

ANNUAL ACCOUNTS

2015–2016





DMU's pioneering Square Mile programme is one of the university's key public-benefit activities

CONTENTS

| | |
|-----|--|
| 2. | Chancellor, Board of Governors and committees, Executive Board and professional advisors |
| 6. | Chairman's introduction to the annual accounts 2015/16 |
| 8. | Operating and financial review 2015/16 |
| 34. | Statement on corporate governance |
| 38. | Independent auditor's report to the Board of Governors |
| 40. | Statement of principal accounting policies |
| 48. | Consolidated statement of comprehensive income and expenditure |
| 49. | Changes in reserves |
| 50. | Consolidated balance sheet |
| 51. | Consolidated statement of cash flows |
| 52. | Notes to the accounts |

CHANCELLOR, BOARD OF GOVERNORS AND COMMITTEES, EXECUTIVE BOARD AND PROFESSIONAL ADVISORS

CHANCELLOR

The Baroness Lawrence of Clarendon OBE (Chancellor of the university) *Invested January 2016*

BOARD OF GOVERNORS

Mr Ian Blatchford MA (Oxon), MA (Birkbeck), FCMA, FSA (Chairman of the Board)
Mr Mike Kapur BSc (Hons), ACA, FRSA
Mr Tony Stockdale ACA
Ms Marcia Saunders BA, MA, MSc
Professor Robert Harris BA (Hons), MA, PhD
Ms Ann Ewing BA (Hons), MBA, PhD, PGCE, MCIPD
Ms Suzanne Overton-Edwards BSc, PGCE
Mr Alan Charlton CMG, CVO, MA, BLing, PGCE, FRSA
Mr Oliver Mishcon LLB (Hons), Barrister
Dr Vijay Patel BSc (Pharm), MRPS, GPHC, CCMI, FRSA
Ms Hilary Carty BA (Hons), MBA, PGCE, CCMI
Dr Hilary Cass BSc, FRCP, FRCPCH, OBE
Mr Nick Wilson
Ms Sally Bowie

Joined October 2015
Joined October 2015

REPRESENTATIVE GOVERNORS

Ms Doreen Crawford BSc, MA, PGCE
Mr Adil Waraich (DSU President)
Miss Amie Chapman (DSU President)
Mr Daniel Winney (DSU President)

Stepped down July 2016
Stepped down January 2016
Joined January 2016, Stepped down June 2016
Joined July 2016

EX-OFFICIO GOVERNOR – CHIEF EXECUTIVE AND VICE-CHANCELLOR

Professor Dominic Shellard MA, DPhil

CLERK TO THE BOARD

Ms Sue Francis
Mrs Katie Skilton LLB (Hons), MAUA

Stepped down October 2015
Appointed October 2015

COMMITTEES OF THE BOARD

Audit Committee

Mr Mike Kapur (Chairman)
Ms Marcia Saunders
Mr Alan Charlton
Ms Sally Bowie

Nominations Committee

Mr Ian Blatchford (Chair)
Ms Marcia Saunders
Mr Oliver Mishcon
Ms Doreen Crawford
Miss Amie Chapman
Mr Daniel Winney
Professor Dominic Shellard

Stepped down June 2016
Joined July 2016

Remuneration Committee

Mr Ian Blatchford (Chair)
Mr Tony Stockdale
Ms Marcia Saunders

Finance and Human Resources Committee

Mr Tony Stockdale (Chair)
Professor Robert Harris
Professor Dominic Shellard
Ms Ann Ewing
Ms Suzanne Overton-Edwards

The university is continuing to invest in its well-run and sustainable estate, with the Fletcher development approaching completion

EXECUTIVE BOARD

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

Professor Andy Collop (Deputy Vice-Chancellor) BEng, PhD, DSc, CEng, FIHT

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

Professor Michael Young (Pro Vice-Chancellor for Teaching and Learning)
BA (Hons), PhD, PGCert

Ms Barbara Matthews (Pro Vice-Chancellor and Dean of Faculty of Art, Design and Humanities) BSc, MBE

Professor Cillian Ryan (Pro Vice-Chancellor and Dean of Faculty of Business and Law) BA, MA, PhD, FRSA

Dr Simon Oldroyd (Pro Vice-Chancellor and Dean of Faculty of Health and Life Sciences) BSc (Hons), PhD, FIBMS

Mr James Gardner (Pro Vice-Chancellor for Strategic and International Partnerships)
BA (Hons)

Professor Nigel Wright (Pro Vice-Chancellor for Research and Innovation and Dean of Faculty of Technology) BSc, PhD, CEng, FHEA, FICE

Professor Dana Brown (Principal of Leicester Castle Business School)
BA (Hons), MPhil, PhD

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

Mrs Jo Cooke (Associate Chief Operating Officer and Executive Director of Student and Academic Services) BA (Hons)

Mr Jonathan Shuter (Executive Director of Finance) BA (Hons), ACMA, CGMA

Mr David Carrott (Executive Director of Estates and Commercial Services) BSc, ICIQB, MaPAS

Mr Paul Marshall (Associate Chief Operating Officer and Executive Director of Strategic Planning Services) BSc (Hons), PGDip, ACIS

Mrs Sarah Setchell (Executive Director of People and Organisational Development)
BA (Hons), PGDip, MCIPD

Ms Mel Fowler (Executive Director of Marketing and Communications)
BSc (Hons), MA

Stepped down April 2016

Stepped down June 2016

Joined September 2015

Joined April 2016

Stepped down February 2016

Joined March 2016

PROFESSIONAL ADVISORS TO THE CORPORATION

Auditors

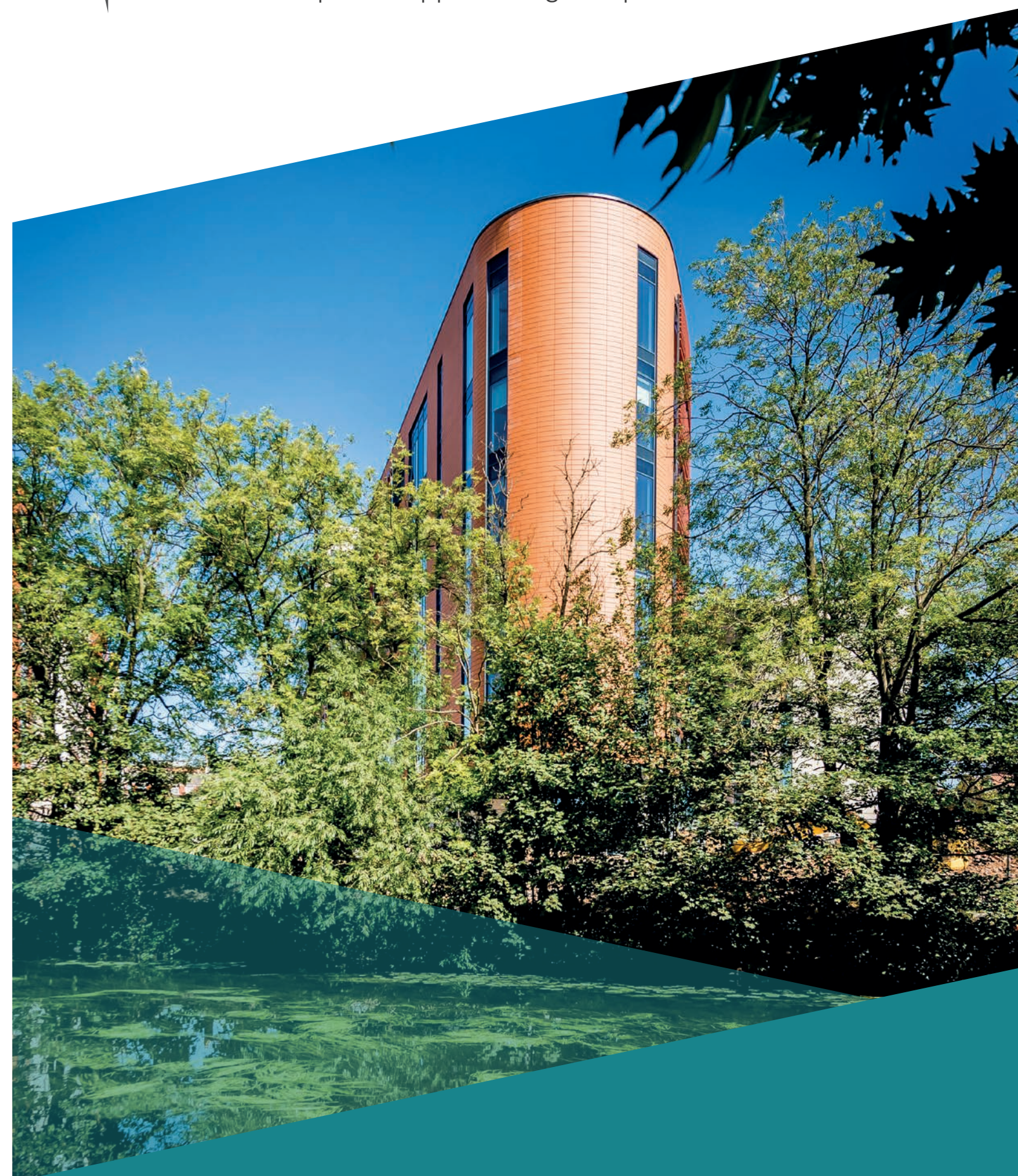
External Auditors: KPMG LLP, Birmingham

Internal Auditors: PricewaterhouseCoopers LLP, Birmingham

Bankers

National Westminster Bank plc

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



CHAIRMAN’S INTRODUCTION TO THE ANNUAL ACCOUNTS 2015/16

I am pleased to introduce the Annual Accounts for 2015/16.

The past year has been another significant one, with existing projects progressing rapidly and exciting new initiatives being started under the direction of Vice-Chancellor Professor Dominic Shellard and the Executive Board, with oversight from the Board of Governors.

The guiding principles of De Montfort University Leicester (DMU)

We passionately believe universities are a force for public good. They transform the lives of their students and staff, while sharing their knowledge and discoveries for the wider benefit of society. DMU is an international community from diverse backgrounds and cultures. We all learn from each other, develop and contribute to the shared experience, while our pioneering research enhances the quality of our courses and has real world impact.

We treat everyone with whom we work or come into contact with dignity, respect and integrity.

In line with our Strategic Framework, we seek to:

- Transform our students through an individual learning experience
- Create and apply knowledge that furthers global societal and economic development
- Strengthen our global reach and influence
- Promote and improve our city
- Improve our effectiveness through our diverse and vibrant community

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

- Surplus before other gains of £13.2m
- Cash and investments of £71.6m
- 12.1 per cent rise in academic fees and education contracts to £150.8m
- 7.9 per cent rise in total income to £181.4m
- Capital investment of £46.1m

This is the first year that the university is reporting in accordance with Financial Reporting Standard (FRS) 102. Further information about this transition is provided in the Financial Performance in 2015/16 section on page 32.

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 Doreen Crawford stepped down from the board in July 2016 and, in October 2015, we were joined by two new governors, Mr Nick Wilson and Dr Hilary Cass. On behalf of the Board of Governors, I would like to thank those leaving the board for their contributions, commitment and support.

We were also delighted to welcome The Baroness Lawrence of Clarendon OBE as our new Chancellor. The inspirational campaigner was invested at a ceremony in January and during a day of celebrations Professor Shellard said: "Baroness Lawrence epitomises DMU's ethos of public good and uses her position to challenge convention to be a force for positive change."

I would like to extend my thanks and those of the Board of Governors to the Executive Board 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 support and encouragement.

Mr Ian Blatchford

Chairman of the Board of Governors

OPERATING AND FINANCIAL REVIEW 2015/16

1. UNIVERSITY MISSION AND STRATEGY

De Montfort University (DMU) Leicester's Strategic Framework 2015-2020, developed through discussion and engagement across the university, was approved by our Board of Governors in July 2015 and launched in October 2015.

Our mission:

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

Our vision:

By 2020 our unsurpassed commitment to the public good and transformational scholarship will position us as the definition of a 21st century global university.

To help us achieve this vision, we're focusing our efforts on the following five themes, as detailed in the Strategic Framework:

1. Transform our students by delivering an individual student experience
2. Create and apply knowledge that furthers global societal and economic development
3. Promote and improve our city
4. Strengthen our global reach and influence
5. Enhance our effectiveness through our diverse and vibrant scholarly community

Our new Strategic Framework underpinned a wide range of activities during 2015/16, as shown in this Operating and Financial Review, driving improvements and helping us to make progress towards achieving our ambitions.

Excellent teaching is at the core of a great student experience, and there will be increased focus on this under the government's plan to rate quality with the Teaching Excellence Framework (TEF). Early indications of our performance are very positive, with DMU named in the top three universities in UK in a mock teaching assessment exercise by Times Higher Education (THE).

Innovative programmes such as #DMUglobal and the Universal Design for Learning (UDL) show we are striving to further improve on this excellence, providing international experiences and inclusive teaching for our students. Square Mile and #DMUlocal continue to provide volunteering opportunities for our students, giving them valuable experience and making a real difference in our city.

DMU continues to undertake outstanding research projects across its four faculties and in partnership with international academics, businesses, national bodies and the NHS. These have meaningful impact on health and wellbeing, financial stability and knowledge of our cultural history.

Activity to promote and improve our city continues to increase, and this year record-breaking numbers of students and staff dedicated time to work with local people, showing our prodigious commitment to the public good. Our work focuses on the three key areas of improving education, supporting wellbeing and boosting the local economy. The impact is seen across the community, benefiting everyone from schoolchildren and adults at risk of diabetes, to local businesses.

Internationally our reach, impact and influence all continue to grow. DMU secured a highly prestigious Times Higher Education Leadership and Management Award (THELMA) this year in recognition of the groundbreaking #DMUglobal student mobility programme, which has now enabled more than 3,000 students to enjoy global experiences.

In light of the uncertainty brought about by the UK's vote to leave the EU, DMU has taken decisive and positive action by launching #LoveInternational, a campaign to protect the residency rights of EU nationals living in the UK. This reaffirms our status as a global university, open to the vital contributions made by our international staff, students and stakeholders. DMU also initiated a series of events soon after the referendum decision – in association with the Government's GREAT campaign – and has completed five international visits around the EU, meeting students, alumni, higher education representatives, the British Council and media in Cyprus, Poland, Sweden, Lithuania and Germany.

The striking new Vijay Patel Building, which provides a modern and inspirational home on campus for our creative industries subjects, and the progress of our Core Systems Modernisation programme, which is transforming our ways of working, are just two examples of our continued focus to enhance our effectiveness.

