DE MONTFORT UNIVERSITY
LEICESTER

ANNUAL Accounts 2012–2013

De Montfort University is a truly international university offering creative and innovative teaching to inspire and encourage students to realise their ambition.

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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 Ian Blatchford
MA (Oxon), MA (Birkbeck), FCMA, FSA (Chairman of the Board)

Mr Mike Kapur
BSc (Hons), ACA, FRSA (Deputy Chairman of the Board)

Mr Jamie Andrews
BA (Hons), MPhil *Stepped down July 2013*

Ms Barbara Matthews
MBE, BSc *Stepped down May 2013*

The Rt Revd Bishop Tim Stevens
MA, DipTh, HonDCL, Hon DLiH *Stepped down November 2012*

Mr Kevin Hand
Stepped down November 2012

Mr Tony Stockdale
ACA

Ms Marcia Saunders
BA (Hons), MA, MSc

Professor Robert Harris
BA (Hons), MA, PhD

Mr Mark Anderson
MA, MBA *Joined November 2012*

Ms Ann Ewing
BA (Hons), MBA, PhD, PGCE, MCIPD *Joined September 2012*

Ms Suzanne Overton-Edwards
BSc, PGCE *Joined November 2012*

Co-opted Governors

Ms Christine Hancock
BSc (Hons) Econ RN

Representative Governors

Mr Tim O'Sullivan
BSc (Hons), MA

Mr Ian Warrington
BSc (Hons), (De Montfort University Students' Union President – incoming) *Joined July 2013*

Ms Lynette Williams
(De Montfort University Students' Union President – outgoing) *Stepped down July 2013*

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 Mike Kapur (Chairman)
Mr Jamie Andrews *Stepped down July 2013*
Mr Kevin Hand *Stepped down November 2012*
Ms Marcia Saunders
Mr Mark Anderson *Joined February 2013*

Nominations Committee

Ms Marcia Saunders (Chair)
Mr Ian Blatchford
Mr Tim O'Sullivan
Rt Revd Bishop Tim Stevens *Stepped down November 2012*
Professor Dominic Shellard

Remuneration Committee

The Lord Waheed Alli
Mr Ian Blatchford
Mr Tony Stockdale

Finance and Human Resources Committee

Mr Tony Stockdale (Chairman)
Ms Barbara Matthews *Stepped down May 2013*
Ms Christine Hancock
Professor Robert Harris
Professor Dominic Shellard
Ms Ann Ewing *Joined February 2013*
Ms Suzanne Overton-Edwards *Joined June 2013*

Executive Board

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

Mr Ben Browne
(Acting Chief Operating Officer) MA (HRM), FCIPD

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

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

Professor Andy Collop
(Pro Vice-Chancellor Dean – Faculty of Technology) BEng, PhD, DSc, CEng, FIHT

Dr Gerard Moran
(Pro Vice-Chancellor Dean – Faculty of Art, Design and Humanities) BA, MA, PhD, FRSA *Stepped down November 2012*

Professor Mandy Ashton
(Pro Vice-Chancellor Dean – Faculty of Health and Life Sciences) OBE, BA (Hons), MSc, DPNS, RGN

Mrs Joanne Cooke
(Director of Student and Academic Services) BA (Hons)

Ms Kathryn Arnold
(Chief Information Officer) BA (Hons), DipLib, MCLIP *Stepped down May 2013*

Mr Matthew Needham
(Interim Director of Finance) BA (Hons), FCMA *Stepped down September 2012*

Mr Keith Perch
(Director of Media and Communications) *Stepped down April 2013*

Mr James Gardner
(Dean of International) BA (Hons)

Mr Simon Ambrose
(Executive Officer to the Vice Chancellor) LLB, MBA

Mr Jonathan Shuter
(Director of Finance) BA (Hons), ACMA, CGMA *Joined September 2012*

Mr Andrew Pemberton
(Director of Communications) BSc (Hons), MA, MCIPR *Joined May 2013*

PROFESSIONAL ADVISERS TO THE CORPORATION

Auditors

External Auditors: KPMG LLP, Birmingham

Internal Auditors: PricewaterhouseCoopers LLP, Birmingham

Bankers

National Westminster Bank plc

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

Chairman's Introduction to the Annual Accounts 2012/13

I am pleased to introduce the Annual Accounts for 2012/13.

This past year has seen the university continue its pursuit of quality and distinctiveness under the direction of its Vice-Chancellor, Professor Dominic Shellard, and the Executive Board and as overseen by its Board of Governors.

THE GUIDING PRINCIPLES OF DE MONTFORT UNIVERSITY (DMU)

DMU 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

- Historical cost surplus of £9.6m representing a £7.8m improvement over the prior year
- Increase in cash and investments of £6.2m to £83.5m
- 25.5 per cent rise in academic fees and education contracts to £95.4m
- Capital investment of £11.6m.

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 members. Ms Lynette Williams, President of the De Montfort University Students' Union (DSU), also stepped down after a year in office and the board has welcomed the new President, Mr Ian Warrington, who will serve on the board until July 2014. On behalf of the Board of Governors, I thank all those leaving the board for their contributions, commitment and support.

I would like to extend my thanks and those of the Board of Governors to the Executive and to all the staff at DMU 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 2012/13

1. UNIVERSITY MISSION AND STRATEGY

Implementing our vision

The university's mission, vision and strategic plan for 2011 to 2015 were agreed by our Board of Governors at the end of the 2010/11 academic year and published in September 2011.

The university's mission statement is:

We 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 strategic aims, supported by a series of specific goals that are detailed in the strategic plan:

1. We will develop an inspiring and supportive learning environment that transforms our students and inspires them to make a real difference in society

2. We will be a university that places research excellence and innovation at the heart of our mission

3. We will focus on employability and understand the needs of business and professions so that DMU courses are relevant and give our graduates a 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.

Quality and distinctiveness – how we have implemented our strategic plan in 2012/13

Despite external environmental factors, such as the change to £9,000 tuition fees and challenging economic conditions, we have continued to make strong progress through 2012/13 towards achieving our ambitions as shown through the following thematic sections of our OFR and this summary.

A focus on quality and distinctiveness has underpinned our decision-making in 2012/13. We continue to offer a high-quality student experience that has been enhanced by a coherent, purposeful and targeted employability strategy that will provide the interventions we need to significantly improve the proportion of our students entering graduate-level employment in their career of choice. Undergraduate student recruitment continues to be buoyant and we were one of only nine universities in September 2012 to recruit over our Student Number Control (SNC), demonstrating significant demand for our higher education provision at a time that many universities showed marked declines in demand. This was not at the expense of quality, however, and we continue to improve our average tariff score, which now stands at more than 290 points. This is a trend that has continued into the 2013/14 academic year, where we have again been successful in exceeding our SNC and our targets for high-performing (ABB+) students, which has pushed our intake quality up to around 300 points.

As we move into the final phase of preparing our submission for the Research Excellence Framework in November 2013, we are gaining an increasing reputation for the quality and relevance of our research, particularly in the creative arts of music, technology, theatre research and digital building heritage. Other successes have come in psychology, electrical and electronic engineering and human anatomy with, for example, Professor Joan Taylor's artificial pancreas featuring as part of the 'Rex – The Bionic Man project' led by the Science Museum. We have had a record year in terms of new research grants and contracts awarded, providing a strong platform on which to achieve further successes in 2013/14.

We have built on our considerable success with developing and sustaining a range of high-quality and distinctive partnerships in 2012/13, most notably we have secured a sector-leading partnership with business advisory firm Deloitte to offer an MSc in Cyber Security to train the next generation of cyber security professionals. We were also able to announce that we will be opening the UK's first creative arts-focused Confucius Institute in association with the Sunwah Group, a Hong Kong-based international business conglomerate, and the Hanban, the Chinese National Office for Teaching Chinese as a Foreign Language. This institute will act as a creative centre for promoting Chinese culture and learning.

In terms of financial sustainability, our Annual Accounts show we have made a significant surplus after sustained cost control and successful income growth. This will be reinvested into our student experience and provides a firm foundation on which to pursue our strategic ambitions. The detail is outlined in the Director of Finance's commentary, below.

In our Statement of Public Benefit we outline how the university's core services of teaching and research fulfil our obligation to deliver public benefit, but we also make reference to our successful and unique community engagement project, the Square Mile.

Our local, national and international standing was confirmed this June when we were honoured by a visit from HRH The Earl of Wessex, who opened our new Square Mile office and The Queen Elizabeth II Diamond Jubilee Leisure Centre. The visit was a highlight of a year that, despite ongoing change in the external environment, saw significant progress towards our strategic goals.

2. THE UNIVERSITY'S STATEMENT OF PUBLIC BENEFIT

DMU is an exempt charity by virtue of the Charities Act 1993 and as such is regulated by the Higher Education Funding Council for England (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 serves as its trustees and is collectively responsible for determining the educational character and mission of the university and providing 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 be 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.

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

- DMU 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 with dignity, respect and integrity all those we work with and those we come into contact with.
- 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 which enriches us and those with whom we work.

Square Mile

DMU's pioneering Square Mile (Mile^2) programme is one of the university's key public-benefit activities. It offers unparalleled opportunities for our wider community to draw upon the university's academic expertise to improve health, education and job prospects in an area near the university campus.

Many projects that make up the Square Mile programme are embedded into degree coursework, ensuring hundreds of participating students gain skills which make them stand out in an increasingly difficult jobs market, as well as demonstrating how the work of a university could sustainably support and develop communities.

When the Square Mile project was launched in 2011, residents identified four key areas in which they felt the work of the university could benefit them:

1. Offering skills to increase employability
2. Delivering health services and support
3. Increasing youth activities
4. Creating a sense of community in the Square Mile – the neighbourhoods of Fosse, Newfoundpool and Woodgate

Two years on, students, staff and residents are successfully working together and making a huge difference to the community.

In October 2013, Professor Dominic Shellard, DMU Vice-Chancellor, travelled to India to receive the highly prized international award, the Mahatma Gandhi Seva Medal, for conceiving Square Mile.

The award is given for outstanding achievements in assisting other people and previous recipients include former US President Bill Clinton and the Dalai Lama.

In conjunction with this honour, DMU also received the high-profile Mahatma Gandhi International Award to recognise the success of the project.

In September 2013, Square Mile was shortlisted in the 'Outstanding Contribution to the Local Community' category of the Times Higher Education Awards.

In the 2012/13 academic year, more than 5,000 members of the community participated in Square Mile projects and events and some 499 DMU students gave up 6,784 hours of their time to help out.

