood and impact of key risks
- Use of a common agreed matrix to assess and grade levels of risk, according to a red/amber/green code
- A review of the effectiveness of the risk management processes and internal control systems
- An annual assessment by the Board of Governors taking account of the work of the Senior Executive and other officers and the review undertaken by the Audit Committee, including the reports from internal and external auditors
- A programme of risk awareness training and dissemination of good practice. Three workshops were run by the internal auditors for the Risk Management Committee, Faculty Managers and Directors during 2010/11
- Regular reviews of the risk priorities at both the Senior Executive and at faculty/department level and the compilation of Faculty and Directorate risk registers which are reviewed by the Risk Management Committee
- Oversight of risk management processes, including support of the Risk Management Committee, is undertaken by the Director of Strategic Planning, supported by Executive Officer staff, and reporting to the Chief Operating Officer.

GOING CONCERN STATEMENT

After making enquiries, 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 accounts.

12 STUDENT NUMBER TABLES

DMU Student Number Tables

TOTAL UK DOMICILED STUDENTS

	Undergraduate		Postgraduate		Total
	Full time	Part time	Full time	Part time	
2010/11	13,445	3,096	423	2,921	19,885
2009/10	14,085	3,374	371	2,590	20,420
2008/09	13,157	3,151	379	2,517	19,204

TOTAL NON-UK DOMICILED STUDENTS

	Undergraduate		Postgraduate		Total
	Full time	Part time	Full time	Part time	
2010/11	1,118	124	935	374	2,551
2009/10	891	102	798	317	2,108
2008/09	677	103	676	249	1,705

Independent Auditor's report to the Board of Governors of De Montfort University

We have audited the Group and University financial statements (the 'financial statements') of De Montfort University for the year ended 31 July 2011 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out therein.

This report is made solely to the Board of Governors, as a body, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE BOARD OF GOVERNORS AND AUDITOR

As explained more fully in the Statement of Corporate Governance set out on page 18 the Board of Governors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2011 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

OPINION ON OTHER MATTERS PRESCRIBED IN THE HEFCE AUDIT CODE OF PRACTICE ISSUED UNDER THE FURTHER AND HIGHER EDUCATION ACT 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes;
- income has been applied in accordance with the University's Statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Statement on Corporate Governance is inconsistent with our knowledge of the University and group.

M J Rowley

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snow Hill, Snow Hill Queensway, Birmingham, B4 6GH

Statement of Principal Accounting Policies

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

1 ACCOUNTING CONVENTION

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

2 TANGIBLE FIXED ASSETS

i) Capitalisation

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

- Individually have a cost equal to or greater than £10,000
- Or
- Collectively have a cost equal to or greater than £10,000 where the assets are functionally interdependent or are purchased together and intended to be used as group under common management control
- Or
- Irrespective of their individual cost, form part of the initial equipping of a new building.

ii) Valuation

Tangible fixed assets, including land and buildings inherited from the Local Education Authority, are stated at cost or, in the case of land and buildings, at valuation. The basis of valuation is depreciated replacement cost or, for properties to be sold, open market value. The latest valuation, which was for the 1994/95 Annual Accounts, was performed by the Estate Manager acting as an independent consultant, under the aegis of his professional body, the Royal Institution of Chartered Surveyors. All additions to land and buildings since 1 August 1995 are included at cost.

The university has adopted the transitional provisions of FRS 15. Consequently, no more revaluations will be made and existing land and buildings' gross valuations will be frozen at their current level. Buildings are depreciated over their expected useful life, which is normally 50 years except for certain building improvements, which are depreciated over 20 years. Leasehold property is depreciated over the life of the lease.

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, depreciation is adjusted accordingly.

iii) Depreciation

Land is not depreciated. Leasehold property including improvements to leasehold property, and other leased assets are depreciated over the life of the lease. Where assets comprise two or more major components with substantially different useful economic lives, each component is accounted for and depreciated over its individual economic life. 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

New buildings and major refurbishments to buildings are depreciated from the month in which they are put into service. For all other assets six months depreciation is charged in the year in which they are put into service.

Depreciation on disposals is as follows:

Buildings	Up to the month before the building is taken out of use
Equipment	Six months depreciation

iv) Funded tangible fixed assets

Where assets are acquired with the aid of specific grants or donations they are capitalised and depreciated as above. The related 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 Income and Expenditure Account as donations in the year in which the expenditure is incurred.

v) Tangible donated fixed assets

Tangible fixed assets other than land that have been donated to the university are capitalised at market value with the same amount being credited to deferred capital grants. Assets are depreciated over their estimated useful lives, and a corresponding amount is released from deferred capital grants to the Income and Expenditure Account.

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 Income and Expenditure Account in the year of purchase.

vii) Heritage assets

The university holds a number of collections, exhibits and artefacts of historical, artistic or scientific importance. Most of these have been donated or bequeathed to the university. In accordance with FRS 15 and FRS 30 (heritage assets), Heritage Assets acquired before 1999 have not been capitalised since reliable estimates of value are not available on a cost-benefit basis. No items above the general fixed asset minimum value of £10,000 have been acquired since 1 August 1999; therefore, no value for Heritage Assets is included in the financial statements.

The university does not have a systematic policy for acquisition of this type of asset. Most of the artwork included in the collections is on display within the university's buildings and exhibition spaces, many of which are open to the public. Discussions have taken place with local museums and galleries regarding loaning elements of the collection for public display. Items not currently on display are stored in a secure store. Conservation of items within the collection is carried out as necessary.

3 INTANGIBLE ASSETS

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

4 LEASES

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of 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 Income and Expenditure Account in equal amounts over the periods of the leases.

5 FUNDING COUNCIL GRANTS

Funding Council recurrent grant income represents income in support of general or specific revenue activities of the university during the period and is credited direct to the Income and Expenditure Account.

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 Income and Expenditure Account over the expected useful life of the related assets.

Tuition fees represent student fees received and receivable, which are attributable to the current accounting period.