Our Annual Accounts show we delivered a 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 Director of Finance's commentary provides further detail.

2. THE UNIVERSITY'S STATEMENT OF PUBLIC BENEFIT

DMU is an exempt charity by virtue of Schedule 3 of the Charities Act 2011 and as such is regulated by the Higher Education Funding Council for England (HEFCE) on behalf of the Charity Commission for England and Wales. The university's objectives, as defined in the Education Reform Act 1988, are to 'provide higher education', to 'provide further education' and to 'carry out research and to publish the results of that research' for the public benefit. The university's Board of Governors serves as its trustees and is responsible for determining the educational character and mission of the university, overseeing and scrutinising its activities.

When establishing the strategic direction of the university, the Board of Governors and the university's Executive Board give 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 public in the UK and overseas. All are recipients of the public benefit that we aim to deliver when fulfilling our charitable objectives.

DMU believes universities are a public good. We transform lives by providing inspiring environments where our students and staff live and work, and by sharing our discoveries for the wider benefit of society. DMU is a community in which all staff and students learn, develop and contribute to society for the good of all. Our research is central to this ethos. It enhances the quality of our teaching and serves the needs of society.

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

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

DMU promotes its vision by engagement and partnership locally, nationally and internationally. We are strongly committed to widening access to higher education and to supporting students from diverse backgrounds. 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 and approach to learning, research and business partnerships which enrich us and those with whom we work.

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

Square Mile has proved so successful that, in November 2015, DMU expanded its range of operations across the city by joining forces with Leicester City Council to launch #DMUlocal. This was followed up, in February 2016, by Square Mile India, which added an overseas dimension to the project by involving DMU's award-winning international experience programme #DMUglobal to support Indian communities.



We encourage an innovative and entrepreneurial attitude and approach to learning, research and business partnerships

TRANSFORM OUR STUDENTS BY DELIVERING AN INDIVIDUAL STUDENT EXPERIENCE

Central to this theme is a focus on teaching excellence. Our strength in this area was demonstrated recently in THE, which modelled the potential results of the TEF for 120 UK universities. Institutions were measured using the three core aspects of teaching performance: graduate employment, student retention and student satisfaction. DMU was placed third overall, above institutions such as Oxford University and Cambridge University.

Our courses are taught by dedicated lecturers. Learning is student-focused, founded on the research and professional practice activities of our staff. The university's teaching quality indicators have improved steadily over the past five years. Due to this continued improvement, the percentage of finalist undergraduates who achieve a 2:1 or above increased from 61.4 per cent (2011/12) to 67.3 per cent (2015/16).

Students' feedback on their teaching and learning experience, measured by the National Student Survey (NSS), continues to be satisfactory (85 per cent of students were satisfied with their course in the 2016 survey – 1 per cent above our benchmark of 84 per cent set by the HEFCE).

DMU prioritises projects within the strategic portfolio to improve our learning and teaching provision across a wide range of areas, including personal tutoring, inclusive teaching practice, student support and technology to enhance learning. The forthcoming UDL project will provide a framework for further sector-leading development and innovation, with a renewed focus on student retention and attainment, and inclusivity in learning and student engagement.

DMU continues to build on its Quality Assurance Agency (QAA) Higher Education Review commendations for its wide-ranging work to enhance student learning opportunities – including the development of #DMUglobal. This is an innovative international experience programme for DMU students, which aims to enrich studies, broaden cultural horizons and develop key skills valued by employers. It aims to offer the majority of students an international experience during their time here, with a growing range and diversity of opportunities. In 2015/16 136 unique overseas experiences took place and the success of the programme was recognised in June 2016, when DMU won the THELMA for Outstanding International Strategy.

In 2015/16, more than 2,500 students volunteered through DMU Square Mile, also working on #DMUlocal projects and in Leicestershire schools. At the end of the academic year their volunteering hours were verified and submitted for inclusion in the students' Higher Education Achievement Reports (HEAR), ensuring they were fully recognised for the work they did.

DMU has excelled in the National Teaching Fellow awards – the most prestigious awards for excellence in higher education – receiving 18 since the scheme began in 2000, the third-highest number awarded to any university in the UK. In addition to the 11 National Teacher Fellows still teaching at DMU, the university's Teaching Excellence Awards recognise the work of our own outstanding lecturers. These include the DMU Teacher Fellowship Scheme, with four new awards announced at DMU's OSCARs (Outstanding Service Contribution and Achievement Recognition Awards) in June 2016, bringing the total number of Teacher Fellows to 47.



Students had the opportunity to work with one of the foremost innovative dance companies in the world



#DMUglobal is set to become the most comprehensive international experience programme available at any UK university

Since 2014, DMU has had the authority to award HEA (Higher Education Academy) accredited Fellowships to academic staff to recognise their continued success in teaching and learning support. The number of DMU academics with such recognition increased from 253 (23 per cent) in September 2014 to 425 (49.8 per cent) at the end of 2015/16 academic year. This is set to increase to 100 per cent of eligible staff by September 2018.

We are proud of the excellent work we do with our partners, which benefits our students, staff and the wider community. The university innovates and develops new courses, in collaboration with students and employers, which meet the changing needs of society.

DMU partnerships on course development and provision continue to grow, with organisations such as Leicester Prison and Autism East Midlands joining our existing world-renowned partners like the BBC, the NHS and Premier League champions Leicester City Football Club. This ensures DMU students enjoy a learning experience that is closely tied to industry and professional practice.

To complement an increasing focus on graduate employability, we are delivering more programmes in partnership with business and other employers, including Hewlett-Packard, Deloitte, RWE Npower, Jaguar Land Rover and KFC. Our students go on to work for organisations such as PwC, Deutsche Bank, Warner Bros, Porsche, Sky TV, Dyson, Nike, GlaxoSmithKline and NASA, while others choose further study or set up their own businesses.

Students have benefited this year from the opening of The Venue@DMU, our new space for performances and rehearsals where we also held all our matriculation and graduations celebrations. Meanwhile the Vijay Patel Building will offer a transformational learning environment for students in the Faculty of Arts, Design and Humanities from September 2016.

Student and Academic Services (SAAS) plays a vital part in transforming our students by offering a wide range of student-facing services to enhance and improve their individual experience. Departments such as admissions, enrolment, finance, exams, conferments, graduations and timetables, as well as overall management of the student and curriculum record, all sit within SAAS. It is one of the largest directorates and works closely with faculties, academics and De Montfort Students' Union (DSU) in all of the work it undertakes.

In 2016, SAAS led and developed the Student Experience Strategy, designed to transform our students and help them embrace opportunities, build confidence and realise ambitions.

Three key elements – co-create, transform and resilience – provide the backbone to the strategy. Workshops, engagements with students (including pop-up feedback sessions), and meetings with both professional and academic staff culminated in the completion of the strategy in July 2016.

The plan is ambitious, particularly in reference to the 'co-creation' element, which is truly sector leading. This will be the most challenging notion of the entire strategy, but fundamentally changing and enhancing our practices to work with students will also be the most rewarding aspect – for everyone involved.

We are proud of the excellent and innovative work we do to champion new initiatives and opportunities. In the past year we have been furthering work in initiatives such as the Macmillan Volunteering Project, the Employability Mentoring Project and the Sickle Cell Support Programme.

The Macmillan Volunteering Project gives students the opportunity to support cancer sufferers or engage with someone who is supporting a friend or relative with cancer. Not only does this significantly improve the lives of people living in Leicester, boosting self-esteem and helping to reduce the loneliness and isolation associated with the disease, it also improves the employability of our students. Furthermore, it is an excellent example of the work DMU does together with the local community.

DMU's strong vocational curriculum is well aligned to the increasing national focus on graduate employability and continues to attract a wide spectrum of students. There was particularly strong interest from widening participation applicants and from BME (Black and Minority Ethnic) groups, reflecting the diverse population of the Leicester area.

According to the Destination of Leavers from Higher Education (DLHE) survey, DMU is among the top 50 UK universities with the best employment rates. More than 95 per cent of our 2015 graduates were in work or further study six months after graduating, well above the national average. DMU is also in the top 15 institutions for performance against our Higher Education Statistics Agency (HESA) benchmark, with employability performance 2.9 per cent above HESA expectations, further highlighting our strength in this area.

In THE's mock TEF result, which used previous DLHE results, DMU stood out as 'the exceptional performer' for the number of students in professional employment or postgraduate study six months after graduating. DMU was also named first for graduate employability.

Our DMU Graduate Champions project continues to grow, offering recent graduates the chance to take up a paid, six-week internship with a leading UK business to enhance their CV and help them stand out from the crowd in a very competitive jobs market. In the summer of 2015 we were able to offer this opportunity to 126 graduates and in January 2016 it was offered to 299 graduates.

In 2012, DMU launched Frontrunners, a campus-based internship scheme giving students the opportunity to take part in meaningful and exciting work alongside their degree. In 2015/16, 175 students enjoyed internships which provided a secure and supportive work environment with excellent supervision and mentoring.

Our commitment to volunteering is also woven through our Employability Mentoring Project, in which our Careers and Employability Team uses the skills, knowledge and experience of industry professionals to aid the transition from DMU student to successful employee. By providing a platform to develop supportive relationships, the scheme seeks to match students to those in employment who can share their expertise, improving the student's awareness of industry work requirements and their competitive advantage in the recruitment process.

There are six values to the Employability Mentoring Scheme, with the chief being that it is student led. One of the greatest achievements of the project has been its strong focus on student engagement in its core activity, not only as service recipients but also in its design and governance.

The withdrawal of a large proportion of Disabled Students' Allowances (DSA) put the onus on universities to develop inclusive learning environments to comply with the Equality Act 2010. DMU took a bold, sector-leading approach to mitigate against this by launching UDL, an innovative framework underpinning teaching, learning and assessment. DMU has the fourth largest number of disabled students in the UK and therefore saw this as an opportunity to capitalise on its already outstanding reputation as a university of choice for disabled learners.

DMU, along with DSU, has further strengthened student representation (of 628 course representatives) across the institution with the development of more than 30 School Representative Coordinator (SRCs) roles. Students apply to go through a selection procedure to secure the positions and are neither agents of the university nor the DSU, but vital 'critical friends' to both. They represent the wider student voice and support (and are supported



by) both organisations. They have been one of the best expressions of partnership working between the university and DSU, and help to create a constructive community of practice within our shared learning environment.

The DSU topped last year's highest on-campus turnout at their annual officer elections, with 4,945 students voting (22.2 per cent of the electorate). It also supported a record number of students (4,148 members) in 107 societies. DSU continues to be the only students' union in the country that supports international students with their visa applications, completely free of charge, and 472 were processed this year enabling more students to study at DMU. DSU consistently performs well in the NSS, with 76 per cent of students satisfied with its services (against a sector average of 68 per cent), making it a top 40 students' union in England.

As part of the wider campus transformation project, the development of new DSU facilities began in July 2016 – the start of a five-year programme of investment to upgrade its amenities. The outcome will be a high-quality and distinctive environment that supports both academic and varied co-curricular student activities.

Ours is an international community where students and staff from diverse backgrounds and cultures learn from and enrich each other's experiences



We are continuing to invest significant resources to improve our learning and teaching provision across a wide range of areas

CREATE AND APPLY KNOWLEDGE THAT FURTHERS GLOBAL SOCIETAL AND ECONOMIC DEVELOPMENT

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

Arts, Design and Humanities

Professor Gabriel Egan, director of the Centre for Textual Studies, completed his research collaboration with three investigators from the Department of Electrical and Systems Engineering at the University of Pennsylvania. Professor Egan's specialism is the early editions of Shakespeare and – as part of the wider investigation into just what the famous English poet, playwright and actor did and did not write, undertaken for the New Oxford Shakespeare Complete Works for which Professor Egan is a general editor – he led a study of the early editions of the three plays, *Henry VI, Parts One, Two and Three*. Collectively this international team developed a new computational method for authorship attribution, based on Word Adjacency Networks. This generates a 'profile' for any author to reflect that writer's preferences for placing certain common words (such as 'the', 'and', 'to' and 'of') near each other in sentences. The team put this method to work on the three Henry VI works commonly attributed to Shakespeare because they appear in the 1623 folio edition of his plays. This showed that although Shakespeare had a hand in them, they were largely written by other authors. Most importantly, they were able to show that Shakespeare's contemporary Christopher Marlowe made a substantial contribution. This provides an independent corroboration of other ongoing studies – using entirely different methods – that suggest Marlowe played a part. The results of this project will appear as an article in the world's leading journal in this field, *Shakespeare Quarterly*, in autumn 2016.

Sally Doughty, principal lecturer in dance in the Faculty of Arts, Design and Humanities, is one of four British dance artists commissioned by Dance4 National Dance Agency. She is researching the development

of performance work for mid-scale venues and has challenged preconceptions of improvised dance performance by creating work for larger theatres. With financial support from Arts Council England, Dance4 and DMU, Sally has researched improvised interdisciplinary performance work using graphic and choreographic scores in collaboration with internationally recognised artists Pete Shenton, Dr Craig Vear and Audrey Riley (all from DMU) and James Woodrow. She has investigated how performance methodologies might offer meaningful shifts in the relationship between audience and performer. The performance, titled *Renaissance*, has been tested and previewed at Nottingham Playhouse and a national and international tour is in development. Sally hosted the Dance Improvisation: The Estranged Cousin symposium at Attenborough Arts, University of Leicester, which attracted international speakers, performers and delegates. She has received further Arts Council funding to pursue her research in collaboration with researchers from Leeds Beckett University. They will address notions of the dancing body as a 'living archive'. Sally's interdisciplinary practice-as-research is supported by, and contributes to, DMU's new Centre for Interdisciplinary Research in Dance (CIRID) and *Renaissance* was performed at the centre's launch in September 2016.

In a project funded by British Telecom (BT) as part of its Better Futures initiative – and in collaboration with the Ellen Macarthur Foundation and its drive toward a circular economy in which we keep resources in use for as long as possible – DMU's Design Unit, led by Peter Ford, has researched the implications of using 100 per cent recycled plastic in BT products such as phones and Home Hubs. The limitations of this material were investigated to determine design approaches that would work around issues with colour and strength. The unit extended its brief to look at reducing component count, using common materials, simplifying disassembly and circular approaches to packaging. The resulting products were attractive, used less material which was 100 per cent recycled,

incorporated fewer components, were easier and quicker to assemble and disassemble, would withstand all environmental and impact tests to the required standards, and cost less to manufacture. Design guidelines have been produced for BT's manufacturers, Sagemcom and HUMAX, which are now looking to adopt these 100 per cent recycled materials based on the confidence provided by DMU's research.