Successes included:

- Helping 100 residents achieve a qualification in English (English for Speakers of Other Languages, Skills for Life level 1 and 2)

- Helping 40 residents achieve qualifications in computing (ECDL)

- More than 200 young people taking part in Moving Together Arts Award accredited dance courses with the support of DMU graduates and performing arts students

- Accountancy students sharing their passion for numbers with 600 primary school pupils through a project called Play Dough. This has resulted in pupils finding a new enthusiasm for maths and teachers reporting improvements in the classroom

- Basketball sessions for 14 to 21 year olds on Friday nights, created through a partnership with DMU, Leicestershire Police and Leicester Riders basketball club and supported by students. These aim to have a positive impact on anti-social behaviour

- Audiology students testing more than 120 people for hearing difficulties, sending around one-fifth for referrals to the NHS. In one case, a mother received the first proper diagnosis of her problems after living with deafness for more than 25 years

- Helping around 400 people to better manage their type 1 or 2 diabetes through two research projects from DMU's School of Pharmacy

- Health and Life sciences students working with leukaemia campaigner Rik Basra to create the single biggest stem cell register recruitment event held at any British university. Some 366 people joined the bone marrow donor register as a result – offering hope to hundreds of blood-cancer sufferers

- Six DMU interior design students redesigning a classroom at secondary school New College to deliver the principal's vision of 'a work space that comes alive with maths'

- Free stand-up comedy lessons helping 10 first-time performers deliver a sell-out show at the Leicester Comedy Festival

- A Square Mile family fun day and film festival, created by staff and students working with residents, attracting 2,500 people to Rally Park on Saturday July 20. Leicester City Council wardens praised Square Mile for bringing residents to underused green space in the heart of the community.

The work of Square Mile is underpinned by the Vice-Chancellor's commitment to position universities as a 'public good' – vital contributors to the social, political and economic wellbeing of the communities in which they are based.

The Square Mile programme also links to the university's commitment to widening participation in education through a number of targeted aspiration-raising projects for both school students and adults, including university subject taster activities for primary and secondary-aged pupils and skills and careers-oriented activities for local adults.

In the sections which follow, key members of the university's Executive Board show the university's achievements under each of our six strategic areas, picking up the ways public benefit is delivered in each case, but particularly in our core activities of teaching and research. In this way we seek to show that public benefit is embedded in our mission and vision.


ESTHER
Community
Cafe upstairs
Free teas, hot
chocolate, coffee, squash,
cup cakes, biscuits and
lots more! Come up and
see us!
All Welcome!

Exceptional teaching is to be found in all our faculties at DMU, exemplified by the fact that we have now been awarded 16 National Teaching Fellowships since the scheme began.

Dr Momodou Sallah, NTF 2013

We will develop an inspiring and supportive learning environment that transforms our students and helps them to make a real difference to society.

The university's commitment to quality in learning and teaching is recognised externally through continued success in National Teaching Fellowships (NTFs), with two awards in 2012 and a further success in 2013 bringing our total to 16 and maintaining our position as the second most successful university in the UK in total NTF awards received. As part of our continual recognition and development of DMU's outstanding lecturers, we have again presented 12 VC Distinguished Teaching Awards, which are voted for by students, and named six DMU Teacher Fellows. DMU's strong vocational curriculum is well aligned with the increasing national focus on graduate employability and continues to attract a wide spectrum of students, with particularly strong interest from widening participation applicants and from black and minority ethnic groups reflecting the population diversity of Leicester itself.

The strength of our curriculum offer has led to a real improvement in the tariff points on entry of our students over the last four years, with many of our programmes now requiring a minimum tariff point score of 300. Our increasing popularity was exemplified by being one of only nine universities who met their HEFCE student recruitment target in 2012 and this year we have responded to strong student demand in our most popular subjects, such as fashion design and game art, by doubling recruitment in these areas. The percentage of students achieving a 2:1 or higher in their finals has increased significantly in the last two years and is now commensurate with our improved intake quality and sector comparators. Retention and progression rates are also improving as we invest in additional infrastructure and services to improve our student experience.

The development with students during 2011/12 of the DMU Student Charter exemplifies the university's commitment to work collaboratively with DSU to achieve an outstanding student experience. This has been confirmed in 2012/13 by the achievements of a superb DSU executive team which, with university support, has posted a number of firsts, including hosting the Student Radio Association 2013 national conference, winning the National Union of Students' Student Media of the Year award, and jointly working with the university to introduce anonymous coursework marking from 2013/14 and a revised academic calendar. A five-year programme of investment is in progress to upgrade student facilities, with the aim of providing a high-quality and distinctive student environment that supports both academic and co-curricular student activities 24/7. An early example was the opening of the Queen Elizabeth II Diamond Jubilee Leisure Centre in July 2012, transforming the sports and leisure facilities available to students and staff, as well as to the local community.

A number of other developments are in progress, including purchase and refurbishment of decant space for the schools of arts, architecture, design and fashion while the Fletcher Tower and adjacent low-rise buildings are stripped and replaced or refurbished over the next three years. Two new buildings, Heritage House (fashion), and Wellesley House (architecture), have been acquired to support decanting and simultaneous growth of student numbers in popular art and design subjects, while game art and animation are moving to refurbished accommodation in the Faculty of Technology's Bede Island building and fine arts will be accommodated in Mill Studios and Art Factory, the refurbished former Gateway College buildings. Other significant projects include refurbishment of 1 Mill Lane teaching space, the provision of informal 'soft' workspaces for students in the Queens, Hawthorn and Gateway buildings, and the pedestrianisation and greening of Mill Lane to provide a central 'green lung' for our campus.

The university innovates and develops new courses that meet the changing needs of our students and employers. To complement the increasing focus on graduate employability, we are also delivering more programmes in partnership with business and other employers. Following the 2012 launch of our Business Informatics (HP) BSc (Hons) with Hewlett Packard, the university has agreed innovative courses in conjunction with several other leading business partners, including Deloitte and KFC. A university-wide curriculum portfolio review led to the launch of the new Leicester Media School on 1 August, bringing together arts and humanities media interests from the Faculty of Art, Design and Humanities with media technology in a single school with around 1,500 students and 150 staff.

In a recent analysis of the university's student population for the university's Access Agreement with the Office For Fair Access (OFFA), it was determined that 84 per cent of DMU students were from "OFFA-countable" groups shown to be facing some kind of educational disadvantage. University staff have vast experience supporting students from non-traditional backgrounds and this year opened the Student Gateway, bringing separate reception and advice centres into a single accessible location, where all student non-academic support is offered. This has improved the quality, speed and efficiency with which students can obtain individual advice and support.

Awards from the UK Research Councils almost doubled in 2012/13, when compared to 2011/12 (i.e. total value of £2.7 million versus £1.5 million). This is by far the largest awards total we have ever achieved from the Research Councils in a single year.

Professor Joan Taylor

We will be a university that places research excellence and innovation at the heart of our mission.

At £10.5 million, the total value of external grants and contracts awarded in 2012/13 is the highest achieved over the past decade. New research grants and contracts awarded in 2012/13 amount to £7.1 million, representing an increase of 60 percent when compared to the equivalent figure for the previous year.

DMU has achieved notable successes this year across a broad range of research and innovation-related activities. The highlights include:

- Professor Bernd Stahl is a key member of the EU's flagship Human Brain Project, which has secured €1 billion in funding over 10 years to build a 'virtual brain'. As part of a worldwide consortium, Professor Stahl will lead a work package to examine the ethical issues presented by the project.

- Dr Dylan Menzies has invented the O-Bow, a computerised system which translates keyboard notes into violin music. A significant amount of music for TV and film is produced with a computer and keyboard, but one of the hardest sounds to get right is that of the violin. This is a problem that the O-Bow has solved.

- Professor Joan Taylor's design for an artificial pancreas featured in Rex – the Bionic Man, a Channel 4 documentary that was broadcast in February 2013. Rex went on display at the Science Museum in London, prior to an international tour to show how technological research can mimic the human body's amazing complexity.

- The Digital Building Heritage team, led by Dr Doug Cawthorne, has been awarded three grants from the Arts and Humanities Research Council (AHRC), in partnership with the Heritage Lottery Fund. The team will work with different community groups in England and Wales to help them understand and preserve their local heritage.

- The way in which gypsies and travellers are portrayed by politicians and the media was the focus of a seminar held at the House of Lords in June 2013. The seminar, led by Dr Jo Richardson, was funded by the Economic and Social Research Council.

- 'My Electric Avenue' is part of a £9 million study supported by Ofgem's Low Carbon Networks Fund. It will investigate how recharging a multitude of vehicles at the same time affects their local electricity grid and will test a system that protects the grid by carefully managing it. The DMU element is being led by Dr Rupert Gammon.

- Professor of Modern Holography Martin Richardson featured in the ITV show Britain's Secret Homes which looked at Sir Isaac Newton's birthplace, Woolsthorpe Manor, near Grantham, in Lincolnshire. Newton's theory of light led to the study of photonics and ultimately to the development of holography.

- The Engineering and Physical Sciences Research Council has awarded two grants to DMU in the area of sustainable energy networks. Professor Subhes Bhattacharyya will lead an £830,000 demonstration project on decentralised off-grid electricity in South Asia, while Dr Rupert Gammon has been awarded £844,000 to facilitate the smart monitoring, billing and control of small, independent electricity grids in rural Africa.

- The Shakespearean London Theatres project, funded by the AHRC, is a partnership between Professor Gabriel Egan's team at DMU, the University of Reading and the Victoria and Albert Museum (V&A). The project has produced an interactive website, map and mobile phone app to guide tourists to the sites of London's Shakespearean theatres. This project has pieced together historical research and has provided enhanced information for much of the V&A's theatre collection.

- Dr Shira Elqayam has been awarded funding from The Leverhulme Trust to better understand cognitive processes. Her research project is called 'The generative capacity of norms: a theory of inference from 'is' to 'ought'.'

- Professor Colin Copus has produced a code designed to give local councillors more power to make decisions. The code, which has been described by some commentators as 'Magna Carta II', could become enshrined in English law. If so, it would overhaul the current political system by devolving more powers to local government and giving English local government greater freedom from central control.

93% of the participants enrolled on the Enterprise Inc programme in 2012/13 went on to start a business within nine months of starting the scheme.

We will focus on employability and understand the needs of business and the professions so that the university's courses are relevant and give our graduates a head start.

DMU graduates enter into a huge variety of occupations, going on to work for companies such as the BBC, Warner Bros, Porsche, Sky TV, Dyson, Nike, GlaxoSmithKline and NASA, as well as a wide range of professional and vocational careers, further study or setting up their own businesses. DMU has added many innovative employability support schemes for our students and graduates in 2012/13 although the impact will not start to show in league tables until the outcomes of our 2013 Graduate DLHE survey become available in 2014.

