

Nottingham Trent University

Consolidated and University

Financial Statements

as at

31 July 2018

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Operating and Financial Review

STRATEGY

We have a Strategic Plan which organises the University's ambitions under five key themes: Creating Opportunity, Valuing Ideas, Enriching Society, Connecting Globally and Empowering People.

Creating opportunity

Our Employability work goes from strength to strength with a 3.7% year on year improvement in the number of students in graduate level jobs or further education within six months of leaving NTU which now stands at over 82%. More significantly from a social mobility perspective, there was no difference in graduate employment between students from the most and the least advantaged backgrounds nor between our white students and those from black and ethnic minority ethnic backgrounds. We continue to pursue this central route to social mobility, refreshing our curriculum so that every student starting their studies in 2018/19 will complete a period of assessed work experience within their academic course.

NTU's overall satisfaction level compared well to the sector, where we moved up 6 places (from 18th to 12th out of 153) against all official UK HEI's.

Valuing ideas

We have continued to deliver research that changes lives, communities and the world we share based around our research themes of Health and Wellbeing; Medical Technologies and Advanced Materials; Sustainable Futures; Global Heritage and Safety and Security of Citizens and Society. Research income from grants and contracts has grown to £7.2 million.

Enriching society

We have developed strategic partnerships with 20 leading employers from the public, private and charitable sectors. These partnerships, together with additional business relationships, are providing new opportunities to drive the employment of talented graduates, deliver high level skills, and nurture collaborative research and innovation activities. This includes a partnership with the East Midlands Ambulance Service (EMAS) who moved their staff development and training centre to the Clifton Campus in September 2018. This Strategic Partnership is also creating significant opportunities to further develop integrated health provision. Greencore Group are benefiting from over 75 degree apprenticeships and are linking to NTU research in packaging innovation and food preservation. The Nottingham University Hospital Trust (NUHT) and NTU have co-developed the first professional learning framework and co-education model in England, allowing nurse training (beyond registration) to be formally recognised at Post Graduate level.

Connecting globally

Our key ambitions within this theme are to increase our international profile, increase the number of international students that we recruit and to increase the number of opportunities for our own students to have an international experience whether that is here in the UK or abroad. In this last year our student numbers grew by over 9.4%

Empowering people

The key ambitions for this theme are to support an enhanced career development and progression, to recognise and reward contribution and performance both at an individual and team level and to promote engagement and wellbeing.

CORPORATE AND SOCIAL RESPONSIBILITY

Nottingham Trent University is a leader in corporate responsibility (CR), global citizenship and sustainable business practices. Commitment to our students, customers, staff, partners, communities and the environment is an integral part of the way we work. Operating with integrity and transparency, our aim is to embed CR throughout the organisation, integrating it with corporate strategy, decision making and risk assessment.

Every year, hundreds of our students volunteer to work in schools, colleges and community organisations, primarily in deprived areas where progression rates into university are lower than average. The students help to raise pupil aspiration and attainment and support local community groups, whilst developing their own skills and enhancing their experience at university.

Commitment to environmental sustainability is a key part of our strategy. NTU holds the externally-accredited Eco Campus Platinum and ISO 14001 status for its environmental performance and practices. We continue to maintain a leading position in the People & Planet Green League, in which we are ranked as a "First Class" University.

NTU helps to stimulate economic growth and development in the region through a number of initiatives including The Hive and Future Factory, through participation in a wide range of public events and provision of business services.

PRINCIPAL CORPORATE RISKS

Principal corporate risks are included as a standing agenda item each week at the meetings of the University Executive Team (UET) and are formally reviewed quarterly. This is part of an institution-wide Risk Management framework which has been developed and refined over a number of years. The Audit and Risk Management Committee has responsibility for ensuring that risk management systems are embedded and effective.

REGULATORY ENVIRONMENT

Legal status

Nottingham Trent University is a Higher Education Corporation (HEC) established under the provisions of the Education Reform Act 1988. The powers of the University are specified in section 124 of that Act and further articulated in the Further and Higher Education Act 1992.