Business and Law

Professor Phil Almond, from the Department of Human Resource Management, in collaboration with colleagues at King's College London and the University of East Anglia, has won a major £500,000 ESRC (Economic and Social Research Council) award. His research will examine the role of individuals in developing integrated strategies in human resource management within multinational companies.

Fred Mear, accounting and finance principal lecturer, was appointed to lead a review for PEFA, the Public Expenditure Financial Accountability secretariat of the World Bank. The project will help governments looking for financial aid to understand the range of tools available. Its outcomes will form part of the guidelines used by donors and aid recipient countries in developing the reform agendas for fiscal sustainability and country development.

Professor Colin Copus chairs the Councillor Commission on the future role of local elected members, and the pressures and demands of combining their representative and community leadership roles. The commission, which brings together leading figures from across the world of local government, has received enthusiastic engagement from councils resulting in extensions to both the scope and timescale of the research. Findings are due to be reported to the Communities and Local Government Committee of the House of Commons in February 2017.

Health and Life Sciences

Coping with a baby that will not stop crying is a scenario with which many parents have had to grapple. Now a two-year study, based at DMU, is taking the first steps towards developing routine NHS services that will be able to provide distressed parents with the support they desperately need. Persistently crying babies can trigger maternal depression, poor parent-child relations, a premature end to breast-feeding, problems with long-term child development and, in a small number of cases, infant abuse in the form of shaken baby syndrome. Yet there are no tried-and-tested NHS practices for supporting parents in managing the crying. Instead parents turn to popular books, magazines or websites which give conflicting advice. A total of 16 partners working with DMU's Faculty of Health and Life Sciences – including Leicestershire Partnership NHS Trust, National Childbirth Trust and the helpline charity Cry-sis – met at DMU in November 2014 to mark the start of the project. The first year of study looked at developing a support package offering help through web pages and phone apps, as well as special NHS staff training and one-to-one consultations to parents. The second year is seeing how feasible it is to offer that level of support through the NHS.

DMU is one of the partners in a prestigious EU FP7 project concerning the wellbeing of elderly citizens. This is referred to as the 'DOREMI project' (Decrease of cOgnitive decline, malnutRition and sedEntariness by elderly empowerment in lifestyle Management and social Inclusion). The rationale for the project is the concern that malnutrition, sedentariness and cognitive decline are major causes of morbidity and premature mortality. The DOREMI project aims to target these three impairments, aiming to develop a systemic solution for older people, to prolong their functional and cognitive capacity by empowering, stimulating and unobtrusively monitoring their daily activities. The goal of the project is to produce software to be used on a tablet computer to encourage older people to keep their brains active, take exercise, interact socially and eat well. DMU's role in the work is to help design applications to keep brains active and to implement psychological strategies to encourage people



It is important to us that our students are taught and inspired by excellent teachers



DSU supported a record number of students engaged in societies

not to give up. The Faculty of Health and Life Science's Dr Mark Scase is involved in a pilot study taking place in retirement villages in Milton Keynes, Northampton and Wolverhampton, with the first set of findings expected later this year. This will enable researchers and practitioners to evaluate the software's effectiveness in keeping older people mentally well and active. Dr Scase is hopeful that the trial can be expanded to include the local community here in Leicester and is looking for further potential partners as the project develops. The DOREMI project was highlighted at a recent Universities UK 'Universities for Europe' event in June 2016.

Technology

Professor Steve Chibnall's work on film-maker and artist Peter Whitehead has led to the donation of Whitehead's personal archive to the Cinema and Television History (CATH) Research Centre. The archive is of significant international quality and joins the centre's previous collections of scripts and memorabilia for Hammer Films and Richard Dacre's Sir Norman Wisdom Collection. Together with the donation of the Andrew Davies Archive to the Centre for Adaptations, these collections make DMU one of the most important universities for archival resources in the field of British film and television.

For 'A Night at the Cinema in the 1960s', two large-scale, immersive theatre performances were based on the findings of Matthew Jones' research into memories of 1960s cinema-going. The project, which saw venues in Leicester and central London transformed into 1960s cinemas populated with 30 actors playing staff and cinema-goers from the era, delivered impact from Dr Jones' work by allowing the public to engage directly with the types of experiences his research addresses. The cross-faculty initiative also brought together colleagues from the CATH Research Centre and Drama to generate additional impact for CATH's archives, Ian Hunter's research on Hammer, Kelly Jordan's work on immersive theatre and Alissa Clarke's research on the body and gender in performance. It was seen by approximately 240 members of the public and was the subject of a YouTube

documentary (which received 7,000 views), podcasts, blogs, significant social media commentary and articles in THE and Time Out.

As part of the #KubrickDMU project, Professor Hunter and PhD student James Fenwick organised a major three-day international conference. 'Stanley Kubrick: A Retrospective', attracted nearly 40 delegates, mostly from abroad. This was accompanied by an exhibition at DMU's Heritage Centre of material from the Stanley Kubrick Archive at the University of Arts London and the Joy Cuff Collection. There was also a talk by Kubrick's producer, Jan Harlan, who introduced screenings of *The Shining* and *Eyes Wide Shut* at the Phoenix Cinema.

The third bi-annual international conference of the Women's Film and Television History Network was hosted by the CATH Centre's Vicky Ball and Laraine Porter at Leicester's Phoenix Cinema in May 2016. It was funded by Vicky's AHRC project grant Women's Work in British Film and Television (in association with Dr Melanie Bell from University of Leeds). The conference had more than 100 delegates from all over the world and papers (seven from CATH Centre members) will be published in special editions of *Feminist Media Histories* and *Women's History Review*.

ACROSSING is an innovative research training network funded by the EU H2020 Marie Skłodowska-Curie Actions programme which aims to change the way millions of the older people in Europe live and maintain their wellbeing. The project is intended to make a critical contribution towards an open smart home technology infrastructure by interlinking disciplines from sensing technologies, context inferences and interaction and considering key principles of social impact, ethics, security and privacy. The ACROSSING consortium consists of 10 beneficiary partners, 16 associated partners and 15 early stage researchers, with a research funding of €3.88m for four years.

PROMOTE AND IMPROVE OUR CITY

We believe that universities have a major responsibility to contribute to society through public engagement and to bring about positive change. Through programmes and projects like DMU Square Mile, #DMUlocal and the Promoting and Improving Our City theme board, DMU staff and students have demonstrated their unswerving commitment to the public good.

At the centre of DMU's engagement strategy is the award-winning Square Mile programme. Since 2011, Square Mile has encouraged our staff and students to find innovative ways to use their skills and expertise to create meaningful change across the entire city of Leicester.

Positive outcomes from the Square Mile programme have helped to shape #DMUlocal, a ground-breaking partnership between Leicester City Council and the university. #DMUlocal uses higher education to respond to some of the most critical challenges facing our city, with a focus on three key areas – improving education, supporting the wellbeing of the wider community and boosting the local economy.

We enjoyed a record-breaking year of activities in 2015/16, with more than 2,500 students and more than 130 staff dedicating time to work in partnership with more than 12,000 local people. Highlights during 2015/16 include:

Improving education: More than 5,000 children from around 40 Leicester schools took part in a programme of innovative projects to enhance their education and raise their aspirations. Children living in some of the city's most deprived wards got involved, with help from 500 DMU students. One of the most popular projects was DMU's LibraryLab, which saw 70 students from our faculties of Health and Life Sciences and Technology turn libraries into science laboratories at weekends.

Interactive experiments were delivered to inspire more than 400 local children and their parents across the city.

Community, health and wellbeing: DMU utilises the world-leading research expertise of academics and the knowledge and enthusiasm of our students to run projects that have a positive impact on the health of Leicester's communities. In 2015/16, joining forces with Leicester City Council, the NHS and other national partners such as Diabetes UK, 830 undergraduates worked with more than 4,030 local people to improve health and wellbeing across the city. As an example of this work, 47 students were trained by Diabetes UK as ambassadors – a first for the charity in collaboration with a university. The students advised more than 3,000 people on steps to improve their health and carried out nearly 400 assessments on those deemed to be at high risk of developing type 2 diabetes, many of whom were referred to their GP for treatment.

Boosting the local economy: The aim of our regeneration-focused #DMUlocal programme is to support Leicester City Council, businesses and major organisations in driving forward the sustainable growth of the city. In 2015 more than 150 students gave time to identify issues and seek novel solutions to boost the local economy. For example, 33 DMU Graduate Champions worked as city research officers over a six-week period. The students surveyed more than 30 businesses in the city centre and fed the data back to Leicester City Council, giving a detailed picture of local business needs.

In total, more than 75 projects supported key areas in Leicester, boosting regeneration, health and education in 2015/16.

Other highlights included DMU's Refugee Support Programme, which delivered a range of activities. These included everything from students mentoring young

refugees into further education to providing skills development sessions and health support for refugees and asylum seekers from countries such as Sudan, Libya and Syria.

DMU IT4Free delivered free basic computer lessons to scores of people, many unemployed, in community centres across Leicester, while more than 300 students and staff were trained as First Responders, becoming skilled in emergency first aid and the use of an Automatic External Defibrillator (AED) to join a network of potential life-savers across the city.

DMU's strong vocational curriculum continues to attract a wide spectrum of students



STRENGTHEN OUR GLOBAL REACH AND INFLUENCE

DMU experienced tremendous success on the international stage in 2015/16. In the year that the university launched its ambitious new international strategy, Global Instinct, it has seen its global work recognised by a number of important international accolades, which will significantly increase its global reach, influence and reputation.

For the first time in its history, DMU was named as one of the 150 best young universities in the world by THE – one of only 25 universities from the UK to be included. DMU also recorded its highest ever position in the THE World University Rankings, being placed in the top 3 per cent of universities in the world as well as in the top 1.4 per cent of 18,000 universities worldwide for its global impact.

Adding to impressive world rankings, DMU secured the highly prestigious THELMA for Outstanding International Strategy, awarded in recognition of the ground-breaking #DMUglobal student mobility programme. #DMUglobal, which has now enabled more than 3,000 global student experiences, was said by THE to have “displayed a really strong commitment from the university to provide students from a broad range of backgrounds access to a range of meaningful and life-changing experiences as part of its outward mobility strategy.”

Global Instinct sets out a strategic roadmap until 2020 to enable DMU to continue on its path to become the ‘definition of a 21st-century global university’, which exposes students, staff and partners to the many benefits a worldwide perspective brings. Building on the success of #DMUglobal, the strategy features 10 game-changing ideas to transform DMU’s international agenda by, for example, enhancing language and cultural learning, establishing overseas global centres and forging an influential partnership network.

After consolidating three years of impressive international student recruitment growth in the 2015/16 intakes, this year’s recruitment activities promise strong results for 2016/17. DMU has never been more popular with international students. Increased demand is likely to materialise into significant growth as a result of a focus on conversion and enhancements in the institution’s approach to international recruitment. Increased investment in China, including the renewal of the DMU China Office partnership, is likely to secure the country’s status as the largest recruitment market for DMU.

DMU’s Leicester International Pathway College (LIPC), which provides alternative routes into higher education for international students who need additional academic or English language support, has continued to go from strength to strength. The college, operated in partnership with the Oxford International Education Group, has seen a 50 per cent growth in student numbers compared to the previous year and demonstrates its quality through excellent student outcomes and progression rates.

DMU’s wider belief in public good and international citizenship has been bolstered by the launch of Square Mile India. Launched in February 2016, it is a series of projects sharing the skills of DMU students and staff to make a positive change for thousands of people in the region of Gujarat. Drawing upon DMU research to support Indian communities and giving students the chance to gain valuable global experience, the initiative is set to make a real difference to the lives of some of the poorest and most vulnerable families in India’s westernmost state.

Looking towards the future, there are plenty of reasons for optimism. The launch of DMU’s prestigious Leicester Castle Business School will be a significant draw for international

students, with business-related subjects accounting for more than 50 per cent of the market for internationally mobile students across the globe.

Outside of higher education, Leicester City winning the Premier League against odds of 5,000-1 is a truly global story which is serendipitous for DMU, since it has brought an unprecedented global focus on our city. Having a long-standing relationship with the football club and its Thai owners, King Power, has brought significant benefits to DMU in terms of marketing and student experience opportunities. In collaboration with King Power, DMU is exploring opportunities in Thailand to enhance DMU’s recruitment and partnerships in the region.

The UK’s vote to leave the EU will bring a period of uncertainty for universities, especially in terms of international recruitment and mobility. DMU has taken decisive, positive action by launching #LoveInternational – a campaign to protect the residency rights of EU nationals living in the UK – and reaffirming our status as a global university open to the vital contributions made by our international staff, students and stakeholders.

We will focus on
employability and
understand the needs
of business and the
professions

ENHANCE OUR EFFECTIVENESS THROUGH OUR DIVERSE AND VIBRANT SCHOLARLY COMMUNITY

The Enhance theme provides us with the key strategic enablers to achieve our ambitions, covering the recruitment and retention of high-quality staff and students, the continued effective management of our organisational performance (financial, strategic and operational), and a relentless focus on ensuring equality within our diverse community. Without these things, we cannot achieve the ambitions we have set ourselves in the other four strategic pillars of our new strategic framework.

In 2015/16, we have put in place significant foundations to ensure our success by 2020. We launched our new Equality Charter, DMUfreedom, in the autumn. It focuses on the triptych of: freedom to be, freedom to inspire and freedom to succeed. Through this we not only reaffirm our unwavering commitment to diversity and equality, but also put in place real game changers that will enable us to challenge convention and overcome constraints to cultivating an environment in which staff, students and partners have freedom. This was complemented by DMU's outstanding achievement of being one of only eight universities to be awarded the prestigious Race Equality Charter Mark.

We have made considerable progress with our Core Systems Modernisation programme, which is the largest technology-enabled transformation programme that the university has ever embarked upon. Using the SAP business management system as the foundations, we are improving the way we work – both in terms of freeing up resources to enhance the frontline academic and student experience, and also by offering a step change in the way we manage our organisational performance by providing us with modern, fit-for-purpose systems. It is split into three phases: the first phase covering finance and procurement went live in August 2016; the second, covering HR and payroll, goes live at the start of April 2017; and the third, covering the student lifecycle, will be live in Autumn 2017.