Deferred income in respect of HEFCE capital grant, which is attributable to subsequent years, is shown as a deferred credit in the Balance Sheet.

6 STOCKS

Stocks are stated at the lower of cost and net realisable value. Consumable items are charged directly to the Income and Expenditure Account.

7 TAXATION STATUS

The university is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010.

Accordingly, the university is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) 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.

The university's principal activities are exempt from Value Added Tax, but certain ancillary supplies and services are liable to Value Added Tax at various rates. Expenditure includes irrecoverable Value Added Tax charged by suppliers to the University.

8 DEFERRED TAXATION

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

9 PENSION SCHEME ARRANGEMENTS

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, the Universities Superannuation Scheme for academic staff and to the Local Government Pension Scheme for support staff. These are all independently administered schemes. Pension costs are assessed on the latest actuarial valuations of the Schemes.

The Local Government Pension Scheme is accounted for on the basis of FRS 17. The assets of the scheme are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method. The difference between the fair value of assets and liabilities measured on an actuarial basis, net of the related amount of deferred tax, are recognised in the university's Balance Sheet as a pension scheme liability or asset as appropriate. A surplus is only included to the extent that the university is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. Changes in the defined asset or liability arising from factors other than cash contributions to the scheme are charged to the Income and Expenditure Account. The Teachers' Pension Scheme and the Universities Superannuation Scheme are multi-employer schemes where the university is unable

to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Contributions are charged directly to the Income and Expenditure Account as if the schemes were defined contribution scheme in accordance with FRS 17.

Provision is made for enhanced pensions not accounted for under FRS 17 where employees have taken early retirement.

10 RECOGNITION OF INCOME

Income from donations, research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year. Contributions towards overhead costs are aligned with expenditure and recognised based on expenditure to date. All income from short-term deposits and endowment asset investments is credited to the Income and Expenditure Account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the Income and Expenditure Account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the Balance Sheet.

Donations received to be applied to the cost of land are recognised by inclusion as 'Other Income' in the Income and Expenditure Account.

11 CONSOLIDATION

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

The consolidated financial statements do not include those of De Montfort University Students' Union Limited, as it is a separate Limited company in which the University has no financial interest. In 2010/11, the university made the recurrent grant to De Montfort University Students' Union Limited of £735,000 (2009/10: £708,000).

12 CASH FLOWS AND LIQUID RESOURCES

Cash flows comprise increases or decreases in cash. Cash includes cash-in-hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They may include term deposits, government securities and loan stock held as part of the university's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

13 MAINTENANCE OF PREMISES

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

14 STAFF RESTRUCTURING COSTS

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

15 PROVISIONS

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

16 INVESTMENTS

Fixed asset investments that are not listed on a recognised stock exchange are carried at cost. Investments that are listed on a recognised stock exchange are carried at market value. Current asset investments are carried at the lower of cost and net realisable value.

17 FOREIGN CURRENCIES

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

18 ACCOUNTING FOR CHARITABLE DONATIONS

i) Unrestricted donations

Charitable donations are recognised in the accounts 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.

ii) Endowment funds

Where charitable donations are to be retained for the benefit of the Institution as specified by the donors, these are accounted for as endowments. There are three 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
- Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the Institution can convert the donated sum into income
- 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.

iii) Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the Balance Sheet as a deferred capital grant. The deferred capital grant is released to the Income and Expenditure Account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

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.

Consolidated Income and Expenditure Account

For the Year Ended 31 July 2011

Income	Note	2011 £'000 Total	2010 £'000 Total
Funding council grants	1a	64,056	64,646
Academic fees and education contracts	1b	70,917	68,318
Research grants and contracts	1c	7,095	8,155
Other operating income	1d	7,129	8,485
Endowment income and interest receivable	1e	236	276
Total income		149,433	149,880
Expenditure			
Staff costs	2	90,381	92,202
Staff restructuring costs		6,548	700
Other operating expenses	3	41,778	47,353
Interest payable	4	2,245	3,621
Depreciation	6	8,969	9,004
Total expenditure	5	149,921	152,880
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items		(488)	(3,000)
Exceptional items: continuing operations			
Surplus/(deficit) on disposal of tangible fixed assets		255	(203)
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets		(233)	(3,203)
Transfer from accumulated income within endowments		75	132
Deficit for the year retained within general reserves		(158)	(3,071)

The consolidated surplus includes a deficit of £33k (2009/10: surplus of £1,636k) that has been dealt with in the accounts of the University.

All items dealt with above relate to continuing operations.

This statement should be read in conjunction with the report of the Chairman, the Operating and Financial review and the notes to the accounts.

Statement of Historical Cost Surpluses and Deficits

For the Year Ended 31 July 2011

	Note	2011 £'000 Total	2010 £'000 Total
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets		(233)	(3,203)
Difference between historical cost depreciation charge and actual depreciation charge for the year	17	61	72
Realisation of revaluation surplus on disposal of assets	17	681	198
Historical cost surplus/(deficit) for the year		509	(2,933)
Historical cost surplus/(deficit) for the year retained after transfers in respect of endowments		584	(2,801)