Charitable status

As a HEC, the University has exempt charitable status (which derives from the Charities Act 1993 and its successor legislation). It is subject to regulation by the Office for Students (OfS) which, on 1 April 2018, replaced the Higher Education Funding Council for England (HEFCE) as the Principal Regulator of those Higher Education Institutions (HEIs) in England that are exempt charities.

The members of the Board of Governors are also the Trustees of the University for the purposes of charity law.

Scope of the financial statements

These Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP) for the Further and Higher Education Sector 2015 and FRS102, and in accordance with the publication requirements set out by OfS in its role as Principal Regulator for exempt-charity Higher Education Institutions in England.

The Financial Statements comprise the consolidated results of the University and its wholly owned subsidiary companies as follows:

- Nottingham Consultants Limited undertakes those activities which, for legal or commercial reasons, are more appropriately channelled through a limited company;
- Nottingham Conference Centre Limited provides conference and catering facilities for external clients;
- Education Support Centre (UK) Limited provides the higher and further education sectors with expert technical assistance on Microsoft products;
- Nottingham Law School Legal Advice Centre Limited provides legal advice and information services to the local community and individuals in need, whilst providing practical experience to law students;
- Nova Centric Limited provides further and higher education courses in music, multi-media and communication;
- Confetti Constellations Limited provides education facilities and services for music, multi-media and communications courses, including the design, consultancy, supply and installation services for the provision of music, moving image, IT equipment and furniture;
- NTU Temporary Staff Limited provides temporary staff to the University.

All subsidiaries covenant the whole of any distributable taxable profits to the University, except for Nova Centric Limited which is a charitable company.

The consolidation includes the University's share of the net assets of BioCity Group Limited of which the University owns 50%.

FINANCIAL REPORT

The University has delivered a strong financial performance in the year, producing an operating cash inflow of £43.2 million. The surplus of the year of £0.2 million includes exceptional refinancing costs of £6.9 million as well as accounting adjustments for pensions of £17.1 million which are based on an actuarial valuation at year end.

The high level of cash generation enables significant investment in the delivery of our Strategic Plan and in facilities and equipment to support teaching and research.