DMU's Frontrunners campus-based placement scheme allows students to apply for one of around 200 paid DMU internships per year. It offers on-the-job training in DMU, across a range of specialisms. In September 2012, we complemented Frontrunners by launching Unitemps, an internal recruitment agency for temporary posts for DMU students and graduates, which enables a significant proportion of the university's temping requirements to be met by our own students and also offers student temping services to the local job market in collaboration with the University of Leicester. In its first year, Unitemps redirected £700,000 of university expenditure to help our students and increase their work experience.

DMU continues to have an active student and graduate enterprise programme with the Campus Enterprise Opportunities team running initiatives such as start-up bursaries and the Business Venture Competition. Thirty graduates completed the funded Enterprise Inc scheme with another 32 being selected to join the programme in 2013/14.

An array of recruiters supported the Enhance Your Employability programme in 2012/13 – this ranged from sector-based careers fairs, skill-development workshops to an end-of-year 'Fiesta'. More than 2,000 students attended employer presentations in the autumn and spring terms, with more than 100 recruiters supporting DMU's workshops and fairs.

DMU has run several specialist programmes to support students and alumni with their career development. The Graduate Plus residential employability coaching course was piloted in January with 30 participants and a further 100 undertook two three-day programmes in June and July. Supported by external partners and employers, the Graduate Plus scheme has proved very popular and will be repeated in 2013/14.

Between 1 August 2012 and 31 July 2013, the university's online jobshop, DMU Works, published more than 5,000 vacancies for students and graduates. The wide range of employers using DMU Works emphasised the commitment to supporting local, regional, national and international businesses with their recruitment needs.

Supporting local small and medium-sized enterprises is important to DMU. A European Regional Development Fund bid was successful in order to launch 'Benefiting Business', a scheme to link DMU with small businesses and encourage them to recruit interns.

DMU's new partnership with business advisory firm Deloitte has led to the creation of a new MSc in Cyber Security. This collaboration – the first of its kind in the UK – brings together world-class experts at DMU's Cyber Security Centre and Deloitte's industry specialists to provide the nation with the next generation of highly-trained cyber security professionals who will protect businesses and individuals from the growing threat posed by cyber-attacks.

DSU Volunteering, the university's students' union volunteering service, works with around 270 local organisations and charities. This year, students have been involved in more than 240 projects and events, ranging from mentoring young people in care, helping children to read and supporting and building friendships with elderly people.

This year DMU students set a new benchmark as DSU Volunteering logged more than 19,000 hours volunteered in the community – the equivalent of donating a living wage of £136,000. The number of student volunteers at DMU has risen to almost 2,300.

To support the rapid growth of DMU employability activities, significant extra staffing resource has been allocated to coordinate activities between faculties and the university, including the appointment of a head of careers and employability. The next stage in developing the employability provision is to increase the resources available in Work Based Learning (Placement) Units in order to support the desire to offer work experience to 50 per cent of DMU students. The careers and employability team is in the process of setting up 'hubs' in each faculty in order to extend the opportunity to students to access information, advice and guidance.

Alongside this growth of resource, another outcome of our portfolio review has been a reconfiguration of our university calendar to provide more chances for students to engage formally in careers and employability activities outside the normal teaching timetable, through the provision of a non-timetabled break week in each of the autumn and spring terms and a longer summer term to facilitate a major 'employability fiesta' after exams.

DMU is ranked in the top ten creative universities by ‘Which? University’

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

Creative arts and humanities continues to be one of DMU's unique selling points, and the university has recognised this during 2012/13 by committing to spend more than half of its £90 million capital bond on redeveloping the Fletcher complex to provide a suitable 21st-century environment for creative arts to flourish. CPMG architects, who also designed the Hugh Aston building for the Faculty of Business and Law, have been appointed to redevelop the Fletcher tower and replace most of the low-rise buildings surrounding it. They will create purpose-designed studios, workshops, seminar rooms and lecture theatres to accommodate our schools of arts, architecture, design and fashion and textiles, as well as the new Confucius Institute and replacement catering outlets that will enable the campus centre to be fully occupied by DSU, enabling them to provide an increased range of services to students.

The university portfolio review validated the vital contribution of our creative courses. The strength of our student recruitment in areas such as fashion, architecture and dance has enabled us to plan for the Fletcher redevelopment (and migration space being occupied while reconstruction takes place) to accommodate substantial growth in student numbers in these areas from 2013/14. It has also led to a realignment of creative media art to bring together media arts, humanities and technology in the new Leicester Media School, which started operation on 1 August 2013 and is intended to align directly with the multi-disciplinary creative media industries of the UK, including existing partners such as Confetti and the BBC. Around 25 per cent of art, design and humanities students and staff have transferred into the new school, which is line-managed through the Faculty of Technology.

DMU's creative drive includes extensive interaction with the city of Leicester, notably in providing significant support for the successfully shortlisted City of Culture bid, and with various community initiatives, including the Square Mile, as well as delivering many of the largest annual university events, such as the Art and Design Degree Show and Cultural Exchanges week.

DMU's Dance Festival now takes place in Curve, the city's acclaimed theatre venue, where an annual co-production in drama also occurs.

DMU's performing arts students showcase their work at Phoenix, the independent cinema, digital gallery and café bar in the heart of Leicester's Cultural Quarter. This helps Phoenix to improve its business and programme offering. We are significantly increasing our presence and profile at Phoenix, in particular at the digital gallery.

Creative writing is strong at DMU. We host an annual independent publishers' fair, billed as 'a book festival in a day, with stalls from 40 publishers and an impressive array of free events including readings, discussions, interviews, talks and performances'.

Many programmes which have links with the creative industries also have professional accreditation. The National Council for the Training of Journalists accredits our journalism programmes; the Royal Institute of British Architects has recently granted five-year unconditional validated status to all of our professional architecture programmes; our product design programme has been unconditionally accredited to the Institute of Engineering Designers and game art design is the only programme in England with Skillset recognition.

The Faculty of Art, Design and Humanities also provides training programmes for some of the creative industry sector (e.g. fashion, contour fashion, design and journalism) and extensive consultancy services to the retail design, product design and product manufacturing sectors.

DMU has a global population of staff and students. In all, 152 different nationalities currently study at DMU and our staff are made up of 75 different nationalities.

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

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

The university's international recruitment strategy is founded on the principle of forging long-term, mutually beneficial partnerships with high-quality institutions. The partnerships forged with Chinese universities and organisations make it the most significant market for the university. In 2012/13, the university welcomed more than 500 Chinese students, a figure which is expected to top 600 in 2013/14. DMU also signed a range of partnership agreements with world-leading institutions, including Nanjing and Liaoning universities, in China; City University, Hong Kong; Daly College, India; St Petersburg State University of Technology and Design, Russia; and Universidad Presbyterian Mackenzie, Brazil.

The university is exploring options to open another regional office in Nanjing with the support of the Sunwah Group. In a pilot scheme, DMU held its first overseas open day and the Vice-Chancellor met more than 500 prospective Chinese students. The exercise is likely to be replicated in Shanghai later in the year and potentially in other key markets.

DMU has also made significant headway in the development of the Confucius Institute (CI) which will launch in November 2013. In partnership with Sunwah Group and the Hanban, the CI will act as a creative centre for promoting Chinese culture and learning. The CI will be at the heart of the Fletcher redevelopment and open DMU to a global network of CIs with which partnership activity can be explored.

In India, DMU opened a new student recruitment office. The impact of the office was immediate and applications from Indian students have increased exponentially relative to last year. The office acts as a hub to stimulate interest from potential partner universities and liaise with our international network of Indian alumni. The office will serve as a base for upcoming innovative projects and initiatives. We have also validated a Global MBA programme aimed specifically at the Indian market which contains an integrated work placement.

This year, Brazil has been the biggest area of growth for international students because of the Brazilian government-backed Science Without Borders (SWB) campaign which aims to offer scholarships to 10,000 students to study in the UK. This year, DMU had seven Brazilian students through the programme, but we expect 48 students in September 2013 and up to 30 in January 2014.

In order to capitalise on the interest in Brazil generated by SWB, we have signed Memorandums of Understanding with a range of partners in the country and are exploring further partnership activity.

In terms of research, the university secured EU funding for a variety of projects including:

- E-Crime, to analyse the economic impact of cyber crime and develop concrete measures to manage risks and deter cyber criminals in non-ICT sectors
- Doremi, to develop a systemic solution for healthy ageing, based on a well-targeted problem definition and model, able to prolong the functional and cognitive capacity of the elderly by empowering, stimulating and unobtrusively monitoring their daily activities according to well-defined 'Active Ageing' lifestyle protocols
- ITRAQ, which is working on a project to develop a dynamic traffic management system for optimising use of the road network while meeting growing demands to sustain high standards of air quality in urban environments.

DMU achieves top-10 position for all UK universities in the Carbon Reduction Commitment Energy Efficiency Scheme performance table.

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

DMU has enjoyed a successful year in relation to its work on environmental sustainability.

DMU has achieved a First Class Award in the People & Planet Green League, which is the third consecutive year that the institution has featured among the greenest universities in the country. The league ranks universities in relation to their environmental policies and their environmental performance. The league assesses institutions against issues such as water reduction, reducing carbon emissions, ethical investment and embedding sustainability into teaching and research.

We have also been recognised for our work in reducing our carbon emissions by being placed in the top 10 of all UK universities as part of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme performance league. Our researchers have developed an innovative mobile phone application, Greenview, which engages with building users on their energy consumption. The work on developing the application, which makes use of DMU's energy monitoring system recording energy use every 30 minutes, was completed by our Institute of Energy and Sustainable Development and Institute of Creative Technology using energy data from our Estates and Commercial Services Directorate. The app uses animated characters of protected species to engage with building users on energy consumption.

The Greenview app was awarded the Green Gown Award in the Green ICT category. DMU also picked up Green Gown Awards in the Social Responsibility category and the International Social Responsibility category for its Square Mile project.

DMU takes an innovative approach to its sustainability research by using the campus as a learning resource wherever possible. An example of this innovative approach is the Smartspaces project which will run in some DMU and Leicester City Council buildings. Smartspaces is an EU-funded project, which is taking place in 11 cities in eight countries across Europe, including Leicester.

The €7 million project builds on the success of previous projects to engage with building users on energy issues. DMU is part of a consortium of organisations from across Europe working on the Smartspaces project and will be working with the city council to reduce energy usage in public buildings as part of the project.

DMU has also engaged its own staff and students in encouraging pro-environmental behaviours through projects such as Green Impact and Student Switch Off, which have been run in conjunction with the National Union of Students and DSU.

Student Switch Off is an energy saving competition between our halls of residence. Students are encouraged to save energy and demonstrate those energy saving activities through social media to win prizes. The hall that saves the most energy wins an end-of-year party.

Through Green Impact, teams of staff, supported by DMU students, are encouraged to complete a range of environmental activities which address issues such as waste and recycling, energy efficiency, reducing carbon emissions and raising awareness. DMU students are then trained as environmental auditors to assess the work of the staff teams.