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

Balance Sheet

As at 31 July 2011

	Note	Group 2011 £'000	Group 2010 £'000	Corporation 2011 £'000	Corporation 2011 £'000
Fixed assets					
Tangible assets	6	151,720	153,040	151,720	153,040
Investments	7	310	296	620	606
		152,030	153,336	152,340	153,646
Endowment asset investments	8	1,068	902	1,068	902
Current assets					
Stocks	9	131	109	131	109
Properties held for resale		4,432	1,741	4,432	1,741
Debtors - amounts falling due within one year	10	6,474	8,870	6,475	8,853
Investments	11	20,277	24,140	19,603	23,102
Cash at bank and in hand		217	1,076	213	1,075
		31,531	35,936	30,854	34,880
Creditors: amounts falling due within one year	12	(21,131)	(27,226)	(21,021)	(26,862)
Net current assets		10,400	8,710	9,833	8,018
Total assets less current liabilities		163,498	162,948	163,241	162,566
Creditors: amounts falling due after more than one year	13	(22,871)	(23,331)	(22,871)	(23,331)
Provisions for liabilities and charges	14	(3,036)	(1,553)	(3,036)	(1,553)
		(25,907)	(24,884)	(25,907)	(24,884)
Total net assets excluding pension deficit		137,591	138,064	137,334	137,682
Pension deficit	29d	(31,621)	(50,656)	(31,621)	(50,656)
Total net assets including pension deficit		105,970	87,408	105,713	87,026
Represented by:					
Deferred capital grants	15	44,890	46,865	44,890	46,865
Endowments					
Expendable		610	444	610	444
Permanent		458	458	458	458
	16	1,068	902	1,068	902
Reserves					
Revaluation reserve	17	8,965	9,693	8,965	9,693
Income and expenditure account	17	82,668	80,604	82,411	80,222
Pension reserve	17	(31,621)	(50,656)	(31,621)	(50,656)
Total reserves		60,012	39,641	59,755	39,259
Total reserves and endowments		61,080	40,543	60,823	40,161
Total funds		105,970	87,408	105,713	87,026

The financial statements on pages 28 to 55 were approved by the Board of Governors on 25 November 2011 and were signed on its behalf by

Mr I Blatchford
Chairman

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.

Statement of Consolidated Total Recognised Gains and Losses

For the year ended 31 July 2011

	Note	2011 £'000	2010 £'000
Deficit on continuing operations after depreciation of assets at valuation and disposal of assets		(233)	(3,203)
Increase/(decrease) in value of fixed asset investment	17	14	(6)
New endowed funds	16	231	253
Appreciation of endowed funds	16	10	15
FRS17 actuarial gain	29d	20,515	9,328
Total recognised gains relating to the year		20,537	6,387
Opening reserves and endowment		40,543	34,156
Total recognised gains		20,537	6,387
Closing reserves and endowments		61,080	40,543

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

Consolidated Cash Flow Statement

For the year ended 31 July 2011

	Note	2011 £'000	2010 £'000
Net cash inflow from operating activities	19	5,197	4,786
Returns on investments and servicing of finance			
Interest received	20	233	448
Interest paid	20	(915)	(945)
		(682)	(497)
Net cash inflow from returns on investments and servicing of finance		4,515	4,289
Capital expenditure			
Payments to acquire tangible assets		(13,875)	(20,331)
Proceeds of sale of tangible assets		1,993	650
Deferred capital grants received		3,077	6,994
Net cash outflow from capital expenditure		(8,805)	(12,687)
Net cash outflow before management of liquid resources		(4,290)	(8,398)
Management of liquid resources			
Cash transferred from term deposits	22	3,863	8,771
Financing			
Loan drawn down in year	21	70	–
Loan repayment in year	21	(430)	(410)
		(360)	(410)
Decrease in cash	22	(787)	(37)

Reconciliation of Net Cash Flow to Movement in Net Funds

	Note	2011 £'000	2010 £'000
Decrease in cash in the year	22	(787)	(37)
Cash outflow from liquid resources	22	(3,863)	(8,771)
New loans taken out in year	22	(70)	–
Loan repayment in year	22	430	410
Change in net funds		(4,290)	(8,398)
Net funds at 1 August		1,392	9,790
Net funds at 31 July		(2,898)	1,392

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

Notes to the Accounts

1. Analysis of income

	2010/2011 £'000	2009/2010 £'000
a) Funding council grants		
Recurrent grants		
Higher Education Funding Council	55,027	54,821
Learning and Skills Council	845	879
Specific grants		
Employer Engagement	1,083	1,742
Higher Education Innovation Fund	2,056	1,437
Centres for Excellence in Teaching and Learning	–	312
Graduate Internship Project	332	149
HEFCE Matched Funding	159	167
E-Marketplace	43	–
Releases of deferred capital grants (note 15)		
Buildings	1,452	1,421
Equipment	3,059	3,718
Total	64,056	64,646
b) Academic fees and education contracts		
Home and EU students	43,754	43,657
Overseas students	13,460	10,547
Education contracts	12,100	12,031
Other contracts	1,603	2,083
Total	70,917	68,318
c) Research grants and contracts		
Research councils	1,607	1,779
UK-based charities	307	490
European commission	943	816
Other grants and contracts	4,238	5,070
Total	7,095	8,155
d) Other operating income		
Residences and catering	3,515	4,673
Other services rendered	1,665	2,011
Other income	1,406	1,122
Releases of deferred capital grants (note 15)	541	579
Donations	2	100
Total	7,129	8,485
e) Endowment income and interest receivable		
Income from expendable endowments (note 16)	5	4
Income from permanent endowments (note 16)	12	12
Interest on short-term investments	219	260
Total	236	276

2. Staff costs and other details

	2010/2011 £'000	2009/2010 £'000
a) Staff costs		
Wages and salaries	74,865	76,123
Social security costs	6,093	6,127
Other pension costs	9,277	9,376
The financial effects of the adoption of FRS17	146	576
Total	90,381	92,202

b) Employee numbers

The average number of persons employed during the year, expressed as full-time equivalents, are disclosed below.

	2010/2011	2009/2010
Academic		
Full-time	734	756
Part-time	221	227
Support	1,155	1,208
Total	2,110	2,191

c) Senior post holder emoluments

Vice-Chancellor		
Emoluments of the Vice-Chancellor	207	16
Pension contributions	30	3
	237	19
Retired Vice-Chancellor		
Emoluments of the Vice-Chancellor	–	204
Pension contributions	–	16
	–	220

The Vice-Chancellor was appointed on 28th June 2010. 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 University's pension contributions to the Teachers' Pension Scheme in respect of the Vice-Chancellor is paid at the same rates as for other academic staff. This represents employer's pension contributions of 14.1% (2009/10: 14.1%).