Our staff survey, undertaken by Capita, demonstrated an impressively engaged and satisfied staff community, especially when compared to other UK HEIs (Higher Education Institutes). The positive response to the critical question about whether staff are happy working at DMU was up 10 per cent to 65 per cent of our community. We exceeded the sector benchmark scores in 14 out of 19 core questions in the survey and were at or higher than sector benchmark in all 19 areas. Also 88 per cent of our staff rated the university as being a 'good place to work', compared to 73 per cent for all Capita's clients. Finally, we came 11th in the sector for Capita's employer of choice measure. These results have now been analysed at a faculty and directorate level and a series of action plans has been put in place to ensure that we respond to staff feedback efficiently and effectively.

Finally, our capital programme has delivered tremendous benefits to our students and staff, as shown by a number of key examples. The new Vijay Patel Building provides a modern and inspirational home for our creative industries subjects, and we have expanded into Leicester's historical quarter by leasing, and commencing the refurbishment of, the Great Hall of Leicester Castle to house our new Leicester Castle Business School. To support a step change in our commitment to sporting excellence at DMU and the overall student experience, we completed our clubhouse and new set of international-quality sports pitches at Beaumont Park.



It is critical that our current dynamic approach to recruitment is maintained

3. CONCLUSION: LOOKING AHEAD – OPPORTUNITIES AND RISKS

The university is well positioned to take advantage of any opportunities and to manage the risks of the current higher education environment, and those that may arise in future years. We proactively review the content of the strategic risk register, which is aligned to the five strategic themes outlined above, and their associated key performance targets. The annual planning exercise enables monitoring of the strategic risk registers at faculty and directorate level. This integral and important component of the integrated planning exercise provides an assurance framework, and robust review of the overall university strategic risk register. Key risks that are being managed are as follows:

- **Forecast recruitment of overseas students:** The financial forecast reflects the work undertaken to date on our International Strategy, with forecast growth in student numbers from 2016/17 to 2020/21 supported by our partnership agreements. This results in a forecast increase in annual income by 2020/21 of £13.9 million supported by a strategy to increase the proportion of international students at the university. The university's student population from outside the UK was just less than 14.5 per cent in 2014/15, increasing by 1.5 per cent from the previous year. This is a challenging strategy with risks, particularly noting the EU referendum and national sentiment on immigration and potential policy changes. It will be important to review the strategy in the context of the size of the market, judged by sector performance in recruiting students from outside of the UK (the current sector average is just less than 19 per cent). The university will also consider market intelligence available regarding the ambitions and targets set by competitor institutions for international recruitment.

- **Number and quality of Home/EU undergraduate recruits:** Current recruitment is buoyant with applications for 2016/17 up 13 per cent from the previous year. However, with the marketisation of the sector it is critical that our current dynamic approach to recruitment is maintained, recognising that the sector has become more competitive. The inevitable consequence is that there will be 'winners' and 'losers', with the likelihood of organisational consolidation and new entrants to the market.
- **Financial control and sustainability:** In anticipation of the upcoming Higher Education and Research Bill, we are aware that further changes to fees and funding arrangements for universities are likely. We continue to model sufficient reductions in HEFCE grant funding for 2016/17 and beyond in anticipation of future cuts. There remains the risk that further changes in higher education funding could occur as the outcome of the white paper is realised in the sector. It is therefore vital that we continue to drive efficiencies in our cost base.
- **Corporate governance standards:** The university continues to be proactive and ensure compliance with changes in legislation, including its duty under Prevent (designed to stop people being drawn into terrorism), as well as ensuring compliance with the Consumer Rights Act. Institutional projects for these areas provide governance and ensure wide-reaching commitment to deliver the actions.
- **Pensions liabilities:** The university operates three pension schemes, including the Local Government Pension Scheme for which liabilities are funded based upon a combination of factors following actuarial assessments on the cohort of participants. Factors such as corporate bond rates at the end of the financial year are used to calculate the liability on the university's balance sheet, which can increase or decrease depending on the performance of corporate bonds and other factors on 31 July each year. There is a risk that external factors such as that of the EU referendum can influence the valuations.



We celebrate the rich cultural diversity of our staff, students and all our partnerships

4. FINANCIAL PERFORMANCE IN 2015/16

The university delivered a significant operating surplus, before other gains, of £13.2m, an increase of £4.0m. The continued income growth was due to successful student recruitment and retention. This healthy surplus enables the university to continue to make vital capital and programme investments enhancing the student experience.

Results for the year

The university's income and expenditure results for the year ended 31 July 2016, with comparative results restated in accordance with FRS 102, are summarised as follows:

| | 2015/16 £'000 | 2014/15 £'000 |
|----------------------------|------------------|------------------|
| Income | 181,427 | 168,162 |
| Expenditure | 168,187 | 158,875 |
| Surplus before other gains | 13,240 | 9,287 |
| Other gains | 53 | 59 |
| Surplus before taxation | 13,293 | 9,346 |
| Taxation | 314 | (98) |
| Surplus after taxation | 13,607 | 9,248 |

FRS 102

The accounts are presented for the first time in accordance with FRS 102 and the Statement of Recommended Practice (SORP) for Further and Higher Education, 2015.

For DMU this has changed the way that the accounts are presented. Primary changes are described and the transition statement in section 27 of the Notes to the Accounts quantifies these items.

FRS 102 impacts to the Consolidated Statement of Comprehensive Income and Expenditure

Research grants and contracts and the deferred capital grant releases are recorded using the percentage of completion method, with income recognised as costs are incurred. The exception is non-government grants and non-exchange transactions, such as donations, which are recognised when performance criteria of the award are met.

Depreciation reflects changes in the recognised value of buildings on the balance sheet.

Staff costs reflect changes in the balance of accrued holiday pay; accounting for the Universities Superannuation Scheme; and the financial impact of the Local Government Pension Scheme.

FRS 102 impacts to the Balance Sheet

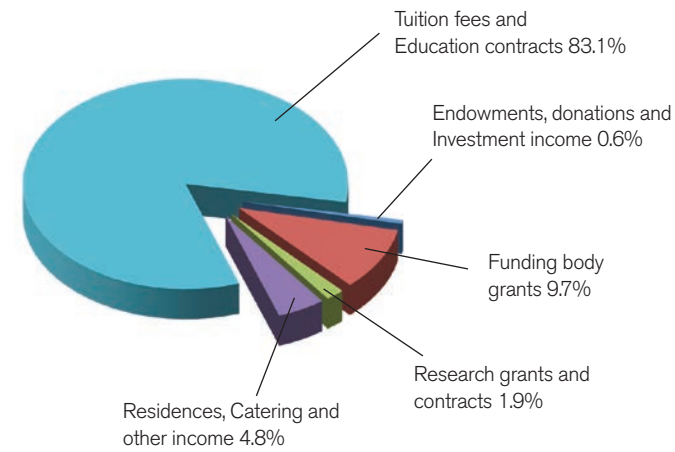
The primary changes to the Balance sheet are in the valuation of tangible fixed assets and the presentation change resulting in the inclusion of deferred capital grants in creditors. These changes resulted in a reduction in net asset values.

For the purpose of FRS 102, buildings have been identified within two groups for valuation purposes. A revaluation of buildings was completed in 2012. Those inherited from Leicestershire County Council on 1 April 1989 and buildings acquired or constructed since then that provide primary teaching space have been valued using the 2012 valuation as deemed cost. Buildings acquired or constructed after April 1989 that house non-academic services on campus are stated at historical cost.

Income analysis

Total income of £181.4m increased by £13.3m (7.9%) from 2014/15.

Income analysis 2015/16

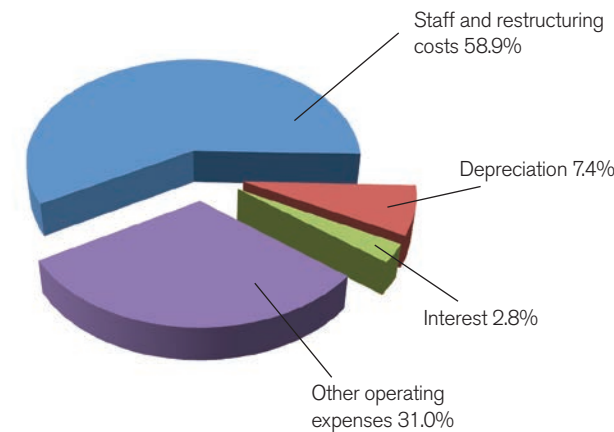


Tuition fees and education contracts increased by £16.3m (12.1%) more than counteracting further reductions in funding council grants of £2.4m (12.3%) as a direct result of positive recruitment and retention of students in the fourth year of reduced government funding in the higher education sector.

Expenditure analysis

Total expenditure of £168.2m increased by £9.3m (5.9%) from 2014/15.

Expenditure analysis 2015/16



- Staff costs before restructuring increased by £5.4m, reflecting the impact of workforce investments, pay inflation and pension costs.
- Depreciation charges of £12.4m decreased by £0.2m, reflecting the short life of computer assets. In 2015/16 the university undertook significant investment in the Vijay Patel Building, and core systems modernisation, which were still under development at year-end and for which depreciation will begin in the 2016/17 financial year.
- Other operating expenses increased by £3.6m, reflecting continued growth in #DMUglobal activities, marketing campaign expenditure and the programme to modernise the university's core operating systems.

Balance sheet

The university's consolidated group Balance Sheet at 31 July 2016 reports total net assets of £99.5m, a decrease of £24m from 2014/15. This reflects the following items:

- Fixed tangible and intangible assets of £284.9m increased by £33.8m (2014/15: £251.1m). The university invested £46.1m in new fixed assets during 2015/16, of which £33.2m was for buildings and major works, including the Vijay Patel Building, £12.9m for IT and equipment. This was offset by the depreciation and amortisation charges of £12.4m.
- A decrease in current assets of £10.3m due to investment in major capital projects.
- An increase in creditors of £4.0m, due to the scale and timing of capital projects.
- An increase in pension provisions of £41.8m due to the impact of post Brexit actuarial valuations at year-end.

Liquidity and reserves

The level of income and expenditure reserves has decreased by £24m to £99.5m, reflecting the positive operating position of the university offset by the impact of the year-end pension provision.

Cash and investments of £71.6m at the year-end ensure that the university has a strong liquidity position to continue to enrich the student experience, with campus infrastructure renewal, technology modernisation, employability programmes and student enrichment programmes such as #DMUglobal.

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 business that receives public funds. In carrying out its responsibilities, the Board of Governors is committed to demonstrating best practice in all aspects of Corporate Governance and complies with the Committee of University Chairs (CUC) Higher Education Code published in December 2014 and with the requirements of the Charities Act 2006 (as amended) and the Charities Act 2011.

Summary of the university's structure of corporate governance

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

It is a requirement of the Instrument of Government of the Corporation that there should be a majority of board members who are non-executive and independent, and that the board should comprise no fewer than 12 and no more than 24 members (including the Vice-Chancellor ex-officio). Currently the board has a total of 17 members (including the Vice-Chancellor ex-officio), 14 of whom are independent governors as defined by the Instrument and Articles. The remaining two members of the Board of Governors include representatives of the academic staff

and the student body. Membership is actively considered at the Nominations Committee each year.

The principal officer is the Vice-Chancellor, who has responsibility to the Board of Governors for the organisation, direction and management of the university.

He is also the designated Accountable Officer for the purposes of the Financial Memorandum with the Higher Education Funding Council for England. The Vice-Chancellor is supported by an Executive Board, which is comprised of the Vice-Chancellor, the Deputy Vice-Chancellor, four Faculty Pro Vice-Chancellor/Deans, the Pro Vice-Chancellors for Research and Innovation and Strategic and International Partnerships, the Principal of Leicester Castle Business School, the Chief Operating Officer, the Associate Chief Operating Officers, the Executive Director of Finance, the Executive Director of People and Organisational Development, the Executive Director of Marketing and Communications, and the Vice-Chancellor's Chief of Staff. A Pro Vice-Chancellor for Teaching and Learning is currently being recruited and will join the Executive Board upon appointment.

Conduct of business

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

In the conduct of its formal business, and in addition to an annual strategic away day, the board meets four times a year. It has a number of formally constituted committees – Audit, Nominations, Remuneration, and Finance and Human Resources – 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. It considers internal audit reports and recommendations for the improvement of the university's systems of internal control, together with management responses and implementation plans. It also receives and considers reports from the HEFCE that 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 incorporate its role in monitoring and reporting upon the effectiveness of the university's risk management, data management quality, and value for money processes and procedures. While senior executives attend meetings of the Audit Committee as necessary, they are not members and the committee may meet the internal and external auditors 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 independent 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 Executive Director of People and Organisational Development.

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 or a summary of outcomes, at board meetings, with key matters reported 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 and answer any other questions which may arise.

The Board of Governors periodically reviews its own effectiveness in accordance with good practice/CUC guidance, with a review being undertaken in summer 2015. Newly appointed governors are encouraged to participate in an individual induction programme, tailored to their specific needs and experience. Additionally, all governors are provided with the details of seminars and conferences offered by organisations such as 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 of Government, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. As a Higher Education Corporation, the board, through its designated Accountable Officer, produces financial statements for each financial year, which give a true and fair view of the state of affairs of the university and of the surplus or deficit and cash flows for that year. These statements are also submitted to HEFCE, under the terms and conditions of the memorandum of assurance and accountability agreed between the funding council and the university.

In overseeing the preparation of financial statements, the Board of Governors has ensured that:

- Suitable accounting policies are selected and applied consistently
- Judgements and estimates are made that are reasonable and prudent
- Applicable accounting standards have been followed and any material departures disclosed and explained in the financial statements
- Financial statements are prepared on a going concern basis

The Board of Governors has also taken reasonable steps to:

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

Internal control

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

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

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

1. The risks in the strategic risk register should flow from the strategic framework and related key performance indicators (KPIs) and should be considered as an integrated part of the institutional performance management process
2. The risks should be high level, few and manageable in number to enable the Executive Board to focus on the major risks that require its attention
3. The risks should be embedded in and useful to the Executive Board's normal business rather than their management being seen as a separate exercise
4. Clear Executive Board-level accountability for each individual risk should be assigned

5. Scoring risk should be a matter of judgment and incorporate the full range of information available to risk owners, rather than a quantitative exercise
6. The risk register should be seen as an evolving document and not 'set in stone'. As such it should be reviewed on an annual basis by the Executive Board

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

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

Going concern statement

After 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 the university's accounts.