The scope of the Green Impact project has also been expanded this year to include work with local charity LOROS. Students from the Faculty of Business and Law have been supporting LOROS to 'go green' through the BusinessWorks programme. BusinessWorks is a project designed and run by DMU to build stronger links between the student community, local businesses and the not-for-profit sector.

We have made considerable progress in encouraging our staff and students to adopt greener travel behaviours. Through improvements to our showering facilities and secure cycle storage and provision of free loans of lights and locks, plus puncture-repair kits and high-visibility clothing, our rates of staff cycle-commuting to DMU, at nine per cent, are more than three times the national average. Two students from the faculty have set up a cycle hire scheme – Bright Bikes – that now operates on campus to help facilitate greater cycling rates among the students.

The closure of Mill Lane to traffic and the popularity of our free guided walks have shown that DMU is committed to promoting more sustainable and healthy lifestyle choices. Such changes have helped us to achieve the highest rate of students commuting on foot to DMU since we started holding a travel survey in 2003 – 64 per cent.

We are including sustainability initiatives as part of our campus transformation. This will include buildings with high environmental credentials and the creation of new green spaces on campus. Work in this area has already begun with the installation of solar photovoltaic panels to generate electricity on four of our buildings and the pedestrianisation of the main route through the campus.

Vice-Chancellor Professor Dominic Shellard

3. CONCLUSION: THE FUTURE YEAR – OPPORTUNITIES AND RISK

The university is pro-actively reviewing the content of, and monitoring process around, our risk register to provide better alignment with the six strategic aims outlined above and their associated key performance indicators. A consequence of this will be the development of robust strategic risk registers at a faculty level, which will form an integral and important component of the new integrated faculty planning exercise. As part of the initial work around this, five key risks for the university were identified:

- Over or under-recruitment of the Home/EU full-time undergraduate student body involving either financial penalties, or loss of income. At a detailed level the university has invested in both staff and technical resources (telephony, data management) to mitigate risks associated with over or under-recruiting at confirmation or during clearing. On a more strategic level, we intend to take advantage of the new flexibility we can use to over-recruit against our SNC by +three per cent, balancing the financial incentives to do so with our desire to recruit additional numbers in areas that attract our highest intake quality.

- Failure to recruit overseas students. Overseas student numbers at DMU have been steadily increasing over the last five years and we are forecasting that a further increase will be achieved for 2013/14. The university, under our new Dean of International, has re-focused its international strategy on a portfolio of key markets to avoid both over-reliance on a single market and inefficiencies generated by working in too many markets. In addition, we have reviewed our processes and systems to ensure full compliance with UKBA regulations. The Vice-Chancellor, through high-profile visits and other activity, is leading on the establishment of strategic partnerships with international higher education institutions.

- Over-reliance on student teaching income. Our Research and Innovation Strategy 2013-17 seeks to diversify and grow the university's grants and contracts income from external funders such as the UK Research Councils and Technology Strategy Board. The Research, Business and Innovation Office is spearheading the early stage commercialisation of intellectual property developed by DMU researchers, by seeking investment in university spin-outs from venture capitalists and private investors.

- Failure to maintain cash flow. All universities are aware of the risks associated with the move to greater reliance on payments received, three times a year, and in phased amounts, from the Student Loans Company (SLC), particularly as the proportion of HEFCE grant received by universities reduces from 2012/13 to 2014/15. We have undertaken significant scenario analysis and are confident with our short and forecast long-term liquidity position. The university also has a clear fee policy in place and a range of retention measures to ensure compliance with SLC attendance rules to maximise income.

- Failure to control costs. DMU's latest published percentage of income spent on staff costs (58 per cent using 2011/12 Higher Education Statistics Agency Data) shows that this figure has reduced by eight per cent over the past three years, as a result of a robust vacancy management process; a second round of voluntary severance in 2012/13; a project led by the Pro Vice-Chancellor (Teaching and Learning) and director of People and Organisational Development and Operations to improve academic productivity; quarterly budget reviews with each faculty and professional service, led by the Vice-Chancellor. The Vice-Chancellor also led a detailed programme review in September 2012, using a balanced scorecard of performance metrics to determine the viability of some elements of DMU's programme portfolio. A review of effectiveness of bursaries both in recruiting and retaining students was also undertaken. From 2013/14, our bursary and scholarship offer has been rationalised so that costs can be controlled and expenditure more carefully targeted to areas where more value for our students will be generated.

4. FINANCIAL PERFORMANCE IN 2012/13

The university's financial performance for 2012/13 delivers a significant surplus following sustained cost controls and successful income growth, despite the challenges faced by the sector in respect of reduced government funding, an increasingly competitive market and student number control limits.

Results for the year

The university's income and expenditure results for the year ended 31 July 2013 are summarised as follows:

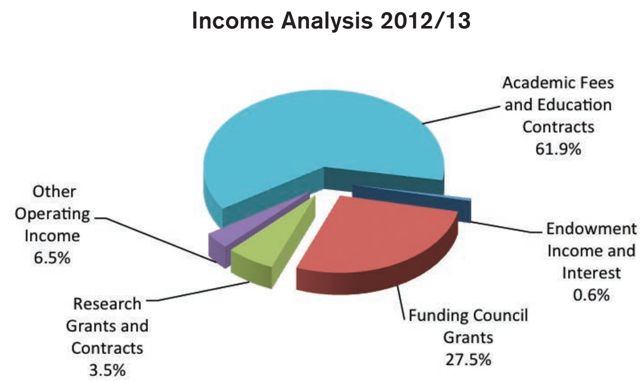
	2012/13 £'000	2011/12 £'000
Income	152,655	146,987
Expenditure	155,247	145,460
(Deficit)/surplus on continuing operations	**(2,592)**	**1,527**
Taxation	(296)	-
(Deficit)/surplus after taxation	**(2,888)**	**1,527**
Surplus on disposal of tangible fixed assets	4,470	1
Surplus on continuing operations after exceptional items	**1,582**	**1.528**
Transfer from endowments	224	233
Difference between historical cost depreciation and actual depreciation charge	7,793	51
Historical cost surplus for the year	**9,599**	**1,812**

The university has achieved an historical cost surplus of £9.6m in the financial year 2012/13, being a significant increase of £7.8m from the previous year's surplus of £1.8m. This healthy surplus enables the university to increase its reserves, pay for vital capital investment and invest in the student experience and our staff.

The surplus on disposal of tangible fixed assets of £4.5m is due to the sale of the Scraptoft site.

Income analysis

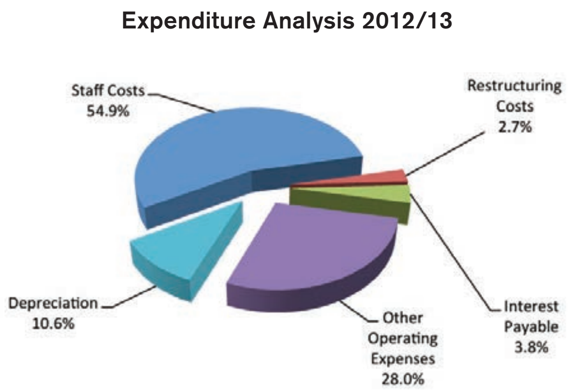
Total income of £152.7m increased by £5.7m (3.9%) from 2011/12



There were significant movements within the individual income categories due to the reduction in funding council grants of £15.4m (26.8%) and the increase in academic fees and education contracts of £19.2m (25.5%) as a direct result of the first year of reduced government funding and increase in student fees in the higher education sector.

Expenditure analysis

Total expenditure of £155.2m increased by £9.8m (6.7 per cent) from 2011/12



While underlying staff and general operating expenses were lower than previous years, the overall increase is due to two 'exceptional' items:

- Staff restructuring costs of £4.2m, part of a planned cost control initiative, increased by £3.3m in 2012/13
- Depreciation charges of £16.4m increased by £7.6m (85.4%), as a result of the revaluation of the estate that occurred in July 2012.

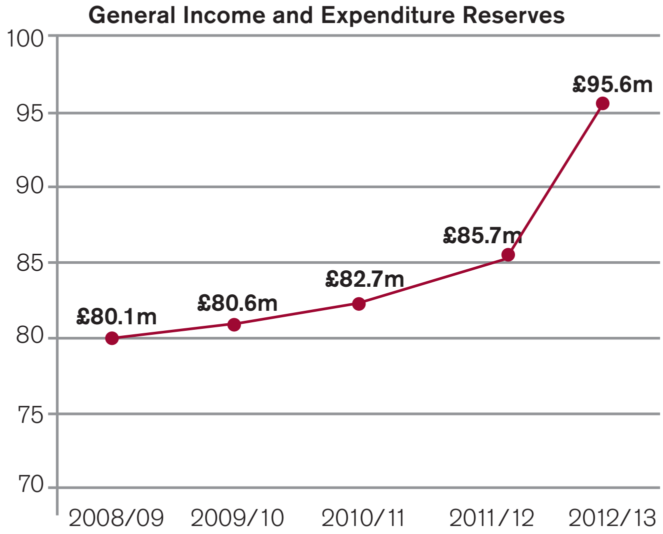
Balance sheet

The university's consolidated group balance sheet at 31 July 2013 reports total net assets of £213.4m, a decrease of £6.4m from 2011/12. This reflects the following items:

- Fixed tangible assets of £269.3m reduced by £4.8m (2011/12: £274.1m). The university invested £11.6m in new fixed assets during 2012/13, of which £7.5m was for IT infrastructure and £1.8m was in respect of the purchase of Heritage House. This was offset by the depreciation charge of £16.4m
- An increase in the provision for liabilities and charges of £1.4m as an outcome of the restructuring programme.

Liquidity and reserves

The level of general income and expenditure reserves has increased by £9.9m to £95.6m, a significant increase over previous years as a result of the positive operating position. This reflects the increase in cash and investments during the year of £6.2m, which continues to ensure that the university has a strong liquidity position to support further developments to the campus, including the Fletcher Complex for Creative Arts, and investment in IT infrastructure.



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, the Board of Governors complies with the Committee of University Chairs (CUC) Governance Code of Practice and Principles published in November 2004 and of the requirements of the Charities Act 2006 (as amended) and the Charities Act 2011.

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 15 members (including the Chancellor and the Vice-Chancellor ex-officio), 10 of whom are independent governors as defined under the articles together with one co-opted external governor. The remaining two members of the Board of Governors include representatives of the Academic Board 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 Nominations Committee each year.