The Contract of Employment of the Vice-Chancellor provides for termination by the Corporation on giving twelve months' notice or the Vice-Chancellor reaching the age of 65.

d) Remuneration of other higher paid staff

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

	2010/2011	2009/2010
£100,000 - £109,999	3	3
£110,000 - £119,999	4	2
£120,000 - £129,999	2	1
£130,000 - £139,999	–	–
£140,000 - £149,999	1	2
£150,000 - £159,999	1	–

Compensation for loss of office payable to senior post-holders

	2010/2011 £'000	2009/2010 £'000
Compensation payable	–	188

The severance pay was in accordance with the Institution's Remuneration Committee.

3. Other operating expenses

		2010/2011 £'000	2009/2010 £'000
External auditors remuneration	Group audit	46	50
The above remuneration includes £38k in respect of the audit of the University (2010: £38k)			
Auditors fees for non-audit services	Other services supplied pursuant to such legislation	3	1
	Other services relating to taxation	–	3
	Valuation and actuarial services	–	1
	Other	27	–
Internal audit services		85	76
Residences and catering		2,380	4,090
Rent, rates and insurance		789	918
Repairs and general maintenance		3,389	4,193
Energy		2,152	2,881
Administrative expenses		4,454	5,433
Research grants and contracts		2,071	2,951
Legal, professional and consultancy fees		4,117	3,372
General education expenses		5,454	6,851
Student bursaries		8,817	7,951
Publicity		2,101	2,357
Staff development		468	551
Travel and subsistence		1,334	1,296
Grant to De Montfort University Students' Union Limited		735	708
Consumables		2,427	2,856
Other		929	814
Total		41,778	47,353
Other operating expenses include:		2010/2011 £'000	2009/2010 £'000
Operating leases - buildings		296	680
Operating leases - equipments		282	539

Governors

No governor has received any remuneration/waived payments for the Group during the year (2010: none).

The total expenses paid to or on behalf of 26 governors was £38,435 (2010: £37,739 to 24 governors).

This represents travel and subsistence incurred in attending Board and Committee meetings in their official capacity.

4. Interest payable

	2010/2011 £'000	2009/2010 £'000
Other loans	911	934
Net Financing costs in Pension Scheme Liabilities (under FRS17)	1,334	2,687
Total	2,245	3,621

5. Analysis of 2010/2011 expenditure by activity

	Staff costs £'000	Other operating expenses £'000	Interest £'000	Depreciation £'000	Total £'000	2009/2010 Total £'000
Academic departments	57,218	10,053	–	2,014	69,285	72,463
Academic services	9,175	4,011	–	871	14,057	13,106
Admin and central services	9,087	2,873	–	945	12,905	12,006
General education expenditure	2,360	12,354	–	71	14,785	15,423
Staff and student facilities	2,586	1,866	–	38	4,490	4,727
Premises	5,243	5,739	–	4,624	15,606	17,120
Residences and catering	446	2,380	–	150	2,976	4,788
Research grants and contracts	3,651	2,071	–	256	5,978	6,991
Other services rendered	469	424	–	–	893	1,357
Other expenditure	–	–	911	–	911	934
Provision for restructuring	6,548	7	–	–	6,555	702
FRS17 adjustment	146	–	1,334	–	1,480	3,263
Total	96,929	41,778	2,245	8,969	149,921	152,880

The depreciation charge has been funded by:

	£'000
Deferred capital grants released (note 17)	4,608
Revaluation reserves released (note 17)	61
General income	4,300
	8,969

6. Tangible fixed assets and depreciation

Group and Corporation	Land and buildings £'000	Buildings under construction £'000	Furniture and equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation					
At 1 August 2010	173,798	1,487	13,511	12,675	201,471
Additions at cost	1,337	7,215	1,115	2,412	12,079
Transfers to land and buildings	687	(687)	–	–	–
Properties held for resale	(4,983)	–	–	–	(4,983)
Disposals	(260)	–	(20)	(1,616)	(1,896)
At 31 July 2011	170,579	8,015	14,606	13,471	206,671
Depreciation					
At 1 August 2010	30,116	–	9,705	8,610	48,431
Charge for the year	4,584	–	1,716	2,669	8,969
Properties held for resale	(553)	–	–	–	(553)
Disposals	(260)	–	(20)	(1,616)	(1,896)
At 31 July 2011	33,887	–	11,401	9,663	54,951
Net book value:					
At 31 July 2011	136,692	8,015	3,205	3,808	151,720
At 31 July 2010	143,682	1,487	3,806	4,065	153,040

The net book value of tangible fixed assets held under finance leases at 31 July 2011 was nil (31 July 2010: nil). Of the net book value of land and buildings, £136,692,000 as at 31 July 2011, £111,284,000 is held at cost and £25,408,000 is held at the 1995 valuation. The historical cost equivalent of the re-valued land and buildings is £16,514,000 as at 31 July 2011.

The net book value of land and buildings is comprised as follows:

Group and Corporation	2010/2011 £'000	2009/2010 £'000
Freehold	136,125	142,935
Long lease	567	747
Total	136,692	143,682

7. Investments

	Group 2010/2011 £'000	Group 2009/2010 £'000	Corporation 2010/2011 £'000	Corporation 2009/2010 £'000
Movement in the year				
Balance at beginning of year	296	302	606	612
Additions	–	1	–	1
Disposals	(1)	–	(1)	–
Appreciation/(depreciation) of investments	15	(7)	15	(7)
Balance at year end	310	296	620	606
Analysis of closing balance				
Shareholding in subsidiary undertakings	–	–	310	310
Other investments	272	258	272	258
Shareholding in CVCP Properties PLC	38	38	38	38
	310	296	620	606

a) Shareholdings in subsidiary undertakings

At year end, investments in subsidiary undertakings comprise:

	Group holding %	Corporation 2010/2011 £	Corporation 2009/2010 £	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
Leicester De Montfort Expertise Ltd	100	–	1	Dissolved at Companies House on 28 June 2011
Leicester De Montfort Ltd	100	–	1	Dissolved at Companies House on 28 June 2011
		310,002	310,004	