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF DMU

We have audited the financial statements of DMU for the year ended 2015-16 (set out on pages 40 to 70). The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Board of Governors, in accordance with reference to 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 Responsibilities of Board of Governors Statement set out on page 34 the Board of Governors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International

Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2016 and of the Group's and University's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and
- Meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements*

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 Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation

- Income has been applied in accordance with the University's Articles of government
- Funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them and
- The corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements* have been met

 28/11/16

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

1. ACCOUNTING CONVENTION

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

2. TRANSITION TO ACCOUNTING ACCORDING TO FRS 102 AND THE FURTHER AND HIGHER EDUCATION STATEMENT OF RECOMMENDED PRACTICE (SORP) 2015

The university has prepared its financial statements in accordance with FRS 102, as interpreted by the SORP 2015, for the first time and consequently has applied the first time adoption requirements. An explanation of how this transition has affected the reported, financial position, financial performance and cash flows of the consolidated results of the university is provided in the transition note (Note 27).

3. TANGIBLE FIXED ASSETS

i) Measurement at initial recognition

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

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

or

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

or

- Irrespective of their individual cost, form part of the initial equipping of a new building or major renovation in bringing the building into use

ii) Measurement after initial recognition

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

All other tangible fixed assets are stated at cost.

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

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

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

iii) Depreciation

Land is not depreciated. Freehold property is depreciated over expected useful life on a straight-line basis. For existing properties, new construction and major renovations, the expected useful life is based on an external appraisal and reflects all of the buildings' major components. Refurbishment projects are depreciated over 20 years.

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

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

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

New buildings and major refurbishments to buildings are depreciated from the month in which they are put into service. For all other asset additions, 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.

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

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

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

v) Tangible donated fixed assets

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

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

vi) IT equipment and software licences

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

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

vii) Maintenance of premises

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

viii) Heritage assets

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

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

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

4. INTANGIBLE ASSETS

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

5. LEASES

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 Consolidated Statement of Comprehensive Income in equal amounts over the periods of the leases.

6. REVENUE

i) Tuition fees

Revenue from tuition fees represents student fees received and receivable, which are attributable to the studies undertaken in the current accounting period.

ii) Funding body grants

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

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

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

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

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

iii) Research grants and contracts

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

iv) Commercial research and consultancy revenue

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

v) Investment Income

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

vi) Donations and Endowments

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

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

i) Donations with no restrictions

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

ii) Donations and endowments with restrictions

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

There are four main types.

Unrestricted permanent endowments

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

Restricted expendable endowments

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

Donations with restrictions

The donation does not meet the expendable endowment criteria where the general use of the funds is specified by the donor. These are recorded in the Consolidated Statement of Comprehensive Income on entitlement and

retained within a restricted reserve until such time that expenditure is incurred in line with the restriction.

Restricted permanent endowments

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

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

iii) Donations for fixed assets

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

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

iv) Gifts in kind, including donated tangible fixed assets

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

7. BAD DEBTS

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

8. STOCK

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

9. INCOME TAX

i) 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 does pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by 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.

10. DEFERRED TAXATION

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

11. EMPLOYEE BENEFITS

i) Short-term employee benefits

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

ii) Post-employment benefits

Retirement benefits to employees of the university are provided by defined benefit schemes which are funded by contributions from the university and employees. Payments are made to the Teachers' Pension Scheme, the Universities Superannuation Scheme for academic staff and to the Local Government Pension Scheme for support staff. These are all independently administered schemes. Pension costs are assessed on the latest actuarial valuations of the schemes.

For the Local Government Pension Scheme, the assets of the scheme are included at closing market value and scheme liabilities are measured on an actuarial basis using the projected unit method. The difference between the fair value of assets and liabilities measured on an actuarial basis, net of the related amount of deferred tax, are recognised in the university's balance sheet as a pension scheme liability or asset as appropriate. A surplus is only included to the extent that the university is able to recover the surplus either through reduced contributions

in the future or through refunds from the scheme. The following are recognised in the Consolidated Statement of Comprehensive Income:

- a) Changes in the defined asset or liability arising from factors other than cash contributions to the scheme
- b) Actuarial gains and losses
- c) Interest charges/returns by applying the discount rate to the net pension deficit/surplus

The Teachers' Pension Scheme and the Universities Superannuation Scheme are multi-employer schemes where the university is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Contributions are charged directly to the Consolidated Statement of Comprehensive Income as if the schemes were a defined contribution scheme.

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

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

12. INVESTMENTS IN SUBSIDIARIES

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

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

13. FINANCIAL INSTRUMENTS

Cash and cash equivalents

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

Interest-bearing borrowing

Bonds and long-term borrowings are recognised initially at fair value less attributed transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in debt and equity securities

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

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

14. INTEREST PAYABLE

Interest is capitalised on borrowings to finance major property developments to the extent that it accrues in

respect of the period of development. Such costs are capitalised as part of the specific asset.

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

15. 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.

16. 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.

17. FOREIGN CURRENCIES

The consolidated financial statements are presented in pounds sterling, which is the Group's functional and presentation currency. The Group does not include any foreign entity. Transactions denominated in foreign currencies are recorded at the exchange rate on the transaction date, whilst assets and liabilities are translated at exchange rates at the balance sheet date. The resulting exchange rate differences are recognised in the Consolidated Statement of Comprehensive Income.

18. SERVICE CONCESSIONS

A service concession arrangement is an arrangement whereby the university contracts with a private operator to: (1) build, develop or upgrade, and (2) operate and maintain an infrastructure asset for the university (e.g. student accommodation, teaching and research facilities). In addition, the university controls any significant residual interest at the end of the arrangement. The university does not currently have any such arrangement.

19. INVESTMENT PROPERTIES

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

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

After initial recognition at cost, an investment property is measured at fair value, with any changes in fair value recognised immediately within the Consolidated Statement of Comprehensive Income. Rentals received in relation to investment properties are credited to Investment Income.

Consideration of whether or not a property is an investment property is made at both the individual entity and consolidated accounts level. There are no investment properties at the balance sheet date.

20. EMBEDDED DERIVATIVES

The university currently has no embedded derivatives contained within financial instruments or host contracts. However, if some were to arise they would be recorded as separate derivatives at fair value in the financial statements. Changes to fair value would be recognised in the Statement of Comprehensive Income as they arise.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

For the year ended 31 July 2016

| Income | Notes | Group | Group | Corporation | Corporation |
|---|-------|----------|---------|-------------|-------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | £'000 | £'000 | £'000 | £'000 |
| Tuition fees and education contracts | 1a | 150,781 | 134,519 | 150,781 | 134,519 |
| Funding body grants | 1b | 17,528 | 19,977 | 17,528 | 19,977 |
| Research grants and contracts | 1c | 3,368 | 4,046 | 3,256 | 3,982 |
| Other income | 1d | 8,638 | 8,612 | 8,380 | 8,201 |
| Investment income | 1e | 640 | 796 | 628 | 786 |
| Total income before endowments and donations | | 180,955 | 167,950 | 180,573 | 167,465 |
| Donations and endowments | 1f | 472 | 212 | 472 | 212 |
| Total income | | 181,427 | 168,162 | 181,045 | 167,677 |
| Expenditure | | | | | |
| Staff costs | 2 | 95,806 | 90,415 | 95,695 | 90,300 |
| Staff restructuring costs | | 3,200 | 322 | 3,200 | 322 |
| Other operating expenses | 3 | 52,075 | 48,426 | 51,804 | 48,056 |
| Depreciation | 7, 8 | 12,368 | 12,576 | 12,368 | 12,576 |
| Interest payable | 4 | 4,738 | 7,136 | 4,738 | 7,136 |
| Total expenditure | 5 | 168,187 | 158,875 | 167,805 | 158,390 |
| Surplus before other gains/(losses) | | 13,240 | 9,287 | 13,240 | 9,287 |
| Gain on disposal of property, plant and equipment | | - | 36 | - | 36 |
| Gain on investments | | 53 | 23 | 53 | 23 |
| Surplus before tax | | 13,293 | 9,346 | 13,293 | 9,346 |
| Taxation | 6 | 314 | (98) | 314 | (98) |
| Surplus for the year | | 13,607 | 9,248 | 13,607 | 9,248 |
| Unrealised surplus on revaluation of land and buildings | | 244 | - | 244 | |
| Actuarial (loss)/gain in respect of pension schemes | 25d | (37,830) | 8,178 | (37,830) | 8,178 |
| Total comprehensive income for the year | | (23,979) | 17,426 | (23,979) | 17,426 |
| Represented by: | | | | | |
| Endowment comprehensive income for the year | | 221 | (50) | 221 | (50) |
| Restricted comprehensive income for the year | | 3 | 1 | 3 | 1 |
| Unrestricted comprehensive income for the year | | (24,203) | 17,475 | (24,203) | 17,475 |
| | | (23,979) | 17,426 | (23,979) | 17,426 |

CHANGES IN RESERVES

| Group | Income and expenditure account | | | | |
|--|--------------------------------|------------|--------------|---------------------|----------|
| | Endowment | Restricted | Unrestricted | Revaluation reserve | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2015 | 1,154 | 17 | 121,492 | 818 | 123,481 |
| Surplus from the income and expenditure statement | 221 | 3 | 13,383 | - | 13,607 |
| Other comprehensive income | - | - | (37,586) | - | (37,586) |
| Transfers between revaluation and income and expenditure reserve | - | - | (245) | 245 | - |
| Total comprehensive income for the year | 221 | 3 | (24,448) | 245 | (23,979) |
| Balance at 31 July 2016 | 1,375 | 20 | 97,044 | 1,063 | 99,502 |

| | Income and expenditure account | | | | |
|--|--------------------------------|------------|--------------|---------------------|---------|
| | Endowment | Restricted | Unrestricted | Revaluation reserve | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2014 | 1,204 | 16 | 104,026 | 809 | 106,055 |
| (Deficit)/surplus from the income and expenditure statement | (50) | 1 | 9,297 | - | 9,248 |
| Other comprehensive income | - | - | 8,178 | - | 8,178 |
| Transfers between revaluation and income and expenditure reserve | - | - | (9) | 9 | - |
| Total comprehensive income for the year | (50) | 1 | 17,466 | 9 | 17,426 |
| Balance at 31 July 2015 | 1,154 | 17 | 121,492 | 818 | 123,481 |

| Corporation | Income and expenditure account | | | | |
|--|--------------------------------|------------|--------------|---------------------|----------|
| | Endowment | Restricted | Unrestricted | Revaluation reserve | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2015 | 1,154 | 17 | 121,235 | 818 | 123,224 |
| Surplus from the income and expenditure statement | 221 | 3 | 13,383 | - | 13,607 |
| Other comprehensive income | - | - | (37,586) | - | (37,586) |
| Transfers between revaluation and income and expenditure reserve | - | - | (245) | 245 | - |
| Total comprehensive income for the year | 221 | 3 | (24,448) | 245 | (23,979) |
| Balance at 31 July 2016 | 1,375 | 20 | 96,787 | 1,063 | 99,245 |

| | Income and expenditure account | | | | |
|--|--------------------------------|------------|--------------|---------------------|---------|
| | Endowment | Restricted | Unrestricted | Revaluation reserve | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2014 | 1,204 | 16 | 103,769 | 809 | 105,798 |
| (Deficit)/surplus from the income and expenditure statement | (50) | 1 | 9,297 | - | 9,248 |
| Other comprehensive income | - | - | 8,178 | - | 8,178 |
| Transfers between revaluation and income and expenditure reserve | - | - | (9) | 9 | - |
| Total comprehensive income for the year | (50) | 1 | 17,466 | 9 | 17,426 |
| Balance at 31 July 2015 | 1,154 | 17 | 121,235 | 818 | 123,224 |

CONSOLIDATED BALANCE SHEET

As at 31 July 2016

| | Notes | Group 2016 £'000 | Group 2015 £'000 | Corporation 2016 £'000 | Corporation 2015 £'000 |
|---|-------|------------------------|------------------------|------------------------------|------------------------------|
| Non-current assets | | | | | |
| Intangible assets | 7 | 7,684 | 163 | 7,684 | 163 |
| Tangible fixed assets | 8 | 277,179 | 250,946 | 277,179 | 250,946 |
| Heritage assets | 9 | 943 | 700 | 943 | 700 |
| Investments | 10 | 997 | 440 | 1,307 | 750 |
| Total non-current assets | | 286,803 | 252,249 | 287,113 | 252,559 |
| Current assets | | | | | |
| Stocks | 11 | 91 | 111 | 91 | 111 |
| Trade and other receivables | 12 | 9,955 | 7,982 | 10,821 | 8,680 |
| Investments | 13 | 25,000 | 40,000 | 23,672 | 38,994 |
| Cash and cash equivalents | 20 | 45,617 | 42,894 | 45,609 | 42,889 |
| Total current assets | | 80,663 | 90,987 | 80,193 | 90,674 |
| Less: Creditors: amounts falling due within one year | 14 | (35,000) | (30,160) | (35,097) | (30,414) |
| Net current assets | | 45,663 | 60,827 | 45,096 | 60,260 |
| Total assets less current liabilities | | 332,466 | 313,076 | 332,209 | 312,819 |
| Creditors: amounts falling due after more than one year | 15 | (121,055) | (121,918) | (121,055) | (121,918) |
| Provisions | | | | | |
| Pension provisions | 25d | (106,991) | (65,224) | (106,991) | (65,224) |
| Other provisions | 16 | (4,918) | (2,453) | (4,918) | (2,453) |
| Total net assets | | 99,502 | 123,481 | 99,245 | 123,224 |
| Restricted reserves | | | | | |
| Income and expenditure reserve - endowment fund | 17 | 1,375 | 1,154 | 1,375 | 1,154 |
| Income and expenditure reserve - restricted reserve | 18 | 20 | 17 | 20 | 17 |
| Unrestricted reserves | | | | | |
| Income and expenditure reserve - unrestricted | | 97,044 | 121,492 | 96,787 | 121,235 |
| Revaluation reserve | | 1,063 | 818 | 1,063 | 818 |
| Total unrestricted reserves | | 98,107 | 122,310 | 97,850 | 122,053 |
| Total reserves | | 99,502 | 123,481 | 99,245 | 123,224 |

The financial statements on pages 48 to 70 were approved by the Board of Governors on 24 November 2016 and were signed on its behalf by