The principal officer is the Vice-Chancellor, who has responsibility to the Board of Governors for the organisation, direction and management of the university. He is also the designated Accountable Officer for the purposes of the Financial Memorandum with the Higher Education Funding Council for England. The Vice-Chancellor is supported by an Executive Board comprising the Deputy Vice-Chancellor and Dean of Business and Law, the Pro Vice-Chancellor for Research and Innovation, the Pro Vice-Chancellor for Teaching and Learning, the Pro Vice-Chancellors/Deans of the respective faculties, the Director of People and Organisational Development and Operations, the Director of Finance, the Director of Student and Academic Services, the Director of Communications, the Dean of International and the Vice-Chancellor's Executive Officer.

CONDUCT OF BUSINESS

The Board of Governors is responsible for, amongst other matters, the determination of the educational character and mission of the university and for the general oversight of its activities. It approves the university's strategy, 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 when required, the board meets four times a year. It has a number of formally constituted committees - Audit, Finance and Human Resources, Nominations, 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. While senior executives attend meetings of the Audit Committee as necessary, they are not members and the committee may meet the internal and external auditors 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 Nominations Committee reviews the membership of the board, advising on the skills mix available and that required by the board to fulfil its responsibilities. It considers nominations of new external Governors, making recommendations to the Board of Governors.

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

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

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

FINANCIAL RESPONSIBILITIES OF THE UNIVERSITY'S BOARD OF GOVERNORS

In accordance with the university's Articles of Government, the Board of Governors is responsible for the oversight of the administration and management by the Executive Board of the affairs of the university and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at 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 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, using commonly agreed template and assessment matrices, that is regularly updated via an independent Risk Management Committee, which reports to the Audit Committee of the Board of Governors.
- 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 the 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 high-level corporate risks, aligned to areas of the strategic plan; each of these risks is assigned an owner at Executive Board level.
- 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.
- Provision of risk awareness training and dissemination of good practice. 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.

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.

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 2013, 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 25, 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 2013 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
- 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
- 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 Rowley

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

27 November 2013

Statement of Principal Accounting Policies

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

1. ACCOUNTING CONVENTION

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

2. TANGIBLE FIXED ASSETS

i) Capitalisation

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

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

or

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

or

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

ii) Valuation

The university changed its accounting policy in 2011/12. Previously it adopted the transitional arrangements available under FRS 15. Land and buildings, included in tangible fixed assets, are now recognised at current market cost. Innes England, an independent firm of Commercial Property Consultants, valued the land and buildings as at 30 May 2012 for inclusion in the balance sheet at 31 July 2012; the basis of valuation being depreciated replacement cost. In future years, land and buildings will require to be valued on a three to five year cycle by an independent firm in compliance with FRS 15.

All other tangible fixed assets are stated at cost.

Assets held for resale are stated at market value and disclosed as current assets.

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

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

New buildings and major refurbishments to buildings are depreciated from the month in which they are put into service. 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 (page 30).

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

Heritage assets are defined as assets that are held principally for their contribution to knowledge and culture. The accounting treatment and disclosure of these assets is governed by FRS 30 (Heritage Assets).

Heritage assets were recognised for the first time in the university's financial statements in 2011/12. Adam N Scoon, an independent antiques and fine art valuer, valued the heritage assets as at 16 September 2011. Therefore those assets, which are valued either individually or as a group at or in excess of £10,000, are recognised in the balance sheet at this valuation where a valuation is reasonably obtainable. Heritage Assets included are not depreciated since their long economic life and high residual value are an indication that any depreciation charge is immaterial. They are subject to impairment reviews if damage or deterioration is reported. They are maintained and the cost of maintenance charged to the income and expenditure accounts as incurred.

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 grants, 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 institution is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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 a 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 2012/13, the university made the recurrent grant to De Montfort University Students' Union Limited of £851,000 (2011/12: £726,000).

12. FINANCIAL INSTRUMENTS

Cash and cash equivalents

In accordance with FRS 1 (IAS 7), cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an immaterial risk of changes in value i.e. price risk. Cash and cash equivalents consist of cash on hand, demand deposits and short-term deposits/highly liquid investments, less bank overdrafts which are repayable on demand. Short term deposits and investments are those with an original maturity of three months or less.

Interest bearing borrowing

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

Investments in debt and equity securities

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

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

13. MAINTENANCE OF PREMISES

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

14. STAFF RESTRUCTURING COSTS

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

15. PROVISIONS

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

16. FOREIGN CURRENCIES

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

17. ACCOUNTING FOR 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 2013

Income	Note	2013 £'000 Total	2012 £'000 Total
Funding council grants	1a	42,062	57,458
Academic fees and education contracts	1b	94,502	75,308
Research grants and contracts	1c	5,323	6,275
Other operating income	1d	9,903	7,628
Endowment income and interest receivable	1e	865	318
Total income		**152,655**	**146,987**
Expenditure			
Staff costs	2	85,260	84,562
Staff restructuring costs		4,222	878
Other operating expenses	3	43,402	42,641
Interest payable	4	5,933	8,518
Depreciation	7	16,430	8,861
Total expenditure	5	**155,247**	**145,460**
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation		**(2,592)**	**1,527**
Taxation	6	(296)	-
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation and tax and before exceptional items		**(2,888)**	**1,527**
Exceptional items: continuing operations			
Surplus on disposal of tangible fixed assets		4,470	1
Surplus on continuing operations after depreciation of tangible fixed assets at valuation, taxation and disposal of assets		**1,582**	**1,528**
Transfer from accumulated income within endowments	9	224	233
Surplus for the year retained within general reserves		**1,806**	**1,761**

The consolidated surplus includes a surplus of £1,806k (2011/12: surplus of £1,761k) that has been included in the accounts of the university.

All items included above relate to continuing operations.

Statement of Historical Cost Surpluses and Deficits

For the year ended 31 July 2013

	Note	2013 £'000 Total	2012 £'000 Total
Surplus on continuing operations after depreciation of tangible fixed assets at valuation, taxation and disposal of assets		1,582	1,528
Difference between historical cost depreciation charge and actual depreciation charge for the year	18	7,793	51
Historical cost surplus for the year		**9,375**	**1,579**
Historical cost surplus for the year retained after transfers in respect of endowments		**9,599**	**1,812**

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 2013

Fixed assets	Note	Group 2013 £'000	Group 2012 £'000	Corporation 2013 £'000	Corporation 2012 £'000
Tangible assets	7	269,266	274,118	269,266	274,118
Investments	8	142	343	452	653
		269,408	**274,461**	**269,718**	**274,771**
Endowment asset investments	**9**	**1,259**	**1,218**	**1,259**	**1,218**
Current assets					
Stocks	10	91	122	91	122
Properties held for resale		-	4,002	-	4,002
Debtors - amounts falling due within one year	11	7,513	4,896	7,983	5,104
Investments	12	80,888	76,251	79,852	75,308
Cash at bank and in hand		2,565	993	2,517	988
Total current assets		**91,057**	**86,264**	**90,443**	**85,524**
Creditors: amounts falling due within one year	13	(20,486)	(20,132)	(20,439)	(19,959)
Net current assets		**70,571**	**66,132**	**70,004**	**65,565**
Total assets less current liabilities		**341,238**	**341,811**	**340,981**	**341,554**
Creditors: amounts falling due after more than one year	14	(86,160)	(86,032)	(86,160)	(86,032)
Provisions for liabilities and charges	15	(2,557)	(1,189)	(2,557)	(1,189)
Total net assets excluding pension deficit		**252,521**	**254,590**	**252,264**	**254,333**
Pension deficit	29d	(39,077)	(34,732)	(39,077)	(34,732)
Total net assets including pension deficit		**213,444**	**219,858**	**213,187**	**219,601**
Represented by:					
Deferred capital grants	**16**	**37,164**	**41,382**	**37,164**	**41,382**
Endowments					
Expendable		780	758	780	758
Permanent		479	460	479	460
Total endowments	**17**	**1,259**	**1,218**	**1,259**	**1,218**
Reserves					
Revaluation reserve	18	118,496	126,290	118,496	126,290
Income and expenditure account	18	95,602	85,700	95,345	85,443
Pension reserve	18	(39,077)	(34,732)	(39,077)	(34,732)
Total reserves		**175,021**	**177,258**	**174,764**	**177,001**
Total reserves and endowments		**176,280**	**178,476**	**176,023**	**178,219**
Total funds		**213,444**	**219,858**	**213,187**	**219,601**

The financial statements on pages 30 to 58 were approved by the Board of Governors on 21 November 2013 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 2013

	Note	2013 £'000	2012 £'000
Surplus of continuing operations after depreciation of assets after valuation, taxation and disposal of assets		1,582	1,528
(Decrease)/increase in value of fixed asset investment	18	(1)	8
Increase in value of land & buildings	18	-	116,681
Increase in value of heritage assets	18	-	687
New endowed funds	17	246	380
Appreciation of endowed funds	17	19	3
FRS 17 actuarial loss	29d	(4,042)	(1,891)
Total recognised (losses)/gains relating to the year		**(2,196)**	**117,396**
Opening reserves and endowment		178,476	61,080
Total recognised (losses)/gains		(2,196)	117,396
Closing reserves and endowments		**176,280**	**178,476**

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 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	**20**	**14,376**	**13,695**
Returns on investments and servicing of finance			
Interest received	21	725	326
Interest paid	21	(4,601)	(8,095)
Bond transaction costs	21	-	(3,994)
Total returns on investments and servicing of finance		(3,876)	(11,763)
Net cash inflow from returns on investments and servicing of finance		**10,500**	**1,932**
Capital expenditure			
Payments to acquire tangible assets		(12,613)	(12,500)
Proceeds of sale of tangible assets		7,373	1
Deferred capital grants received		947	666
Net cash outflow from capital expenditure		**(4,293)**	**(11,833)**
Net cash inflow/outflow before management of liquid resources		**6,207**	**(9,901)**
Management of liquid resources			
Cash transferred to term deposits	23	(4,637)	(55,974)
Financing			
Bond issue	22	-	90,000
Loan drawn down in year	22	22	-
Loan repayment in year	22	(20)	(23,348)
Net cash inflow from financing		**2**	**66,652**
Increase in cash in the year	**23**	**1,572**	**777**

Reconciliation of Net Cash Flow to Movement in Net Funds

	Note	2013 £'000	2012 £'000
Increase in cash in the year	23	1,572	777
Cash inflow from liquid resources	23	4,637	55,974
Bond issue	22	-	(90,000)
New loans taken out in year	22	(22)	-
Loan repayment in year	22	20	23,348
Change in net funds		**6,207**	**(9,901)**
Net debt at 1 August		(12,799)	(2,898)
Net debt at 31 July		**(6,592)**	**(12,799)**