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

b) Other investments

	Holding	Corporation		Description of activities
	%	2010/2011 £	2009/2010 £	
Talis Group Ltd	<0.50	–	–	Library management system (note 1 below)
Spear Therapeutics Ltd	11.06	234	234	Drug development and research
BTG PLC	<0.01	56,672	42,669	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
Access Pharmaceuticals Inc	<0.70	13,834	12,521	Drug development and research, incorporated in USA
Lachesis Seed Fund Ltd Partnership	20.00	200,000	200,000	Seed funding for new high technology businesses
Mediatag Ltd	32.47	150	150	Software development (previously named Fiteris Ltd)
Venuesim Ltd	33.00	300	300	Software development
WZVI Ltd	10.00	100	100	Science and Engineering Research
Banco Santander	–	–	832	Financial services (note 2 below)
		272,079	257,595	

Notes

- The shares in this company were issued without payment. This followed the reorganisation of BLCMP Library Services, in which the University was previously a shareholder.
- The shares in Banco Santander were sold on 23 February 2011.

8. Endowment asset investments - Group and Corporation

	2010/2011 £'000	2009/2010 £'000
Balance as at 1 August	902	766
New endowments invested	231	253
Increase in market value of investments	10	15
Decrease in cash balances held for endowment funds	(75)	(132)
Balance as at 31 July	1,068	902
Represented by:		
Securities and fixed interest stock	202	192
Bank balances	866	710
Total endowment assets	1,068	902

9. Stocks - Group and Corporation

	2010/2011 £'000	2009/2010 £'000
Goods for resale	1	5
Catering and residences	4	5
Art and Design	90	68
ITMS	36	31
	131	109

10. Debtors falling due within one year

	Group 2010/2011 £'000	Group 2009/2010 £'000	Corporation 2010/2011 £'000	Corporation 2009/2010 £'000
Student debtors	1,463	2,520	1,463	2,520
Other debtors	991	2,110	880	1,986
Research	1,228	1,506	1,228	1,506
Prepayments and accrued income	2,792	2,734	2,618	2,394
Subsidiary undertakings	–	–	286	447
	6,474	8,870	6,475	8,853

11. Short Term Deposits - Group and Corporation

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

At 31 July 2011:

£20,277,000 of Group Funds was on deposit (31 July 2010: £24,140,000).

£19,603,000 of Corporation Funds was on deposit (31 July 2010: £23,102,000).

12. Creditors falling due within one year

	Group 2010/2011 £'000	Group 2009/2010 £'000	Corporation 2010/2011 £'000	Corporation 2009/2010 £'000
Bank account	1	72	1	72
Payments received in advance	5,174	4,343	5,174	4,319
Trade creditors	3,477	6,676	3,341	6,368
Other creditors	4,492	7,262	4,492	7,261
Taxation	1,428	1,068	1,425	1,068
Social security	931	945	931	945
Accruals	4,591	5,908	4,562	5,832
Loans	520	420	520	420
Student caution deposits	515	488	515	488
Access funds (note 26)	2	44	2	44
Subsidiary undertakings	–	–	58	45
	21,131	27,226	21,021	26,862

13. Creditors falling due after more than one year - Group and Corporation

	2010/2011 £'000	2009/2010 £'000
Bank loan	22,828	23,331
Other loans	43	–
	22,871	23,331

A Revolving Credit facility of £7 million with the Lloyds Group was drawn down on the 14 January 2009. The cost of the facility is the bank rate plus 0.2% margin.

This facility has been forward fixed to a 20 year term loan commencing 27 February 2012. The underlying cost of funds for the future term loan is 4.79% together with a margin of 0.2%, giving an overall fixed rate of 4.99%. The loan will be amortized over the term with no capital holiday. It is provided unsecured, subject only to the University providing a negative pledge over its material fixed assets.

14. Provisions for liabilities and charges - Group and Corporation

	Future pensions £'000	Staff restructuring £'000	Total £'000
At 1 August 2010	1,138	415	1,553
Utilised in year	(79)	(415)	(494)
Transfer to Income and Expenditure Account	1,294	683	1,977
At 31 July 2011	2,353	683	3,036

The provision for future pensions represents the estimated outstanding cost to the University in respect of enhanced pension entitlements not accounted for under FRS17, and is reviewed at each financial year end. The provision for staff restructuring relates to agreements that have been reached for early retirement and severance as at the Balance Sheet date.

15. Deferred capital grants - Group and Corporation

	Funding Council Grants £'000	Other grants £'000	Total Grants £'000
Balance at 1 August 2010			
Buildings	35,862	3,644	39,506
Equipment	6,408	951	7,359
Total	42,270	4,595	46,865
Cash receivable			
Buildings	1,481	–	1,481
Equipment	1,549	47	1,596
Total	3,030	47	3,077
Released to Income and Expenditure Account			
Buildings	(1,452)	(216)	(1,668)
Equipment	(3,059)	(325)	(3,384)
Total	(4,511)	(541)	(5,052)
	To fund depreciation (note 5)		(4,608)
	To fund revenue		(444)
			(5,052)
Balance at 31 July 2011			
Buildings	35,891	3,428	39,319
Equipment	4,898	673	5,571
Total	40,789	4,101	44,890

16. Endowments - Group and Corporation

	Unrestricted permanent £'000	Restricted permanent £'000	Total permanent £'000	Restricted expendable £'000	2010/2011 Total £'000	2009/2010 Total £'000
Capital	1	377	378	445	823	686
Accumulated income	–	70	70	9	79	80
	1	447	448	454	902	766
Investment income	–	12	12	5	17	16
Expenditure	–	(13)	(13)	(79)	(92)	(148)
	–	(1)	(1)	(74)	(75)	(132)
New endowments	–	1	1	230	231	253
Appreciation in market value of investments	–	10	10	–	10	15
At 31 July 2011	1	457	458	610	1,068	902
Represented by:						
Capital value	1	388	389	605	994	823
Accumulated income	–	69	69	5	74	79
	1	457	458	610	1,068	902