Mr M Kapur
Deputy Chairman



Professor D Sheppard
Chief Executive and Vice-Chancellor

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2016

| | Notes | 2016 £'000 | 2015 £'000 |
|---|-------|-----------------|-----------------|
| Cash flow from operating activities | | | |
| Surplus for the year | | 13,607 | 9,248 |
| Adjustment for non-cash items | | | |
| Depreciation | 8 | 12,278 | 12,543 |
| Amortisation of intangible assets | 7 | 90 | 33 |
| Gain on investments | | (53) | (23) |
| Decrease/(increase) in stock | | 20 | (9) |
| Increase in debtors | | (1,817) | (884) |
| Increase/(decrease) in creditors | | 1,047 | (401) |
| Increase/(decrease) in provisions | | 2,451 | (631) |
| Receipt of donated equipment | | - | (52) |
| Pension costs less contributions payable | 25 | 1,562 | 1,902 |
| Adjustment for investing or financing activities | | | |
| Investment income | 1 | (640) | (796) |
| Interest payable | 4 | 4,738 | 7,136 |
| Endowments received | 17 | (411) | (168) |
| Endowments disposed | 17 | - | 25 |
| Profit on the sale of fixed assets | | - | (36) |
| Net cash inflow from operating activities | | 32,872 | 27,887 |
| Cash flows from investing activities | | | |
| Withdrawal from deposits | | 15,000 | 3,000 |
| Income from endowments | | 24 | 21 |
| Other interest received | | 460 | 853 |
| Payments made to acquire fixed assets | | (36,859) | (33,135) |
| Payments made to acquire intangible assets | | (6,460) | (196) |
| Payments made to acquire non-current investments | | (504) | - |
| | | (28,339) | (29,457) |
| Cash flows from financing activities | | | |
| Interest paid | | (2,216) | (4,838) |
| Endowments cash received | | 411 | 168 |
| Repayments of amounts borrowed | | (5) | (14) |
| | | (1,810) | (4,684) |
| Increase/(decrease) in cash and cash equivalents in the year | | | |
| | | 2,723 | (6,254) |
| Cash and cash equivalents at the beginning of the year | | 42,894 | 49,148 |
| Cash and cash equivalents at the end of the year | | 45,617 | 42,894 |
| | | 2,723 | (6,254) |

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

For the year ended 31 July 2016

1. Analysis of income

| | Group 2015/16 £'000 | Group 2014/15 £'000 | Corporation 2015/16 £'000 | Corporation 2014/15 £'000 |
|--|---------------------------|---------------------------|---------------------------------|---------------------------------|
| a) Tuition fees and education contracts | | | | |
| Home and EU students | 116,419 | 100,838 | 116,419 | 100,838 |
| Overseas students | 20,191 | 20,209 | 20,191 | 20,209 |
| Education contracts | 12,410 | 12,058 | 12,410 | 12,058 |
| Other contracts | 1,761 | 1,414 | 1,761 | 1,414 |
| Total | 150,781 | 134,519 | 150,781 | 134,519 |
| b) Funding body grants | | | | |
| Recurrent grants | | | | |
| Higher Education Funding Council for England | 14,710 | 16,157 | 14,710 | 16,157 |
| Learning and Skills Council | 474 | 706 | 474 | 706 |
| Specific grants | | | | |
| Higher Education Innovation Fund | 637 | 926 | 637 | 926 |
| National Scholarship Programme | - | 626 | - | 626 |
| Employer engagement | - | 2 | - | 2 |
| Graduate internship project | 130 | - | 130 | - |
| Collaborative outreach programme | 67 | - | 67 | - |
| Release capital grants | | | | |
| Buildings | 795 | 763 | 795 | 763 |
| Equipment | 715 | 797 | 715 | 797 |
| Total | 17,528 | 19,977 | 17,528 | 19,977 |
| c) Research grants and contracts | | | | |
| Research councils | 939 | 1,175 | 939 | 1,175 |
| UK-based charities | 293 | 574 | 293 | 574 |
| European Commission | 540 | 321 | 540 | 321 |
| Other grants and contracts | 1,596 | 1,976 | 1,484 | 1,912 |
| Total | 3,368 | 4,046 | 3,256 | 3,982 |
| d) Other income | | | | |
| Residences and catering | 3,878 | 3,096 | 3,850 | 3,068 |
| Other services rendered | 2,431 | 3,759 | 1,566 | 2,611 |
| Other income | 2,159 | 1,680 | 2,794 | 2,445 |
| Other capital grants | 170 | 77 | 170 | 77 |
| Total | 8,638 | 8,612 | 8,380 | 8,201 |
| e) Investment income | | | | |
| Interest from short-term investments | 617 | 775 | 605 | 765 |
| Income from restricted expendable endowments | 6 | 7 | 6 | 7 |
| Income from restricted permanent endowments | 17 | 14 | 17 | 14 |
| Total | 640 | 796 | 628 | 786 |
| f) Donations and endowments | | | | |
| New endowments | 410 | 143 | 410 | 143 |
| Donations with restrictions | 10 | 5 | 10 | 5 |
| Unrestricted donations | 52 | 64 | 52 | 64 |
| Total | 472 | 212 | 472 | 212 |
| Total income | 181,427 | 168,162 | 181,045 | 167,677 |

For the year ended 31 July 2016

2. Staff costs and other details

| | Group 2015/16 £'000 | Group 2014/15 £'000 | Corporation 2015/16 £'000 | Corporation 2014/15 £'000 |
|---|---------------------------|---------------------------|---------------------------------|---------------------------------|
| a) Staff costs | | | | |
| Wages and salaries | 76,161 | 72,432 | 76,050 | 72,317 |
| Social security costs | 6,897 | 6,021 | 6,897 | 6,021 |
| Other pension costs | 11,247 | 9,781 | 11,247 | 9,781 |
| Movement on USS pension provision | (61) | 279 | (61) | 279 |
| The financial effects of LGPS pension scheme | 1,562 | 1,902 | 1,562 | 1,902 |
| Total | 95,806 | 90,415 | 95,695 | 90,300 |
| b) Employee numbers | | | | |
| | 2015/16 | 2014/15 | | |
| The average number of persons employed during the year, expressed as full-time equivalents, are disclosed below. | | | | |
| Academic | | | | |
| Full-time | 654 | 625 | | |
| Part-time | 247 | 239 | | |
| Support | 1,103 | 1,029 | | |
| Total | 2,004 | 1,893 | | |
| c) Vice-Chancellor emoluments | | | | |
| | £'000 | £'000 | | |
| Salary | 283 | 280 | | |
| Pension contributions to USS | 2 | - | | |
| Bonus relating to prior year | 40 | 30 | | |
| Health insurance | 1 | 1 | | |
| Total | 326 | 311 | | |
| The emoluments, including taxable benefits, of the Vice-Chancellor are shown on the same basis as for higher paid staff and exclude employer's national insurance contributions. | | | | |
| The Contract of Employment of the Vice-Chancellor provides for termination by the corporation on giving 12 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: | | | | |
| | 2015/16 | 2014/15 | | |
| £100,000-£109,999 | 3 | 4 | | |
| £110,000-£119,999 | 5 | 5 | | |
| £120,000-£129,999 | 2 | - | | |
| £130,000-£139,999 | 2 | 2 | | |
| £140,000-£149,999 | - | 1 | | |
| £150,000-£159,999 | - | - | | |
| £160,000-£169,999 | 1 | - | | |
| £170,000-£179,999 | - | 1 | | |
| £180,000-£189,999 | 1 | - | | |
| Key management personnel | | | | |
| The university executive board are classed as key management personnel, who have authority and responsibility for planning, directing and controlling the activities of the institution. This includes compensation paid to key management personnel. | | | | |
| | 2015/16 £'000 | 2014/15 £'000 | | |
| Key management personnel | 2,273 | 1,878 | | |

| 3. Other operating expenses | Group 2015/16 £'000 | Group 2014/15 £'000 | Corporation 2015/16 £'000 | Corporation 2014/15 £'000 |
|---|--|---------------------------|---------------------------------|---------------------------------|
| External auditor's remuneration | 68 | 55 | 60 | 47 |
| Auditor's fees for non-audit services | Other services supplied pursuant to such legislation | 13 | 10 | 13 |
| | Other services relating to taxation | 36 | 13 | 13 |
| | Other audit services | - | 2 | 2 |
| | Other projects | 63 | - | 63 |
| Legal, professional and consultancy fees | 10,291 | 9,078 | 10,120 | 8,898 |
| Administrative expenses | 7,015 | 6,135 | 7,010 | 6,132 |
| Publicity | 6,117 | 4,781 | 6,098 | 4,738 |
| General education expenses | 4,298 | 3,818 | 4,298 | 3,815 |
| Consumables | 4,233 | 3,569 | 4,209 | 3,512 |
| Repairs and general maintenance | 3,877 | 4,005 | 3,877 | 4,002 |
| Student bursaries | 3,805 | 4,679 | 3,805 | 4,679 |
| Travel and subsistence | 3,147 | 2,572 | 3,118 | 2,527 |
| Energy | 2,459 | 2,492 | 2,459 | 2,492 |
| Residences and catering | 1,441 | 1,872 | 1,437 | 1,866 |
| Rent, rates and insurance | 1,431 | 1,336 | 1,431 | 1,336 |
| Grant to De Montfort University Students' Union Limited | 1,261 | 1,250 | 1,261 | 1,250 |
| Research grants and contracts | 1,164 | 1,313 | 1,147 | 1,306 |
| Staff development | 631 | 515 | 631 | 514 |
| Other | 598 | 828 | 559 | 814 |
| Internal audit services | 127 | 103 | 172 | 103 |
| Total | 52,075 | 48,426 | 51,804 | 48,056 |

| | Group 2015/16 £'000 | Group 2014/15 £'000 | Corporation 2015/16 £'000 | Corporation 2014/15 £'000 |
|-----------------------------------|---------------------------|---------------------------|---------------------------------|---------------------------------|
| Other operating expenses include: | | | | |
| Operating leases – buildings | 548 | 548 | 548 | 548 |
| Operating leases – equipment | 141 | 151 | 141 | 151 |

Governors

In 2015/16 three governors (Mr Blatchford, Mr Kapur and Mr Stockdale) were remunerated in their role as Chairs of Committees, total £50,000 (2015: none). Mr Blatchford waived his payment.

The total expenses paid to or on behalf of 19 governors was £25,194 (2015: £33,548 to 17 governors). This represents travel and subsistence incurred in attending Board and Committee meetings in their official capacity.

| 4. Interest payable – group and corporation | 2015/16 £'000 | 2014/15 £'000 |
|---|------------------|------------------|
| Net financing costs in pension scheme liabilities | 2,375 | 2,785 |
| Interest on USS | 14 | 18 |
| Interest on bond | 2,216 | 4,200 |
| Bond transaction costs | 133 | 133 |
| Total | 4,738 | 7,136 |

Interest on bond is reported net of the interest incurred on the financing of the Vijay Patel and The Venue buildings which has been capitalised to those assets. This amounted to £2,622k (2014/15 £637k).

| 5. Analysis of 2015/16 expenditure by activity – group and corporation | Staff costs £'000 | Other operating expenses £'000 | Depreciation £'000 | Interest £'000 | Total £'000 | 2014/15 Total £'000 |
|--|----------------------|---|-----------------------|-------------------|----------------|---------------------------|
| Academic departments | 53,113 | 10,981 | 2,072 | - | 66,166 | 61,345 |
| Academic services | 12,939 | 6,528 | 4,297 | - | 23,764 | 23,670 |
| Admin and central services | 9,443 | 5,292 | 537 | - | 15,272 | 12,095 |
| General education expenditure | 3,054 | 12,945 | 177 | - | 16,176 | 16,361 |
| Staff and student facilities | 7,174 | 5,532 | 163 | - | 12,869 | 11,374 |
| Premises | 5,307 | 7,513 | 4,869 | - | 17,689 | 17,248 |
| Residences and catering | 478 | 1,439 | 253 | - | 2,170 | 2,509 |
| Research grants and contracts | 2,050 | 1,158 | - | - | 3,208 | 3,710 |
| Other expenditure | 747 | 660 | - | 2,349 | 3,756 | 5,248 |
| Provision for restructuring | 3,200 | 27 | - | - | 3,227 | 331 |
| Pension scheme's adjustment | 1,501 | - | - | 2,389 | 3,890 | 4,984 |
| Total | 99,006 | 52,075 | 12,368 | 4,738 | 168,187 | 158,875 |

The depreciation charge has been funded by:

| | £'000 |
|----------------------------------|---------------|
| Deferred capital grants released | 1,598 |
| General income | 10,770 |
| Total | 12,368 |

6. Taxation – group and corporation

Taxation is payable to Chinese Tax Authorities on activity in respect of joint educational programmes with partner universities in China.

Settlement has now been reached with the Shenyang Huanggu region resulting in a tax settlement of £136,623 (RMB 1,209,621), this was based on a deemed profit rate of 15%. This resulted in a release back of £314,000 of the provision in the accounts.

We are working towards a settlement in the Jiangsu Province.

The estimate of tax due is based on the deemed profit element of the gross tax received. For educational services the deemed profit is in the range of 10 to 30% by negotiation. Corporate income tax is calculated at 25%, plus a business tax (VAT) of 3–5% based on the classification of services.

The estimated amount due for 2015/16 is £13,180, being tax on the income for the current year and late payment surcharge for tax owed on prior years' activity.

The total accrued for tax in China is the maximum estimate of £49,180 and will be finalised once negotiations have concluded.

| 7. Intangible assets | 2015/16 £'000 | 2014/15 £'000 |
|------------------------------|------------------|------------------|
| Group and corporation | | |
| Cost or valuation | | |
| At 1 August 2015 | 196 | - |
| Additions at cost | 7,611 | 196 |
| As at 31 July 2016 | 7,807 | 196 |
| Amortisation | | |
| At 1 August 2015 | 33 | - |
| Charge for the year | 90 | 33 |
| As at 31 July 2016 | 123 | 33 |
| Net book value: | | |
| At 31 July 2016 | 7,684 | 163 |

The university has embarked on a core systems modernisation programme (CSM) to replace a number of items of software that have reached the end of their useful lives.