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

	2012/2013 £'000	2011/2012 £'000
a) Funding council grants		
Recurrent grants		
Higher Education Funding Council	36,540	52,134
Learning and Skills Council	856	1,072
Specific grants		
Higher Education Innovation Fund	1,167	804
National Scholarship Programme	683	-
HEFCE Matched Funding	-	2
E-Marketplace	80	(43)
Releases of deferred capital grants (note 16)		
Buildings	1,500	1,512
Equipment	1,236	1,977
Total	**42,062**	**57,458**
b) Academic fees and education		
Home and EU students	65,421	47,699
Overseas students	15,138	14,788
Education contracts	12,151	11,945
Other contracts	1,792	876
Total	**94,502**	**75,308**
c) Research grants and contracts		
Research councils	1,914	1,540
UK-based charities	298	293
European commission	770	816
Other grants and contracts	2,341	3,626
Total	**5,323**	**6,275**
d) Other operating income		
Residences and catering	2,342	2,367
Other services rendered	3,588	3,134
Other income	1,532	1,379
Releases of deferred capital grants (note 16)	2,429	685
Donations	12	63
Total	**9,903**	**7,628**
e) Endowment income and interest receivable		
Income from expendable endowments (note 17)	8	7
Income from permanent endowments (note 17)	14	12
Interest on short-term investments	843	256
Interest from HMRC	-	43
Total	**865**	**318**

2. Staff costs and other details

a) Staff costs	2012/2013 £'000	2011/2012 £'000
Wages and salaries	70,931	69,267
Social security costs	5,914	5,732
Other pension costs	9,073	8,729
The financial effects of the adoption of FRS 17	(658)	834
Total	**85,260**	**84,562**

b) Employee numbers	2012/2013	2011/2012
The average number of persons employed during the year, expressed as full-time equivalents, are disclosed below.		
Academic		
Full-time	664	663
Part-time	215	215
Support	1,038	1,031
Total	**1,917**	**1,909**

c) Senior post holder emoluments		
Vice-Chancellor		
Emoluments of the Vice-Chancellor	218	193
Pension contributions	31	30
Total	**249**	**223**

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% (2011/12: 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:

	2012/2013	2011/2012
£100,000 - £109,999	1	2
£110,000 - £119,999	2	6
£120,000 - £129,999	1	1
£130,000 - £139,999	2	1
£140,000 - £149,999	-	-
£150,000 - £159,999	1	-

Compensation for loss of office payable to senior post-holders	2012/2013 £'000	2011/2012 £'000
Compensation payable	-	394

The severance pay was approved with the institution's protocols for such payments.

3. Other operating expenses

		2012/2013 £'000	2011/2012 £'000
External auditors remuneration	Group audit	53	49
The above remuneration includes £43k in respect of the audit of the university (2012: £40k)			
Auditors fees for non-audit services	Other services supplied pursuant to such legislation	6	-
	Other services relating to taxation	13	-
	Other	-	7
Internal audit services		82	84
Residences and catering		1,121	956
Rent, rates and insurance		736	791
Repairs and general maintenance		4,508	4,154
Energy		2,449	2,085
Administrative expenses		4,805	4,503
Research grants and contracts		1,695	1,750
Legal, professional and consultancy fees		5,983	6,321
General education expenses		5,202	5,099
Student bursaries		7,358	8,009
Publicity		1,836	1,759
Staff development		381	463
Travel and subsistence		1,781	1,682
Grant to De Montfort University Students' Union Limited		851	726
Consumables		3,413	3,479
Other		1,129	724
Total		**43,402**	**42,641**
Other operating expenses include:			
Operating leases - buildings		305	283
Operating leases - equipment		128	151

Governors

No governor has received any remuneration/waived payments for the group during the year (2012: none)

The total expenses paid to or on behalf of 15 governors was £12,793 (2012: £14,962 to 15 governors). This represents travel and subsistence incurred in attending board and committee meetings in their official capacity.

4. Interest payable

	2012/2013 £'000	2011/2012 £'000
Bank loan	-	982
Net financing costs in Pension Scheme Liabilities (under FRS 17)	961	386
Interest on bond	4,839	186
Bond transaction costs	133	-
Interest payable before bank loan breakage costs	**5,933**	**1,554**
Bank loan breakage costs	-	6,964
Total	**5,933**	**8,518**

5. Analysis of 2012/2013 expenditure by activity

	Staff costs £'000	Other operating expenses £'000	Interest £'000	Depreciation £'000	Total £'000	2011/2012 Total £'000
Academic departments	50,937	8,475	-	1,820	61,232	61,780
Academic services	12,937	5,473	-	2,116	20,526	14,561
Admin and central services	6,447	3,476	-	235	10,158	13,386
General education expenditure	1,832	11,760	-	136	13,728	15,011
Staff and student facilities	5,164	3,982	-	127	9,273	6,369
Premises	5,074	6,914	-	11,454	23,442	16,634
Residences and catering	311	1,121	-	423	1,855	1,454
Research grants and contracts	2,605	1,695	-	119	4,419	4,892
Other services rendered	611	448	-	-	1,059	1,005
Other expenditure	-	-	4,972	-	4,972	8,132
Provision for restructuring	4,222	58	-	-	4,280	1,016
FRS17 adjustment	(658)	-	961	-	303	1,220
Total	**89,482**	**43,402**	**5,933**	**16,430**	**155,247**	**145,460**

The depreciation charge has been funded by:

	£'000
Deferred capital grant released (note 16)	5,042
Revaluation reserves released (note 18)	7,793
General income	3,595
Total	**16,430**

6. Taxation

This relates to our current activity in China in respect of joint education programmes with partner universities and the requirement to account for and pay tax to the Chinese tax authorities.

This is the maximum due in taxation for the period and will be finalised once negotiations have concluded with the Chinese tax authorities.

The tax due is based on gross income received for which the Chinese tax authorities deem what the profit element should be. For educational services the deemed profit should be between the range of 10% to 30% (by negotiation). Corporate income tax will be calculated on the deemed profit at a rate of 25% along with business tax at a rate of 3% or 5% depending on what the service is classified as.

7. Tangible fixed assets and depreciation

Group and corporation	Land and buildings £'000	Buildings under construction £'000	Furniture and equipment £'000	Computer equipment £'000	Heritage Assets £'000	Total £'000
Cost or valuation						
At 1 August 2012	267,561	57	15,438	14,680	687	298,423
Additions at cost	419	3,524	122	7,500	13	11,578
Transfers to land and buildings	39	(39)	-	-	-	-
Disposals	-	-	(929)	(1,525)	-	(2,454)
At 31 July 2013	**268,019**	**3,542**	**14,631**	**20,655**	**700**	**307,547**
Depreciation						
At 1 August 2012	1,226	-	12,824	10,255	-	24,305
Charge for the year	7,621	-	1,030	3,628	-	12,279
Asset impairment	4,151	-	-	-	-	4,151
Depreciation charge for the year	**11,772**	**-**	**1,030**	**3,628**	**-**	**16,430**
Disposals	-	-	(929)	(1,525)	-	(2,454)
At 31 July 2013	**12,998**	**-**	**12,925**	**12,358**	**-**	**38,281**
Net book value:						
At 31 July 2013	**255,021**	**3,542**	**1,706**	**8,297**	**700**	**269,266**
At 31 July 2012	266,335	57	2,614	4,425	687	274,118

The net book value of tangible fixed assets held under finance leases at 31 July 2013 was nil (31 July 2012: nil). Of the net book value of land and buildings including buildings under construction, £258,563,000 as at 31 July 2013, £4,135,000 is held at cost and £254,428,000 is held at the 2012 valuation. The historical cost equivalent of the re-valued land and buildings is £136,697,000 as at 31 July 2013.

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

	Group and Corporation 2012/2013 £'000	2011/2012 £'000
Freehold	258,175	265,985
Long lease	388	407
Total	**258,563**	**266,392**

8. Investments

	Group 2012/2013 £'000	Group 2011/2012 £'000	Corporation 2012/2013 £'000	Corporation 2011/2012 £'000
Movement in the year				
Balance at beginning of year	343	310	653	620
Additions	-	25	-	25
Disposals	(200)	-	(200)	-
(Depreciation) /appreciation of investments	(1)	8	(1)	8
Balance at year end	**142**	**343**	**452**	**653**
Analysis of closing balance				
Shareholding in subsidiary undertakings	-	-	310	310
Other investments	104	305	104	305
Shareholding in CVCP Properties PLC	38	38	38	38
Total	**142**	**343**	**452**	**653**

a) Shareholdings in subsidiary undertakings At year end, investments in subsidiary undertakings comprise:	Group holding %	Corporation 2012/2013 £	Corporation 2011/2012 £	Description of activities
Directly owned by the university:				
De Montfort Expertise Ltd	100	310,000	310,000	Provision of contract research and development
Leicester Business School Ltd	100	1	1	Dormant company
Leicestershire Business School Ltd	100	1	1	Dormant company
Total		**310,002**	**310,002**	

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

b) Other investments	Holding %	Corporation 2012/2013 £	Corporation 2011/2012 £	Description of activities
Spear Therapeutics Ltd	11.06	234	234	Drug development and research
BTG PLC	<0.01	75,355	74,185	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	2,614	4,615	Drug development and research, incorporated in USA.
Lachesis Seed Fund Ltd Partnership	20.00	-	200,000	Seed funding for new high technology businesses
Mediatag Ltd	32.47	150	150	Software development
Venuesim Ltd	33.00	300	300	Software development
WZVI Ltd	10.00	100	100	Science and engineering research
IP By Design Ltd	10.00	25,000	25,000	Intellectual property management consultancy
CYP Design Ltd	20.00	2	-	Drug development and research
Total		**104,544**	**305,373**	

9. Endowment asset investments – group and corporation

	2012/2013 £'000	2011/2012 £'000
Balance at 1 August	1,218	1,068
New endowments invested	246	380
Increase in market value of investments	19	3
Decrease in cash balances held for endowment funds	(224)	(233)
Balance at 31 July	**1,259**	**1,218**
Represented by:		
Securities and fixed interest stock	224	205
Bank balances	1,035	1,013
Total endowment assets	**1,259**	**1,218**

10. Stocks – group and corporation

	2012/2013 £'000	2011/2012 £'000
Goods for resale	3	-
Art and Design	67	96
ITMS	21	26
Total	**91**	**122**

11. Debtors falling due within one year

	Group 2012/2013 £'000	Group 2011/2012 £'000	Corporation 2012/2013 £'000	Corporation 2011/2012 £'000
Student debtors	984	804	984	804
Other debtors	2,832	824	2,573	612
Research	985	766	985	766
Prepayments and accrued income	2,712	2,502	2,568	2,331
Subsidiary undertakings	-	-	873	591
Total	**7,513**	**4,896**	**7,983**	**5,104**

12. Short term deposits – group and corporation

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

At 31 July 2013:

£80,888,000 of group funds was on deposit (31 July 2012: £76,251,000).
£79,852,000 of corporation funds was on deposit (31 July 2012: £75,308,000).