17. Reserves

	Group 2010/2011 £'000	Group 2009/2010 £'000	Corporation 2010/2011 £'000	Corporation 2009/2010 £'000
Income and expenditure reserve				
At 1 August	80,604	80,142	80,222	75,053
(Deficit)/surplus retained in the year	(158)	(3,071)	(33)	1,636
Transfer from revaluation reserve	61	72	61	72
Realisation of revaluation surplus on disposal of assets	681	198	681	198
Add back pension deficit	1,480	3,263	1,480	3,263
At 31 July	82,668	80,604	82,411	80,222
Pension reserve				
At 1 August	(50,656)	(56,721)	(50,656)	(56,721)
Actuarial gain on pension scheme	20,515	9,328	20,515	9,328
Deficit retained within reserves	(1,480)	(3,263)	(1,480)	(3,263)
At 31 July	(31,621)	(50,656)	(31,621)	(50,656)

Revaluation reserve				
At 1 August	9,693	9,969	9,693	9,969
Increase/(decrease) in value of fixed asset investments	14	(6)	14	(6)
Contribution to depreciation	(61)	(72)	(61)	(72)
Realisation of revaluation surplus on disposal of assets	(681)	(198)	(681)	(198)
At 31 July	8,965	9,693	8,965	9,693
Total reserves	60,012	39,641	59,755	39,259

18. Borrowings and lease obligations - Group and Corporation

a) Borrowings

Borrowings in respect of bank loans, overdrafts and other loans are repayable as follows:

	2010/2011 £'000	2009/2010 £'000
In one year or less	521	492
Between one and two years	707	503
Between two and five years	2,301	2,174
In five years or more	19,863	20,654
Total	23,392	23,823

b) Operating leases

At 31 July 2011, the University had annual commitment under operating leases as follows:

	2010/2011 £'000	2009/2010 £'000
Land and buildings		
Leases expiring within one year	–	28
Leases expiring within two-five years	22	21
Leases expiring thereafter	275	236
Total lease payments due	297	285
Other		
Leases expiring within one year	36	96
Leases expiring within two-five years	105	187
Leases expiring thereafter	6	–
Total lease payments due	147	283

19. Net cash flow from operating activities - Group

	2010/2011		2009/2010	
	£'000	£'000	£'000	£'000
Income and Expenditure Account before taxation	(488)		(3,000)	
FRS17 impact on Income and Expenditure Account (including interest)	1,480		3,263	
Endowment income adjustment	75		132	
Interest receivable (excluding FRS17 interest)	(236)		(276)	
Surplus before interest receivable		831		119
Add back interest payable (excluding FRS17 interest):				
Bank loans	911		934	
Total interest payable		911		934
Surplus from operating activities		1,742		1,053
Release of capital grant		(5,052)		(5,718)
Increase/(decrease) in value of fixed asset investments		15		(6)
Depreciation		8,969		9,004
(Increase)/decrease in stock		(22)		34
Decrease/(increase) in debtors		2,399		(1,528)
(Decrease)/increase in creditors		(4,337)		1,969
Increase/(decrease) in provisions		1,483		(22)
Net cash inflow from ordinary operating activities		5,197		4,786

20. Returns on investments and servicing of finance - Group

	2010/2011	2009/2010
	£'000	£'000
Income from short term investments	233	448
Interest paid	(915)	(945)
	(682)	(497)

21. Analysis of changes in financing - Group

	Bank loan		Finance leases		Total	
	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August	23,751	24,157	–	4	23,751	24,161
New loan principal	70	–	–	–	70	–
Repayment	(430)	(406)	–	(4)	(430)	(410)
Balance at 31 July	23,391	23,751	–	–	23,391	23,751

22. Analysis of net funds - Group

	At 1 August 2010 £'000	Non cash changes £'000	Cash flow £'000	At 31 July 2011 £'000
Net cash				
Cash at bank and in hand	1,076	–	(859)	217
Bank overdrafts	(73)	–	72	(1)
	1,003	–	(787)	216
Liquid resources				
Current asset investments	24,140	–	(3,863)	20,277
Debt				
Debts falling due within one year	(420)	(530)	430	(520)
Debts falling due after one year	(23,331)	530	(70)	(22,871)
	(23,751)	–	360	(23,391)
Net funds	1,392	–	(4,290)	(2,898)

23. Financial commitments - Group and Corporation

Provision has not been made for the following capital commitments at 31 July 2011.

	2010/2011 £'000	2009/2010 £'000
Commitments contracted for	7,558	6,407
Authorised but not contracted for	4,027	17,572
	11,585	23,979

24. Contingent liabilities

There are no material contingent liabilities.

25. Related party transactions

The members of the Board of Governors have considered the requirement for disclosure concerning related parties under FRS 8.

Mr Ted Cassidy, Head of Regional and International Partnerships at the University and Mr John Cunningham, Director of Finance, sit on the Board of Directors of Leicester Arts Centre Ltd. De Montfort University has made a £15,000 revenue contribution to Leicester Arts Centre Ltd in respect of the Digital Media Centre. The total contribution held in respect of the Digital Media Centre is £600,000 which will be released to the Income and Expenditure Account over eight years. Mr Ted Cassidy is also a board member of Leicester Chamber of Commerce. De Montfort University has contributed £6,200 as a patron. Professor David Stevens, Co-opted Governor, is the Chairman of Firebird Trading, a wholly owned subsidiary of Leicester Arts Centre Ltd. The value of services provided to the University during 2010/11 was £3,711. Professor Stevens also provided consultancy services to the University the value of which was £2,800. Professor Paul Fleming, Acting Director of Institute of Energy & Sustainable Development at the University was the principle investigator in a project where the partner is his spouse, project payments to his spouse were £26,770.