Internal staff capitalised within intangible additions at 31 July 2016 was £1,151,000 (31 July 2015: nil)

| 8. Tangible fixed assets | Land and buildings | Buildings under construction | Furniture and equipment | Computer equipment | Total |
|---|--------------------|------------------------------|-------------------------|--------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Group and corporation | | | | | |
| Cost or valuation | | | | | |
| At 1 August 2015 | 224,220 | 33,073 | 12,305 | 27,415 | 297,013 |
| Additions at cost | 4,815 | 28,410 | 1,912 | 3,374 | 38,511 |
| Transfers to land and buildings | 5,250 | (5,250) | - | - | - |
| Disposals | - | - | - | (507) | (507) |
| At 31 July 2016 | 234,285 | 56,233 | 14,217 | 30,282 | 335,017 |
| Depreciation | | | | | |
| At 1 August 2015 | 18,033 | - | 10,648 | 17,386 | 46,067 |
| Charge for the year | 4,973 | - | 777 | 6,528 | 12,278 |
| Depreciation charge for the year | 4,973 | - | 777 | 6,528 | 12,278 |
| Disposals | - | - | - | (507) | (507) |
| At 31 July 2016 | 23,006 | - | 11,425 | 23,407 | 57,838 |
| Net book value: | | | | | |
| At 31 July 2016 | 211,279 | 56,233 | 2,792 | 6,875 | 277,179 |

At 31 July 2015206,18733,0731,65710,029250,946

The net book value of tangible fixed assets held under finance leases at 31 July 2016 was nil (31 July 2015: nil). Internal staff capitalised within computer equipment additions at 31 July 2016 was £2,000 (31 July 2015: £69,000) Land and buildings includes £14.4m (2015: £12m) of university-owned land that is not depreciated.

| | Group and corporation | |
|---|-----------------------|------------------|
| | 2015/16 £'000 | 2014/15 £'000 |
| The net book value of land and buildings is comprised as follows: | | |
| Freehold | 267,207 | 238,955 |
| Long lease | 305 | 305 |
| Short lease | - | - |
| Total | 267,512 | 239,260 |

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

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

| 9. Heritage assets | 2014/15 £'000 |
|------------------------------|------------------|
| Group and corporation | |
| Cost or valuation | |
| At 1 August 2015 | 700 |
| Additions at cost | 30 |
| Revaluations | 213 |
| At 31 July 2016 | 943 |

The university holds a number of pieces of artwork, which were re-valued in 2016 as per the universities accounting policies. One item was donated to the university in the year.

| 10. Investments | Group 2015/16 £'000 | Group 2014/15 £'000 | Corporation 2015/16 £'000 | Corporation 2014/15 £'000 |
|--|---------------------------|---------------------------|---------------------------------|---------------------------------|
| Movement in the year | | | | |
| Balance at beginning of year | 440 | 417 | 750 | 727 |
| Additions | 504 | - | 504 | - |
| Appreciation of investments | 53 | 23 | 53 | 23 |
| Balance at year end | 997 | 440 | 1,307 | 750 |
| Analysis of closing balance | | | | |
| Shareholding in subsidiary undertakings | - | - | 310 | 310 |
| Other investments | 159 | 157 | 159 | 157 |
| Shareholding in CVCP Properties PLC | 38 | 38 | 38 | 38 |
| Securities and fixed interest stock for endowments | 800 | 245 | 800 | 245 |
| Total | 997 | 440 | 1,307 | 750 |

a) Shareholdings in subsidiary undertakings

At year end, investments in subsidiary undertakings comprise:

| | Group holding % | Corporation 2015/16 £ | Corporation 2014/15 £ | Description of activities |
|------------------------------------|--------------------|-----------------------------|-----------------------------|---------------------------------------|
| Directly owned by the university: | | | | |
| De Montfort Expertise Ltd | 100 | 310,000 | 310,000 | Provision of commercial contract work |
| 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 2015/16 £ | Corporation 2014/15 £ | Description of activities |
|------------------------|-----------|-----------------------------|-----------------------------|--|
| Spear Therapeutics Ltd | 11.06 | 234 | 234 | Drug development and research |
| BTG PLC | <0.01 | 132,373 | 129,793 | Drug development and research |
| CYPS Ltd | 100.00 | 100 | 100 | Dormant company |
| In Smart Ltd | 100.00 | 100 | 100 | Dormant company |
| Morvus Technology Ltd | <0.40 | 589 | 589 | Drug development and research |
| Abeona Therapeutics | <0.70 | 403 | 818 | Drug development and research, incorporated in USA |
| Mediatag Ltd | 32.47 | 150 | 150 | Software development |
| Venuesim Ltd | 33.00 | 300 | 300 | Software development |
| WZVI Ltd | 10.00 | 100 | 100 | Science and engineering research |
| IP By Design Ltd | 10.00 | 25,000 | 25,000 | Intellectual property management consultancy |
| CYP Design Ltd | 20.00 | 2 | 2 | Drug development and research |
| Total | | 159,351 | 157,186 | |

| 11. Stocks – group and corporation | 2015/16 £'000 | 2014/15 £'000 |
|------------------------------------|------------------|------------------|
| Goods for resale | 2 | 2 |
| Art and design supplies | 87 | 81 |
| Computer supplies | 2 | 28 |
| Total | 91 | 111 |

| 12. Trade and other receivables | Group 2015/16 £'000 | Group 2014/15 £'000 | Corporation 2015/16 £'000 | Corporation 2014/15 £'000 |
|---------------------------------|---------------------------|---------------------------|---------------------------------|---------------------------------|
| Student receivables | 1,276 | 932 | 1,276 | 932 |
| Other receivables | 3,931 | 2,534 | 3,672 | 2,156 |
| Research grants receivables | 1,141 | 814 | 1,141 | 814 |
| Prepayments and accrued income | 3,607 | 3,702 | 3,494 | 3,529 |
| Subsidiary undertakings | - | - | 1,238 | 1,249 |
| Total | 9,955 | 7,982 | 10,821 | 8,680 |

13. Investments

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

At 31 July 2016:
£25,000,000 of Group Funds was on deposit (31 July 2015: £40,000,000).
£23,672,000 of Corporation Funds was on deposit (31 July 2015: £38,994,000).

| 14. Creditors: amounts falling due within one year | Group 2015/16 £'000 | Group 2014/15 £'000 | Corporation 2015/16 £'000 | Corporation 2014/15 £'000 |
|--|---------------------------|---------------------------|---------------------------------|---------------------------------|
| Payments received in advance | 14,168 | 9,397 | 13,962 | 9,304 |
| Trade creditors | 1,489 | 2,554 | 1,388 | 2,464 |
| Other creditors | 2,550 | 3,486 | 2,550 | 3,486 |
| Taxation | 965 | 900 | 965 | 900 |
| Social security | 1,188 | 984 | 1,188 | 984 |
| Accruals | 14,106 | 12,380 | 14,016 | 12,320 |
| Loans | 3 | 5 | 3 | 5 |
| Student caution deposits | 531 | 454 | 531 | 454 |
| Access funds (note 24) | - | - | - | - |
| Subsidiary undertakings | - | - | 494 | 497 |
| Total | 35,000 | 30,160 | 35,097 | 30,414 |

Payments received in advance

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

| | Group 2015/16 £'000 | Group 2014/15 £'000 | Corporation 2015/16 £'000 | Corporation 2014/15 £'000 |
|-------------------------------------|---------------------------|---------------------------|---------------------------------|---------------------------------|
| Research grants received on account | 4,234 | 3,325 | 4,234 | 3,325 |
| Capital grant income | 2,029 | 1,282 | 2,029 | 1,282 |
| Other income | 7,905 | 4,790 | 7,699 | 4,697 |
| Total | 14,168 | 9,397 | 13,962 | 9,304 |

| 15. Creditors: amounts falling due after more than one year – group and corporation | 2015/16 £'000 | 2014/15 £'000 |
|---|------------------|------------------|
| Bond | 90,000 | 90,000 |
| Bond transaction costs | (3,463) | (3,596) |
| Bond total | 86,537 | 86,404 |
| Other loans | - | 3 |
| Deferred income | 34,518 | 35,511 |
| Total | 121,055 | 121,918 |

16. Provisions for liabilities

| | Taxation £'000 | Future pensions £'000 | Staff restructuring £'000 | Obligation to fund deficit on USS pension £'000 | Total £'000 |
|--|-------------------|-----------------------------|---------------------------------|---|----------------|
| At 1 August 2015 | 484 | 1,114 | 27 | 828 | 2,453 |
| Utilised in year | (448) | (6) | (27) | (47) | (528) |
| Transfer to Income and Expenditure Account | 14 | 18 | 2,961 | - | 2,993 |
| At 31 July 2016 | 50 | 1,126 | 2,961 | 781 | 4,918 |

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

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

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

| 17. Endowment reserves – group and corporation | Unrestricted permanent £'000 | Restricted permanent £'000 | Restricted expendable £'000 | 2015/16 Total £'000 | 2014/15 Total £'000 |
|--|------------------------------------|----------------------------------|-----------------------------------|---------------------------|---------------------------|
| Capital | 1 | 413 | 658 | 1,072 | 1,130 |
| Accumulated income | - | 81 | 1 | 82 | 74 |
| Total | 1 | 494 | 659 | 1,154 | 1,204 |
| Investment income | - | 17 | 6 | 23 | 20 |
| Expenditure | - | (6) | (257) | (263) | (227) |
| Total | - | 11 | (251) | (240) | (207) |
| New endowments | - | 250 | 161 | 411 | 168 |
| Disposals | - | - | - | - | (25) |
| Appreciation in market value of investments | - | 50 | - | 50 | 14 |
| At 31 July 2015 | 1 | 805 | 569 | 1,375 | 1,154 |

Represented by:

| | | | | | |
|--------------------|----------|------------|------------|--------------|--------------|
| Capital value | 1 | 713 | 565 | 1,279 | 1,072 |
| Accumulated income | - | 92 | 4 | 96 | 82 |
| Total | 1 | 805 | 569 | 1,375 | 1,154 |

Analysis by type of purpose:

| | | | | | |
|----------------------------|--|--|--|--------------|--------------|
| Lectureships | | | | | |
| Scholarships and bursaries | | | | 863 | 541 |
| Research support | | | | 58 | 184 |
| Prize funds | | | | 442 | 417 |
| General | | | | 12 | 12 |
| Total | | | | 1,375 | 1,154 |

Analysis by asset:

| | | | | | |
|---|--|--|--|--------------|--------------|
| Fixed assets | | | | | |
| Current and non-current asset investments | | | | 800 | 245 |
| Cash and cash equivalents | | | | 575 | 909 |
| Total | | | | 1,375 | 1,154 |

| 18. Restricted reserves – group and corporation | Donations | |
|---|---------------------------------|---------------------------------|
| Reserves with restrictions are as follows: | Corporation 2015/16 £'000 | Corporation 2014/15 £'000 |
| Balance at 1 August 2015 | 17 | 16 |
| New donations | 10 | 5 |
| Investment income | - | 1 |
| Expenditure | (7) | (5) |
| At 31 July 2016 | 20 | 17 |

| 19. Borrowings and lease obligations | 2015/16 £'000 | 2014/15 £'000 |
|---|------------------|------------------|
| a) Borrowings | | |
| Borrowings in respect of bond issue, bank loans, overdrafts and other loans are repayable as follows: | | |
| In one year or less | 3 | 5 |
| Between one and two years | - | 3 |
| Between two and five years | - | - |
| In five years or more | 90,000 | 90,000 |
| Total | 90,003 | 90,008 |

| | | |
|--|--------------------------|--------------------------|
| b) Operating leases | | |
| At 31 July 2015, the university had annual commitment under operating leases as follows: | | |
| Land and buildings | 2015/16 £'000 | 2014/15 £'000 |
| Leases expiring within 2-5 years | 245 | 245 |
| Leases expiring thereafter | 304 | 304 |
| Total lease payments due | 549 | 549 |
| Other | | |
| Leases expiring within one year | - | 20 |
| Leases expiring within 2-5 years | 23 | 67 |
| Total lease payments due | 23 | 87 |

20. Cash and cash equivalents

| | At 1 August 2015 £'000 | Cash flows £'000 | At 31 July 2016 £'000 |
|---------------------------|---------------------------------|------------------------|--------------------------------|
| Consolidated | | | |
| Cash and cash equivalents | 42,894 | 2,723 | 45,617 |
| Bank overdraft | - | - | - |
| Total | 42,894 | 2,723 | 45,617 |

| 21. Capital and other commitments | 2015/16 £'000 | 2014/15 £'000 |
|--|------------------|------------------|
| Provision has not been made for the following capital commitments at 31 July 2016. | | |
| Commitments contracted for | 11,286 | 23,614 |
| Authorised but not contracted for | 55,123 | 73,701 |
| Total | 66,409 | 97,315 |

22. Contingent liabilities

There are no material contingent liabilities.

23. Related party transactions

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

Mr Tony Stockdale, Independent Governor, provided consultancy services to the university. The value of services provided to the university during 2015/16 was £25,000. Mr Alan Charlton, Independent Governor, provided consultancy services to the university. The value of services provided to the university during 2015/16 was £25,000. Dr Vijay Patel, Independent Governor, made a donation to the Unversity during 2015/16, to a value of £386,000.

It is a requirement of HEFCE that transactions during the year between institutions and the autonomous, non-consolidated students' unions are reported as a related party transaction. Miss Amie Chapman, President of De Montfort Students' Union sat on the university's board, until June 2016. Mr Daniel Winney joined the Board in July 2016. The grant paid to the students' union during the year was £1,261,000.

| 24. Access funds | 2015/16 £'000 | 2014/15 £'000 |
|------------------------------------|------------------|------------------|
| Balance unspent at 1 August | - | 127 |
| Funding council grants | - | - |
| Interest earned | - | - |
| Balance before disbursement | - | 127 |
| Disbursed to students | - | (127) |
| Balance as at 31 July | - | - |

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.