13. Creditors falling due within one year

	Group 2012/2013 £'000	Group 2011/2012 £'000	Corporation 2012/2013 £'000	Corporation 2011/2012 £'000
Payments received in advance	7,458	6,891	7,374	6,794
Trade creditors	3,016	3,618	2,940	3,567
Other creditors	3,390	2,330	3,390	2,330
Taxation	912	932	912	932
Social security	882	894	882	894
Accruals	4,279	5,049	4,192	5,011
Loans	23	17	23	17
Student caution deposits	363	400	363	400
Access funds (note 27)	163	1	163	1
Subsidiary undertakings	-	-	200	13
Total	**20,486**	**20,132**	**20,439**	**19,959**

14. Creditors falling due after more than one year – group and corporation

	2012/2013 £'000	2011/2012 £'000
Bond	90,000	90,000
Bond transaction costs	(3,862)	(3,994)
Bond total	**86,138**	**86,006**
Other loans	22	26
Total	**86,160**	**86,032**

15. Provisions for liabilities and charges – group and corporation

	Taxation £'000	Future pensions £'000	Staff restructuring £'000	Total £'000
At 1 August 2012	-	1,177	12	1,189
Utilised in year	-	(90)	(12)	(102)
Transfer to Income and Expenditure Account	296	472	702	1,470
At 31 July 2013	**296**	**1,559**	**702**	**2,557**

The provision for future pensions represents the estimated outstanding cost to the university in respect of enhanced pension entitlements not accounted for under FRS 17, 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.

16. Deferred capital grants – group and corporation

	Funding council grants £'000	Other grants £'000	Total grants £'000
Balance at 1 August 2012			
Buildings	34,716	2,934	37,650
Equipment	3,258	474	3,732
Total	**37,974**	**3,408**	**41,382**
Cash receivable			
Buildings	409	-	409
Equipment	408	130	538
Total	**817**	**130**	**947**
Released to Income and Expenditure Account			
Buildings	(1,500)	(2,289)	(3,789)
Equipment	(1,236)	(140)	(1,376)
Total	**(2,736)**	**(2,429)**	**(5,165)**
To fund depreciation (note 5)			(5,042)
To fund revenue			(123)
Total			**(5,165)**
Balance at 31 July 2013			
Buildings	33,625	645	34,270
Equipment	2,430	464	2,894
Total	**36,055**	**1,109**	**37,164**

In 2012/13 the Charles Frears Campus was sold and realised a net surplus of £1,100,000. The sale is reflected in the consolidated income and expenditure account as follows:	2012/2013 £'000
Release of deferred capital grant to other operating income	2,225
Write down of net realised value to other operating expense	(1,125)
Net surplus from sale	**1,100**

17. Endowments – group and corporation

	Unrestricted permanent £'000	Restricted permanent £'000	Total permanent £'000	Restricted expendable £'000	2012/2013 Total £'000	2011/2012 Total £'000
Capital	1	392	393	747	1,140	994
Accumulated income	-	65	65	13	78	74
Total	**1**	**457**	**458**	**760**	**1,218**	**1,068**
Investment income	-	14	14	8	22	19
Expenditure	-	(13)	(13)	(233)	(246)	(252)
Total	**-**	**1**	**1**	**(225)**	**(224)**	**(233)**
New endowments	-	1	1	245	246	380
Appreciation in market value of investments	-	19	19	-	19	3
At 31 July 2013	**1**	**478**	**479**	**780**	**1,259**	**1,218**
Represented by:						
Capital value	1	412	413	769	1,182	1,147
Accumulated income	-	66	66	11	77	71
Total	**1**	**478**	**479**	**780**	**1,259**	**1,218**

18. Reserves

	Group 2012/2013 £'000	Group 2011/2012 £'000	Corporation 2012/2013 £'000	Corporation 2011/2012 £'000
Income and expenditure reserve				
At 1 August	85,700	82,668	85,443	82,411
Surplus retained in the year	1,806	1,761	1,806	1,761
Transfer from revaluation reserve	7,793	51	7,793	51
Add back pension deficit	303	1,220	303	1,220
At 31 July	**95,602**	**85,700**	**95,345**	**85,443**
Pension reserve				
At 1 August	(34,732)	(31,621)	(34,732)	(31,621)
Actuarial loss on pension scheme	(4,042)	(1,891)	(4,042)	(1,891)
Deficit retained within reserves	(303)	(1,220)	(303)	(1,220)
At 31 July	**(39,077)**	**(34,732)**	**(39,077)**	**(34,732)**
Revaluation reserve				
At 1 August	126,290	8,965	126,290	8,965
(Decrease)/increase in value of fixed asset investments	(1)	8	(1)	8
Tangible assets revaluation	-	116,681	-	116,681
Heritage assets revaluation	-	687	-	687
Contribution to depreciation	(7,793)	(51)	(7,793)	(51)
At 31 July	**118,496**	**126,290**	**118,496**	**126,290**
Total reserves	**175,021**	**177,258**	**174,764**	**177,001**

19. Borrowings and lease obligations – group and corporation

	2012/2013 Total £'000	2011/2012 Total £'000
a) Borrowings		
Borrowings in respect of bond issue, bank loans, overdrafts and other loans are repayable as follows:		
In one year or less	23	17
Between one and two years	14	17
Between two and five years	8	9
In five years or more	90,000	90,000
Total	**90,045**	**90,043**
b) Operating leases		
At 31 July 2013, the university had annual commitment under operating leases as follows:		
Land and buildings		
Leases expiring within one year	-	22
Leases expiring within two to five years	82	-
Leases expiring thereafter	306	283
Total lease payments due	**388**	**305**
Other		
Leases expiring within one year	3	2
Leases expiring within two to five years	141	89
Leases expiring thereafter	-	4
Total lease payments due	**144**	**95**

20. Net cash flow from operating activities – group

	2012/2013	2011/2012
	£'000	£'000
Income and Expenditure Account before taxation	(2,592)	1,527
FRS17 impact on Income and Expenditure Account (including interest)	303	1,220
Endowment income adjustment	224	233
Income previously shown as capital grant receipt	-	(8)
Write down Lachesis investment	200	-
Write down Charles Frears Campus value	1,100	-
Interest receivable (excluding FRS 17 interest)	(865)	(318)
Surplus before interest receivable	**(1,630)**	**2,654**
Add back interest payable (excluding FRS 17 interest):		
Bank loans	-	982
Interest on bond	4,839	186
Bond costs	133	-
Bank loan breakage costs	-	6,964
Total interest payable	4,972	8,132
Surplus from operating activities	**3,342**	**10,786**
Release of capital grant	(5,165)	(4,174)
(Decrease)/increase in value of fixed asset investments	(1)	8
Depreciation	16,430	8,861
Decrease in stock	31	9
(Increase)/decrease in debtors	(2,477)	2,000
Increase/(decrease) in creditors	1,144	(1,948)
Increase/(decrease) in provisions	1,072	(1,847)
Net cash inflow from ordinary operating activities	**14,376**	**13,695**

21. Returns on investments and servicing of finance – group

	2012/2013 £'000	2011/2012 £'000
Income from short term investments	725	326
Interest paid	(4,601)	(1,131)
Loan breakage costs	-	(6,964)
Returns on investments and servicing of finance before bond transaction	**(4,601)**	**(8,095)**
Bond transaction costs	-	(3,994)
Total	**(3,876)**	**(11,763)**

22. Analysis of changes in financing – group

	2012/2013 £'000	2011/2012 £'000
Balance at 1 August	90,043	23,391
Bond issue	-	90,000
New loan principal	22	-
Loan repayment	(20)	(23,348)
Balance at 31 July	**90,045**	**90,043**

23. Analysis of net funds – group	At 1 Aug 2012 £'000	Non-cash charges £'000	Cash flow £'000	At 31 July 2013 £'000
Net cash				
Cash at bank and in hand	993	-	1,572	2,565
Bank overdrafts	-	-	-	-
Total net cash	**993**	**-**	**1,572**	**2,565**
Liquid resources				
Current asset investments	76,251	-	4,637	80,888
Debt				
Debts falling due within one year	(17)	(26)	20	(23)
Debts falling due after one year	(90,026)	26	(22)	(90,022)
Total debt	**(90,043)**	**-**	**(2)**	**(90,045)**
Net funds	**(12,799)**	**-**	**6 ,207**	**(6,592)**

24. Financial commitments – group and corporation	2012/2013 £'000	2011/2012 £'000
Provision has not been made for the following capital commitments at 31 July 2013.		
Commitments contracted for	5,287	1,958
Authorised but not contracted for	70,338	13,250
Total	**75,625**	**15,208**

25. Contingent liabilities

There are no material contingent liabilities.

26. Related party transactions

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

Ms Kathryn Arnold, former Chief Information Officer, held a Directorship during the year on behalf of the University at EMMAN (East Midlands Metropolitan Area Network). The value of services provided to the university during 2012/13 was £12,000. Ms Christine Hancock, Co-opted Governor, is employed by C3 Collaborating for Health. The value of services provided to the university in 2012/13 was £24,800.

It is a requirement of HEFCE that transactions during the year between institutions and the autonomous, non-consolidated students' union are reported as a related party transaction. Mr Ian Warrington, President of De Montfort Students' Union sits on the university's board. The grant paid to the students' union during the year was £851,000.

27. Access funds	2012/2013 £'000	2011/2012 £'000
Balance unspent at 1 August	1	2
Funding council grants	517	533
Interest earned	3	2
Balance before disbursement	**521**	**537**
Disbursed to students	(358)	(536)
Balance as at 31 July	**163**	**1**

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.

28. Intangible fixed asset

De Montfort Developments PLC, a formerly 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 FRS 10. It is considered that the transaction is immaterial and is not disclosed in the balance sheet as at 31 July 2013. A review of the status of the intangible asset is undertaken annually.

	Group and corporation 31 July 2013 £
Cost	50,000
Impairment	**(50,000)**
Net book value at 31 July 2013	**-**

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 (GA), 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**	**31/03/10**	**31/03/11**
Investment returns per annum	6.5%	4.5%	6.1%
Salary rate increase per annum	5.0%	5.3%	4.4%
Pension increase per annum	3.5%	3.3%	3.4%
Market value of assets at date of last valuation:	£163,240m	£2,111m	£32,434m
Proportion of members' actuarial benefits covered by the actuarial valuation of the assets:	98.0%	80.0%	92.0%

The total pension cost for the university and its subsidiaries was:	**2012/2013 £'000**	**2011/2012 £'000**
Contributions to TPS and USS	5,128	5,102
Contributions to LGPS	3,945	3,627
The financial effects of the adoption of FRS 17:		
LGPS	(658)	834
Total	**8,415**	**9,563**

Contributions to pension schemes	2012/2013	2011/2012 From April 2011
TPS	14.10%	14.10%
USS	16.00%	16.00%
LGPS officers *	16.10%	15.40%
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 FRS 17. The calculation of the cost of early retirement provisions charged to the Income and Expenditure Account in the year of retirement is based on the total capital cost of providing enhanced pensions.