It is a new 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 Liam Davies, President of De Montfort Students' Union sits on the University's board. The grant paid to the students' union during the year was £735,000.

26. Access funds

	2010/2011 £'000	2009/2010 £'000
Balance unspent at 1 August	44	33
Funding council grants	540	580
Interest earned	3	4
	587	617
Disbursed to students	(585)	(573)
	2	44

Funding Council Grants are available solely for students: the university acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

27. East Midlands New Technology Initiative (EMNTI)

The Corporation has received and disbursed funds on behalf of EMNTI during the period.

	2010/2011 £'000	2009/2010 £'000
Balance held on behalf of EMNTI at 1 August	–	125
Funding received during the period	–	–
Disbursements	–	(125)
Balance held on behalf of EMNTI at 31 July 2011	–	–

On 31 July 2010 EMNTI ceased trading.

28. Intangible fixed asset

De Montfort Developments PLC, a wholly owned subsidiary, assigned a patent to the University on 20 July 2007. It is the intention not to exploit the patent in the next 12 months. Impairment has been made for the full cost in compliance with FRS10. It is considered that the transaction is immaterial and is not disclosed in the Balance Sheet as at 31 July 2011. A review of the status of the intangible asset is undertaken annually.

	Group and Corporation 31 July 2011 £
Cost	
Expenditure	50,000
Impairment	
Charge to date	(50,000)
Adjustment for the year	–
Net book value at 31 July 2011	–

29. Pension schemes

- a) The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are both independently administered schemes. The schemes are defined benefit schemes which are funded by contributions from the university and employees.

The Teachers' Pension Scheme is valued every five years by the Government Actuary, using the prospective benefit method. Contributions are paid by the university at the rate specified by the Government Actuary. The Local Government Pension Scheme is valued periodically by a professionally qualified actuary, using the projected unit method. The rates of contribution are determined by the actuary.

The Institution also participates, for a strictly limited membership, in the Universities Superannuation Scheme (USS), a pension scheme which also provides benefits based on final pensionable salary. The assets of the Scheme are held in a separate trustee-administered fund. The pension valuation is assessed using the projected unit method. The level of contributions paid by the employing institutions takes into account the surpluses disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread the surplus in a prudent manner over the future working lifetime of current Scheme members.

Pension summary

	TPS	LGPS	USS
Last actuarial valuation:	31/03/04	31/03/07	31/03/08
Investment returns per annum	6.5%	6.1%	4.4%
Salary rate increase per annum	5.0%	4.7%	4.3%
Pension increase per annum	3.5%	3.2%	3.3%
Market value of assets at date of last valuation:	£163,240m	£2,057m	£28,843m
Proportion of members' actuarial benefits covered by the actuarial valuation of the assets:	98.0%	93.0%	71.0%
The total pension cost for the University and its subsidiaries was:-		2010/2011 £'000	2009/2010 £'000
Contributions to TPS and USS		5,474	5,553
Contributions to LGPS		3,803	3,823
The financial effects of the adoption of FRS17:			
LGPS		146	576
Total		9,423	9,952
Contributions to pension schemes		2010/2011 From April 2011	2009/2010 From April 2010
TPS		14.10%	14.10%
USS		16.00%	16.00%
LGPS officers *		13.60%	13.60%
LGPS manual pre-1998		11.00%	11.00%

* The contribution rates for LGPS officers changed with effect from 1 April 2008. From this date, different contribution rates are applied to each range of salary bandings, the rate reported above is an average figure.

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 FRS17. 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 £2,353k (2010: £1,137k), not accounted for under FRS17, 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) Pension schemes

Teachers' Pension Scheme

The university is a member of the Teachers' Pension Scheme (TPS), a statutory, contributory, defined benefit pension scheme. The TPS is an unfunded scheme. Contributions on a 'pay-as-you-go' basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. Actuarial valuations are carried out on a notional set of investments.

Under the definitions set out in FRS17, 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 FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The university has set out below the information available on the deficit in the scheme and the implications for the university in terms of the anticipated contribution rates.

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. 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 2004
Actuarial method	prospective benefits
Investment returns per annum	6.50%
Salary scale increases per annum	5.00%
Value of notional assets at date of last valuation (estimated future contributions together with notional investments held at 31 March 1996)	£163,240m
Proportion of members' accrued benefits covered by the actuarial value of the assets	98%

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate (SCR) is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001-31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

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. The cost-sharing agreement has also introduced, effective for the first time from the 2008 valuation, a 14% cap on employer contributions payable.

c) Universities Superannuation Scheme

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

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The Institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

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

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

Standard mortality tables were used as follows;

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

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at 65 are;

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

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

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (ie, assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

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

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

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2011 the markets assessment of inflation has increased slightly. The Government has also announced a change to the inflation measure used in determining the 'Official Pensions Index' from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3 per annum to 2.9 per annum. The actuary has estimated that the funding level as at 31 March 2011 under the new scheme specific funding regime has fallen from 103% to 98% (a deficit of circa £700 million). Over the past 12 months, the funding level has improved from 91%, as at 31 March 2010 to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

On the FRS17 basis, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

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

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/Increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Decrease/Increase by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Decrease/Increase by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

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

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

The total pension cost for the Institution was £252,256 (2010: £228,684). This includes £nil (2010: £nil) outstanding contributions at the balance sheet date. The contribution rate payable by the Institution was 16% of pensionable salaries.