25. Pension schemes

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

| Total pension cost for the year | 2015/16 £'000 | 2014/15 £'000 |
|--|------------------|------------------|
| Teachers' Pension Scheme: contributions paid | 5,448 | 4,534 |
| Universities Superannuation Scheme: contributions paid | 419 | 390 |
| Local Government Pension Scheme | 5,380 | 4,857 |
| Total other pension costs | 11,247 | 9,781 |
| The financial affects of LGPS pension scheme | 1,562 | 1,902 |
| Total | 12,809 | 11,683 |

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

An amount of £1,126k (2015: £1,114k), is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the university of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

b) Teachers' Pension Scheme

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

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

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

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

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

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

c) Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016, which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to initial institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 'Employee benefits', accounts for the scheme as it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

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

The total cost charged to the profit and loss account is £419,161 (2015: £390,274) as shown in note 25a.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ('the valuation date'), which was carried out using the projected unit method.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

| | 2016 | 2015 |
|---|--|--|
| Discount rate | 3.6% | 3.3% |
| Pensionable salary growth | n/a | 3.5% in the first year and 4.0% thereafter |
| Price inflation (CPI) | 2.2% | 2.2% |
| The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows: | | |
| Male members' mortality | 98% of S1NA ('light') YoB tables – no age rating | |
| Female members' mortality | 99% of S1NA ('light') YoB tables – rated down one year | |

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long-term rate were also adopted. The current life expectancies on retirement at age 65 are:

| | 2016 | 2015 |
|-----------------------------------|-------------|-------------|
| Males currently aged 65 (years) | 24.3 | 24.2 |
| Females currently aged 65 (years) | 26.5 | 26.4 |
| Males currently aged 45 (years) | 26.4 | 26.3 |
| Females currently aged 45 (years) | 28.8 | 28.7 |
| | 2016 | 2015 |
| Scheme assets | £49.8bn | £41.1bn |
| Total scheme liabilities | £58.3bn | £60.2bn |
| FRS 102 total scheme deficit | £8.5bn | £11.1bn |
| FRS 102 total funding level | 85% | 82% |

d) Local Government Pension Scheme

The university participates in a defined benefit scheme in the UK, the Leicestershire County Council Pension Fund. A full actuarial valuation of the fund was carried out at 31 March 2013 by a qualified independent actuary. This was updated to 31 July 2016 for FRS 102 purposes by a qualified independent actuary. The major assumptions used by the actuary were as follows:

| | 2016 | 2015 |
|--|------------|------------|
| Rate of increase in salaries | 2.9% | 2.9% |
| Rate of increase in pensions | 1.9% | 2.2% |
| Discount rate for liabilities | 2.4% | 3.6% |
| Inflation assumption | 1.9% | 2.2% |
| The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are: | | |
| | 2016 | 2015 |
| Retiring today | | |
| Males | 22.2 years | 22.2 years |
| Females | 24.3 years | 24.3 years |
| Retiring in 20 years | | |
| Males | 24.2 years | 24.2 years |
| Females | 26.6 years | 26.6 years |

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

| | 2016 % | 2015 % |
|----------|-----------|-----------|
| Equities | 73% | 68% |
| Bonds | 17% | 20% |
| Property | 9% | 10% |
| Cash | 1% | 2% |

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore, a roll-forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll-forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

| Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year ended 31 July 2016 | 2015/16 £'000 | 2014/15 £'000 |
|--|------------------|------------------|
| Fair value of plan assets | 152,650 | 136,832 |
| Present value of funded liabilities | (217,874) | (205,547) |
| Opening position as at 1 August | (65,224) | (68,715) |
| Charged to staff costs | | |
| Current service cost | (7,502) | (7,004) |
| Past service cost | - | (160) |
| Employer contributions | 5,940 | 5,262 |
| Total service cost | (1,562) | (1,902) |
| Financing | | |
| Interest income on plan assets | 5,550 | 5,513 |
| Interest costs on defined benefit obligation | (7,925) | (8,298) |
| Total net interest | (2,375) | (2,785) |
| Total defined benefit costs recognised | (3,937) | (4,687) |
| Expected closing position | (69,161) | (73,402) |
| Remeasurements | | |
| Changes in financial assumptions | (56,938) | (1,578) |
| Other experience | 2,384 | 1,676 |
| Return on assets exluding amounts included in net interest | 16,724 | 8,080 |
| Total remeasurements recognised in Other Comprehensive Income | (37,830) | 8,178 |
| Fair value of plan assets | 177,959 | 152,650 |
| Present value of funded liabilities | (284,950) | (217,874) |
| Closing position as at 31 July | (106,991) | (65,224) |

Sensitivity analysis

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

| Change in assumptions at 31 July 2016 | Approximate % increase to employer liability £'000 | Approximate monetary amount £'000 |
|--|---|---|
| 0.5% decrease in real discount rate | 12% | 35,147 |
| One year increase in member life expectancy | 3% | 8,548 |
| 0.5% increase in the salary rate increase rate | 4% | 10,759 |
| 0.5% increase in the pension increase rate | 8% | 23,632 |

26. Financial instruments

Bond disclosures

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

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

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

Financial instruments – risk management

The group operates a centralised treasury function which is responsible for managing the credit, liquidity, interest and foreign currency risk associated with the group's activities. These financial risks are managed within parameters specified by the treasury management policy. The group's treasury management policy governs all treasury management activities and sets out relevant policy objectives and control measures. It is reviewed and approved by the university Finance & Human Resources Committee annually. The treasury management policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Services as issued by 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, short-term deposits and investments. The core objective of these financial instruments is to meet financing needs of the group's operations. Additionally, the group has other financial assets and liabilities arising directly from its operations i.e. trade debtors and creditors.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group's Treasury Management Policy and Bad Debt Write Off Policy lay out the framework for credit risk management. Credit risk is monitored on an 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 2016, 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. The treasury management policy states maximum level of investments for each counterparty to mitigate risk concentration. Similarly, the group's investment decisions are based on strict minimum credit worthiness criteria to ensure the safety of cash and investments. Credit worthiness of 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 three years. At 31 July 2016, the group is holding cash deposits and investments of various maturities, none of which is greater than 12 months. The average maturity of all deposits and investments is 69 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 principle amount of the bonds to be redeemed
- (b) the sum of the Gross Redemption Yield of the benchmark gilt (4.50% Treasury Gilt 2042) and 0.40% plus accrued interest

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

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

- (a) Its total consolidated income for the Financial Year and
- (a) The total cash of the group as at the end of the financial year

For financial year ending on 31 July 2016, the ratio was 2.9% (2014/15 3.0%). The bonds may be redeemed at the option of the holder subject to the occurrence of certain events mentioned in the bond trust deed. Moody's reviewed the credit rating of the bonds in June 2016, which remained unchanged at Aa2 but the outlook revised to Negative, due to the impact of the reduction in the UK's rating following the 23 June EU referendum. Please see Note 19(a) for maturity profile of all borrowings.

Foreign currency risk

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

The group's principal foreign currency exposures generally arise from research-related receipts and payments denominated in euros. There are ring-fenced euro bank accounts, set up especially for research projects funded in euros. All other receipts in foreign currencies are converted into pound sterling unless required for immediate foreign currency payments. Overall foreign currency exposure is immaterial, being an insignificant portion of total income and expenditure. At 31 July 2016, the sterling equivalent of all euro bank balances was £0.6m (2014/15: £0.5m).

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 debt financing is a 30 year £110m bond. At 31 July 2016, 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. re-investment 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 2016.

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:

| | 2015/16 Carrying value £m | 2015/16 Fair value £m | 2014/15 Carrying value £m | 2014/15 Fair value £m |
|----------------------------------|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| 5.375%, Unsecured Bonds due 2042 | 86.5 | 133.3 | 86.4 | 120.6 |

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 2016 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.

HEFCE requires the university to provide for the repayment of the bond in the form of a bond redemption fund of £15m every five years. The current value of this notional reserve is £12m held within investments (note 13).

27. Transition to FRS102 and the SORP: Accounting for Further and Higher Education (2015)

As explained in the accounting policies, these are the university's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out on page 40 have been applied in preparing the financial statements for the year ended July 2016, the comparative information presented in these financial statements for the year ended July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP-based Statement of Financial Position, the university has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the university's financial position, financial performance and cash flows is set out in the following tables.

| Consolidated Statement of Comprehensive Income and Expenditure | | | | | |
|--|-------|--------------------|-----------------------|--|--------------------|
| | Notes | 2007 SORP £'000 | STRGL* Items £'000 | Effect of transition to 2015 SORP £'000 | 2015 SORP £'000 |
| Income | | | | | |
| Tuition fees and education contracts | | 134,519 | - | - | 134,519 |
| Funding body grants | | 19,977 | - | - | 19,977 |
| Research grants and contracts | | 4,046 | - | - | 4,046 |
| Other income | | 8,675 | - | (63) | 8,612 |
| Investment income | | 796 | - | - | 796 |
| Total income before donations and endowments | | 168,013 | - | (63) | 167,950 |
| Donations and endowments | | 12 | 148 | 52 | 212 |
| Total income | | 168,025 | 148 | (11) | 168,162 |
| Expenditure | | | | | |
| Staff costs | | 89,684 | - | 731 | 90,415 |
| Fundamental restructuring costs | | 322 | - | - | 322 |
| Other operating expenses | | 48,426 | - | - | 48,426 |
| Depreciation | | 15,511 | - | (2,935) | 12,576 |
| Interest and other finance costs | | 5,230 | - | 1,906 | 7,136 |
| Total expenditure | | 159,173 | - | (298) | 158,875 |
| Surplus before other gains/(losses) | | 8,852 | 148 | 287 | 9,287 |
| Gain/(loss) on disposal of fixed assets | | 36 | - | - | 36 |
| Gain/(loss) on investments | | - | 23 | - | 23 |
| Surplus before tax | | 8,888 | 171 | 287 | 9,346 |
| Taxation | | (98) | - | - | (98) |
| Surplus for the year | | 8,790 | 171 | 287 | 9,248 |
| Unrealised surplus on revaluation of land and buildings | | - | - | - | - |
| Actuarial (loss)/gain in respect of pension schemes | | - | 5,653 | 2,525 | 8,178 |
| Total comprehensive income for the year | | 8,790 | 5,824 | 2,812 | 17,426 |

* Statement of recognised gains and losses

27. Transition to FRS102 and the SORP: Accounting for Further and Higher Education (2015) – continued

Consolidated Balance sheet

| | Notes | 2007 SORP £'000 | 1 August 2014 Effect of transition to 2015 SORP £'000 | 2015 SORP £'000 | 2007 SORP £'000 | 31 July 2015 Effect of transition to 2015 SORP £'000 | 2015 SORP £'000 |
|---|-------|--------------------|--|--------------------|--------------------|---|--------------------|
| Non-current assets | | | | | | | |
| Intangible assets and goodwill | | - | - | - | 163 | - | 163 |
| Fixed Assets | | 272,314 | (47,139) | 225,175 | 294,513 | (43,567) | 250,946 |
| Heritage assets | | 700 | - | 700 | 700 | - | 700 |
| Investments | | 186 | 230 | 416 | 195 | 245 | 440 |
| | | 273,200 | (46,909) | 226,291 | 295,571 | (43,322) | 252,249 |
| Endowment assets | | | | | | | |
| | | 1,220 | (1,220) | - | 1,171 | (1,171) | - |
| Current assets | | | | | | | |
| Stock | | 102 | - | 102 | 111 | - | 111 |
| Trade and other receivables | | 7,176 | - | 7,176 | 7,982 | - | 7,982 |
| Investments | | 42,010 | 990 | 43,000 | 39,074 | 926 | 40,000 |
| Cash and cash equivalents | | 49,148 | - | 49,148 | 42,894 | - | 42,894 |
| | | 98,436 | 990 | 99,426 | 90,061 | 926 | 90,987 |
| Less: Creditors: amounts falling due within one year | | (22,330) | (3,987) | (26,317) | (25,749) | (4,411) | (30,160) |
| Net current (liabilities)/assets | | 76,106 | (2,997) | 73,109 | 64,312 | (3,485) | 60,827 |
| Total assets less current liabilities | | | | | | | |
| | | 350,526 | (51,126) | 299,400 | 361,054 | (47,978) | 313,076 |
| Creditors: amounts falling due after more than one year | | (86,279) | (35,249) | (121,528) | (86,407) | (35,511) | (121,918) |
| Provisions for liabilities | | (2,571) | (531) | (3,102) | (1,625) | (828) | (2,453) |
| Other pension liability | | (68,715) | - | (68,715) | (65,224) | - | (65,224) |
| Total net assets | | 192,961 | (86,906) | 106,055 | 207,798 | (84,317) | 123,481 |
| Deferred capital grants | | 36,760 | (36,760) | - | 36,983 | (36,983) | - |
| Restricted reserves | | | | | | | |
| Income and expenditure reserve – endowment reserve | | 1,204 | - | 1,204 | 1,154 | - | 1,154 |
| Income and expenditure reserve – restricted reserve | | 16 | - | 16 | 17 | - | 17 |
| Unrestricted reserves | | | | | | | |
| Income and expenditure reserve – unrestricted | | 40,695 | 63,331 | 104,026 | 59,052 | 62,440 | 121,492 |
| Revaluation reserve | | 114,286 | (113,477) | 809 | 110,592 | (109,774) | 818 |
| Total reserves | | 192,961 | (86,906) | 106,055 | 207,798 | (84,317) | 123,481 |

| Reconciliation of reserves | | | | | |
|---|-----------|--------------------------------|--------------------|---------------------|----------------|
| | Endowment | Income and Expenditure account | | Revaluation reserve | Total reserves |
| | £'000 | Restricted £'000 | Unrestricted £'000 | £'000 | £'000 |
| Unrestricted reserves as at 31 July 2014 under UK GAAP | 1,204 | 16 | 40,695 | 114,286 | 156,201 |
| Adjustments for: | | | | | |
| Staff holiday pay accrual as at 31 July 2014 | | | (2,677) | - | (2,677) |
| USS pension liability | - | - | (531) | - | (531) |
| Deferred capital grants released | - | - | 201 | - | 201 |
| Tangible fixed assets restated | - | - | 66,338 | (113,477) | (47,139) |
| Unrestricted reserves as at 1 August 2014 under FRS102 | 1,204 | 16 | 104,026 | 809 | 106,055 |
| Retained surplus for 2014/15 under FRS102 | (50) | 1 | 17,466 | 9 | 17,426 |
| Unrestricted reserves as at 31 July 2015 under FRS102 | 1,154 | 17 | 121,492 | 818 | 123,481 |
| Reconciliation of surplus | | | | | |
| | | | | | £'000 |
| Retained surplus 2014/15 under UK GAAP | | | | | 8,790 |
| Adjustments for: | | | | | |
| Movement in staff holiday pay accrual as at 31 July 2015 | | | | | (452) |
| USS pension liability release | | | | | (297) |
| Deferred capital grants release adjustment – non-government | | | | | (11) |
| Reverse revaluation depreciation | | | | | 2,935 |
| Capitlised interest charges | | | | | 637 |
| Endowment revaluation | | | | | 14 |
| Adjustment for endowment and donations within year | | | | | 173 |
| Endowment disposals in year | | | | | (25) |
| Investments revaluation | | | | | 9 |
| Actuarial gain on pensions schemes | | | | | 5,653 |
| Retained surplus for 2014/15 under FRS102 | | | | | 17,426 |

NOTES

NOTES



De Montfort University
The Gateway
Leicester
LE1 9BH, UK

T: +44 (0)116 255 1551
W: dmu.ac.uk