An amount of £1,542k (2012: £1,117k), not accounted for under FRS 17, 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, 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 FRS 17, Retirement Benefits, the TPS is a multi-employer pension scheme. The university is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the university has taken advantage of the exemption in FRS 17 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, 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	£163,240m
(estimated future contributions together with notional investments held at 31 March 1996)	
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 trustee-administered fund, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deeds and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. 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 2013 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for three years following the valuation, then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA ("light") YoB tables – no age rating
Female members' mortality	S1NA ("light") YoB tables – rated down one year

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 CMI 2099 projections with a 1.25% p.a. long term rate were also adopted. The assumed life expectations on retirement at 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004, the scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, 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 82%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing costs of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions, but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience, however, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the scheme was still a fully final salary scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

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

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

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

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

Flexible retirement
Flexible retirement options were introduced.

Member contributions increased
Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS section members and CRB section members respectively.

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

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

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

On the FRS17 basis, using a AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

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

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

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 2014. 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 £318,684 (2012: £275,233). This includes £nil (2012 £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 2013 for FRS 17 purposes by a qualified independent actuary. The major assumptions used by the actuary were as follows:

	2013	**2012**
Salary increase rate	2.5%	2.0%
Pension increase rate	2.8%	2.0%
Discount rate	4.6%	4.3%
Inflation assumption rate CPI	2.8%	2.0%
Expected return on plan assets at 31 July	5.5%	4.8%
Number of employees opting for early retirement	13	44

Mortality rates	**2013** Males	**2012** 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 2013 were:

	Long term rate of return expected at 31 July 2013	**Value at 31 July 2013 £'000**	**Value at 31 July 2012 £'000**
Equities	6.4%	1,714,560	1,620,500
Bonds	3.7%	696,540	393,550
Property	4.6%	241,110	254,650
Cash	3.4%	26,790	46,300
Total		**2,679,000**	**2,315,000**

	31 July 2013 £'000	**31 July 2012 £'000**
Opening fair value of asset plans	102,886	100,032
Expected return on assets	4,975	6,664
Contributions by members	1,694	1,651
Contributions by employer	4,069	4,370
Actuarial gains / (losses)	11,045	(5,737)
Estimated benefits paid	(4,232)	(4,094)
Total	**120,437**	**102,886**

Net pension liability

The following amounts at 31 July 2013 were measured in accordance with the requirements of FRS17:

	31 July 2013 £'000	**31 July 2012 £'000**
Fair value of employer assets	120,437	102,886
Present value of scheme liabilities	(159,514)	(137,618)
Net pension liability	**(39,077)**	**(34,732)**

Present value of the defined benefit plan	31 July 2013 £'000	31 July 2012 £'000
Opening defined benefit obligation	137,618	131,653
Current service cost	3,137	3,713
Interest cost	5,936	7,050
Contributions by members	1,694	1,651
Actuarial losses/(gains)	15,087	(3,846)
Losses on curtailments	274	1,491
Estimated benefits paid	(4,232)	(4,094)
Closing defined benefit obligation	**159,514**	**137,618**

Analysis of amounts charged to income and expenditure account	Year ended 31 July 2013 £'000	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000
Charged to staff costs					
Current service cost	(3,137)	(3,713)	(3,980)	(4,437)	(3,480)
Past service cost	-	-	-	-	-
Curtailment and settlements	(274)	(1,491)	(164)	(171)	(85)
Employer contributions	4,069	4,370	3,998	4,032	3,831
Net charge	**658**	**(834)**	**(146)**	**(576)**	**266**
Financing					
Expected return on pension scheme assets	4,975	6,664	6,461	5,635	6,733
Interest on scheme liabilities	(5,936)	(7,050)	(7,795)	(8,322)	(7,552)
Net charge	**(961)**	**(386)**	**(1,334)**	**(2,687)**	**(819)**
Net income and expenditure account cost	**(303)**	**(1,220)**	**(1,480)**	**(3,263)**	**(553)**
Actual return on plan assets	**16,024**	**958**			

Analysis of amounts which would be recognised in the statement of total recognised gains and losses	Year ended 31 July 2013 £'000	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000
Actual return less expected return on pension scheme assets	(4,042)	(1,891)	20,515	(871)	(20,084)
Experience losses arising on scheme liabilities	-	-	-	-	-
Changes in financial assumptions underlying the present value of scheme liabilities	-	-	-	-	(15,476)
Actuarial (losses)/gains in pension plan recognised	(4,042)	(1,891)	20,515	(871)	(35,560)
Cumulative actuarial losses	**(14,988)**	**(10,946)**	**(9,055)**	**(29,570)**	**(28,699)**

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 2013 £'000	31 July 2012 £'000
Deficit on scheme at 1 August	(34,732)	(31,621)
Movements in year:		
- Current service cost	(3,137)	(3,713)
- Employer contributions	4,069	4,370
- Impact of settlements and curtailments	(274)	(1,491)
- Net return on assets	(961)	(386)
Total impact on income and expenditure account (see note 18)	**(303)**	**(1,220)**
- Actuarial losses	(4,042)	(1,891)
Total movement in the year	**(4,345)**	**(3,111)**
Deficit on scheme at 31 July	**(39,077)**	**(34,732)**

Experience gains and losses in the year The experience gains and losses for the year ended 31 July 2013 were as follows:	31 July 2013 £'000	31 July 2012 £'000	31 July 2011 £'000	31 July 2010 £'000	31 July 2009 £'000
Difference between the expected and actual return on scheme assets	11,045	(5,737)	1,255	6,328	(20,084)
Value of assets	120,437	102,886	100,032	95,082	80,307
Percentage of scheme assets	**9.2%**	**(5.6%)**	**1.3%**	**6.7%**	**(25.0%)**
Experience (losses)/gains on liabilities	(131)	(1,586)	5,282	-	-
Total present value of liabilities	159,514	137,618	131,653	145,738	137,028
Percentage of the total present value of scheme liabilities	**(0.1%)**	**(1.2%)**	**4.0%**	**0.0%**	**0.0%**
Total actuarial losses/(gains)	4,042	1,891	(20,515)	871	35,560
Total present value of liabilities	159,514	137,618	131,653	145,738	137,028
Percentage of the present value of scheme liabilities	**2.5%**	**1.4%**	**(15.6%)**	**0.6%**	**26.0%**

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 2013
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 c4%
Rate of mortality	Improve by one year	Increase by c3%

30. Bond disclosures

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

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

The bond transactions costs of £4 million are amortised over the life of the bond of 30 years to interest payable, with effect from financial year 2012/13.

Financial instruments – risk management

The group operates a centralised treasury function which is responsible for managing the credit, liquidity, interest and foreign currency risk associated with the group's activities. These financial risks are managed within parameters specified by the treasury management policy. Treasury management policy of the group governs all treasury management activities and sets out relevant policy objectives and control measures as driven by the University Financially Sustainability Framework. It is reviewed and approved by the University Finance and Human Resources Committee annually. Treasury management policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Services as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) as recommended by Higher Education Funding Council for England (HEFCE).

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

Credit risk

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

The group's credit risk arises from bank balances, investments, student debtors and government and commercial organisations as customers. Management of credit risk is a prime objective of treasury management policy. At 31 July 2013, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

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

Liquidity risk

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

Formal cash flow forecasts are developed, monitored and updated to ensure that adequate working capital is available and excess funds are invested to reduce the carrying cost of funds. The group policy to maintain a minimum liquidity of one month expenditure plus 20% reserve and invest excess funds for maturity of no more than 3 years. At 31st July 2013, the group is holding cash deposits and investments of various maturities, none of which is greater than 12 months, and average maturity of all deposits and investments is 54 days. The group's £1m overdraft facility with National Westminster Bank remained undrawn at the balance sheet date.

The long term financing of the group relies on £90m plus £20m Retained Bonds, unsecured Eurobonds maturing in June 2042. Any Retained Bonds held by or on behalf of the group shall be cancelled (A) at any time at the option of the group and (B) in any event on 18 July 2017. The capital amount will be paid at maturity and coupon of 5.375% is paid semi-annually. The group may, at its option, redeem all, or from time to time any part of, the bonds at the higher of the following:

(a) the principal amount of the bonds to be redeemed;

(b) the sum of the Gross Redemption Yield of the benchmark gilt (4.50% treasury gilt 2042) and 0.40% plus accrued interest.

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

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

(a) Its Total Consolidated Income for the financial year less interest receivable and
(b) The total cash of the group held on demand at banks rated P1 or above at the end of the financial year.

For financial year ending on 31 July 2013, the ratio was 3.2%. The bonds may be redeemed at the option of the holder subject to happening of certain events mentioned in the Bond Trust Deed. During the financial year, Moody's revised the credit rating of the bonds from Aa1 to Aa2 in February 2013. This rating downgrade was in line with UK's sovereign credit rating downgrade from Aaa to Aa1. Please see Note 19 (a) for the maturity profile of all borrowings.

Foreign currency risk

Foreign currency risk refers to the risk that the unfavourable movements in foreign exchange rates may cause financial loss to the group.

The group's principal foreign currency exposures generally arise from research related receipts and payments denominated in euros. There are ring-fenced euro bank accounts, set up especially for research projects funded in euros. All other receipts in foreign currencies are converted into pound sterling unless required for immediate foreign currency payments. Overall foreign currency exposure is immaterial, being insignificant portion of total Income and Expenditure. At 31 July 2013, the sterling equivalent of all euro bank balances was £0.7m [2011/12: £0.7m].

Interest rate risk

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

The group's main financing relates to 30 years £110m Bonds. At 31 July 2013, balance sheet values of deposits and investments are not exposed to changes in interest rates. However, the group's interest and investment income is exposed to changes in interest rates i.e. reinvestment rate risk. The group is prepared to accept re-investment risk to exploit opportunities where yield can be maximised without compromising capital base of the investment. The Group has no outstanding derivative instruments as at 31 July 2013.

Financial instruments – fair values

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

	2012/2013 Carrying value £m	2012/2013 Fair value £m	2011/2012 Carrying value £m	2011/2012 Fair value £m
5.375%, Unsecured Bonds due 2042	86.1	108.3	86.0	92.7

The bond is listed on the London Stock Exchange, therefore, categorised as Level 1 under the requirements of FRS 29 (IFRS 7) and valued using quoted ask price as at 31 July 2013 in compliance with FRS 26 (IAS 39). The fair value of the bond is its market value at the balance sheet date. Market value includes accrued interest and changes in credit risk and interest rate risk, and is therefore different to the reported carrying amounts.