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 2007 by a qualified independent actuary. This was updated to 31 July 2011 for FRS17 purposes by a qualified independent actuary. The major assumptions used by the actuary were as follows:

	2011	2010
Salary increase rate	4.0%	3.9%
Pension increase rate	2.7%	2.9%
Discount rate	5.3%	5.4%
Inflation assumption rate CPI	2.7%	2.9%
Inflation assumption rate RPI	3.5%	3.4%
Expected return on plan assets at 31 July	6.6%	6.9%
Number of employees opting for early retirement	8	3
	2011	2011
Mortality rates	Males	Females
Current pensioners	20.9 years	23.3 years
Future pensioners	23.3 years	25.6 years

Scheme assets

The assets in the scheme and the expected rate of return at 31 July 2011 were:

	Long term rate of return expected at 31 July 2011	Value at 31 July 2011 £'000	Value at 31 July 2010 £'000
Equities	7.1%	1,782,300	1,645,600
Bonds	4.7%	159,950	143,990
Property	5.1%	274,200	246,840
Cash	4.0%	68,550	20,570
Total		2,285,000	2,057,000
		31 July 2011 £'000	31 July 2010 £'000
Opening fair value of asset plans		95,082	80,307
Expected return on assets		6,461	5,635
Contributions by members		1,824	1,855
Contributions by employer		3,998	4,032
Actuarial gains / (losses)		1,255	6,328
Estimated benefits paid		(8,588)	(3,075)
Total		100,032	95,082

The Group expects to contribute £3,898,000 to its defined benefit pension plan from 1 August 2011 - 31 July 2012.

Net pension liability

The following amounts at 31 July 2011 were measured in accordance with the requirements of FRS17:

	31 July 2011 £'000	31 July 2010 £'000
Fair value of employer assets	100,032	95,082
Present value of scheme liabilities	(131,653)	(145,738)
Net pension liability	(31,621)	(50,656)
	31 July 2011 £'000	31 July 2010 £'000
Present value of the defined benefit plan		
Opening defined benefit obligation	145,738	137,028
Current service cost	3,980	4,437
Interest cost	7,795	8,322
Contributions by members	1,824	1,855
Actuarial (losses)/gains	(19,260)	7,199
Past service gains	–	(10,199)
Losses on curtailments	164	171
Estimated benefits paid	(8,588)	(3,075)
Closing defined benefit obligation	131,653	145,738

	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000	Year ended 31 July 2007 £'000
Analysis of amounts charged to Income and Expenditure Account					
Charged to staff costs					
Current service cost	(3,980)	(4,437)	(3,480)	(3,702)	(4,093)
Past service cost	–	–	–	(1,134)	–
Curtailment and settlements	(164)	(171)	(85)	(52)	(12)
Employer contributions	3,998	4,032	3,831	3,302	3,345
	(146)	(576)	266	(1,586)	(760)
Financing:					
Expected return on pension scheme assets	6,461	5,635	6,733	7,562	6,182
Interest on scheme liabilities	(7,795)	(8,322)	(7,552)	(6,331)	(5,595)
Net (charge)/return	(1,334)	(2,687)	(819)	1,231	587
Net Income and Expenditure Account cost	(1,480)	(3,263)	(553)	(355)	(173)

	Year ended 31 July 31 2011 £'000	Year ended 31 July 2010 £'000			
Actual return on plan assets	–	11,995			
Analysis of amounts which would be recognised in the statement of total recognised gains and losses					
	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000	Year ended 31 July 2007 £'000
Actual return less expected return on pension scheme assets	20,515	(871)	(20,084)	(16,969)	4,934
Experience losses arising on scheme liabilities	–	–	–	(139)	–
Changes in financial assumptions underlying the present value of scheme liabilities	–	10,199	(15,476)	2,475	9,541
Actuarial gains/(losses) in pension plan recognised	20,515	9,328	(35,560)	(14,633)	14,475
Cumulative actuarial gains/(losses)	1,144	(19,371)	(28,699)	6,861	21,494

In its June 2010 budget, the Government announced that it intended for future increases in [public sector/ occupational] pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The University considered the Local Government Pension Scheme rules and associated members' literature and concluded that, as a result, a revised actuarial assumption about the level of inflation indexation was made, with the resulting gain recognised through the Statement of Total Recognised Gains and Losses ('STRGL').

Movement in the university's share of the scheme's deficit during the year

In total the movement in the Institution's share of the scheme's deficit during the year is made up as follows:

	31 July 2011 £'000	31 July 2010 £'000
Deficit on scheme at 1 August	(50,656)	(56,721)
Movements in year:		
– Current service cost	(3,980)	(4,437)
– Employer contributions	3,998	4,032
– Impact of settlements and curtailments	(164)	(171)
– Net return on assets	(1,334)	(2,687)
Total impact on Income and Expenditure Account (see note 18)	(1,480)	(3,263)
– Actuarial gains/(losses)	20,515	9,328
Total movement in the year	19,035	6,065
Deficit on scheme at 31 July	(31,621)	(50,656)

Experience gains and losses in the year

The experience gains and losses for the year ended 31 July 2011 were as follows:

	31 July 2011 £'000	31 July 2010 £'000	31 July 2009 £'000	31 July 2008 £'000	31 July 2007 £'000
Difference between the expected and actual return on scheme assets	1,255	6,328	(20,084)	(16,969)	4,934
Value of assets	100,032	95,082	80,307	90,868	101,761
Percentage of scheme assets	1.3%	6.7%	(25.0%)	(18.7%)	4.8%
Experience gains/(losses) on liabilities	5,282	–	–	(2,850)	–
Total present value of liabilities	131,653	145,738	137,028	111,476	107,381
Percentage of the total present value of scheme liabilities	4.0%	0.0%	0.0%	(2.6%)	0.0%
Total actuarial (gains)/losses	(20,515)	(9,328)	35,560	14,633	14,475
Total present value of liabilities	131,653	145,738	137,028	111,476	107,381
Percentage of the present value of scheme liabilities	(15.6%)	(6.4%)	26.0%	13.1%	13.5%

Sensitivity analysis

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

Assumptions	Change in assumptions	Approximate impact on Employer FRS17 liabilities as at 31 July 2011
Discount rate	Increase/decrease by 0.5% p.a.	Increase/decrease liability c11%
Pension increase rate	Increase/decrease by 0.5% p.a.	Increase/decrease liability c8%
Rate of salary growth	Increase/decrease by 0.5% p.a.	Increase/decrease liability c3%
Rate of mortality	Improve by one year	Increase by c3%

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