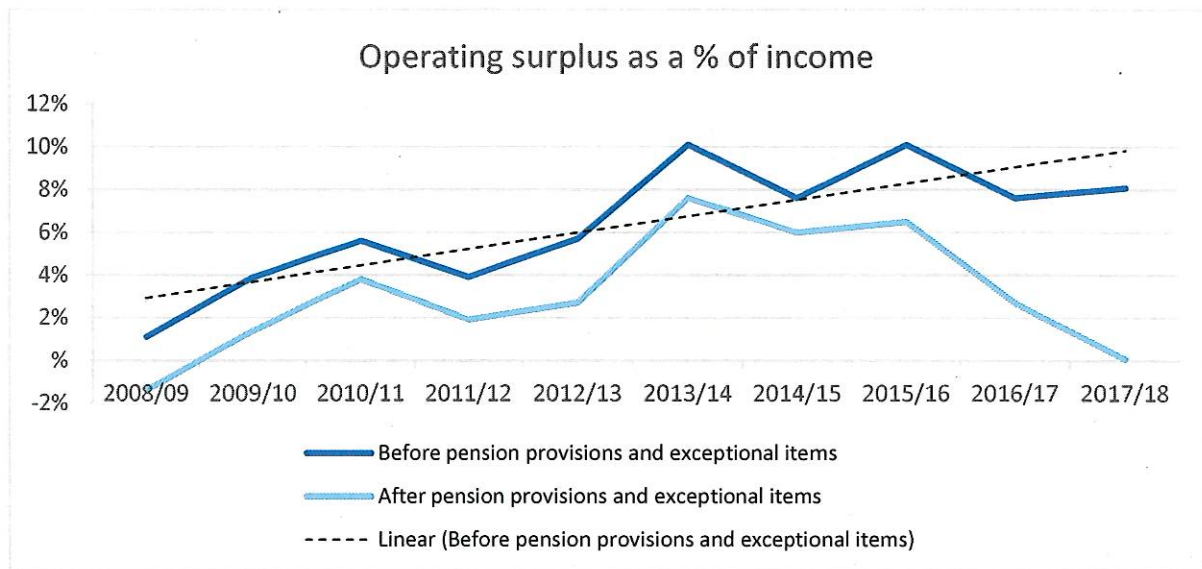
Income and Expenditure Account

The table below is a summary of the Income and Expenditure Account:

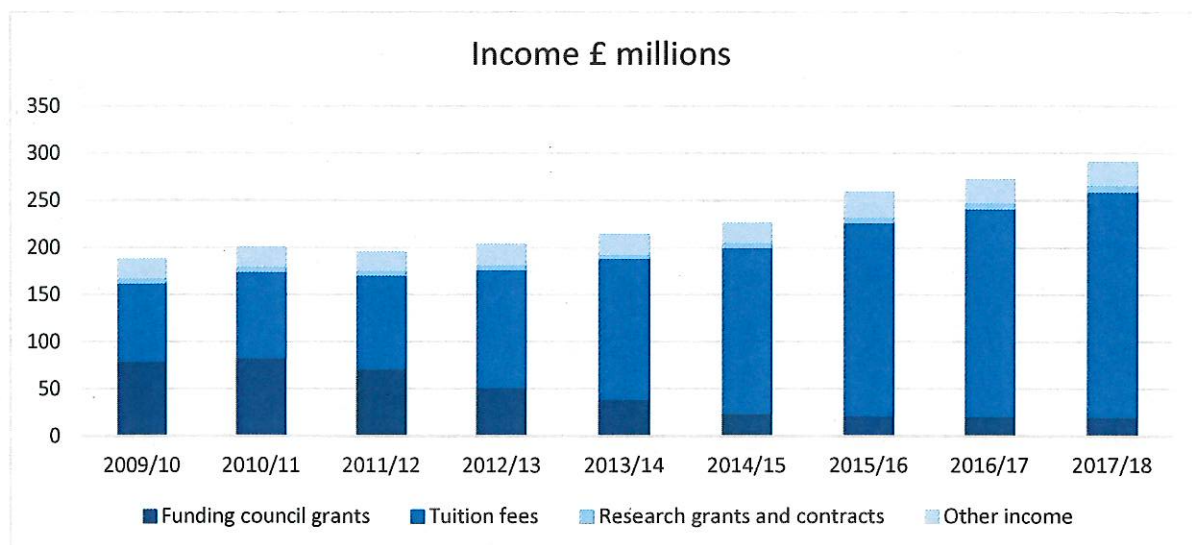
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Income	290.3	271.8	258.5	225.4	213.2
Expenditure	(266.8)	(250.5)	(233.1)	(205.7)	(194.5)
Surplus before pension adjustments, other gains/losses and exceptional items	23.5	21.3	25.4	19.7	18.7
FRS102 pension operating and finance costs	(17.1)	(13.6)	(9.4)	(9.7)	(5.4)
Exceptional refinancing costs	(6.9)	-	-	-	-
Other gains/losses	0.7	(0.4)	0.7	-	-
Surplus for the year	0.2	7.3	16.7	10.0	13.3

The operating surplus of £0.2 million represents 0.1% of income. Before pension provisions and exceptional items, the surplus is £23.5 million, 8.1% of income. The exceptional costs relate to break costs on fixed rate loans repaid following a refinancing exercise undertaken to secure funding at a more competitive rate and reduce ongoing interest costs. Pension cost accounting adjustments relate primarily to the LGPS scheme. Actual contributions paid, including deficit contributions are £10 million. The accounting adjustments are in addition to contributions and are driven by factors such as the current year and prior year discount rate and pension increase assumptions, as well as return on net assets.

The trend in operating surplus is shown in the chart.

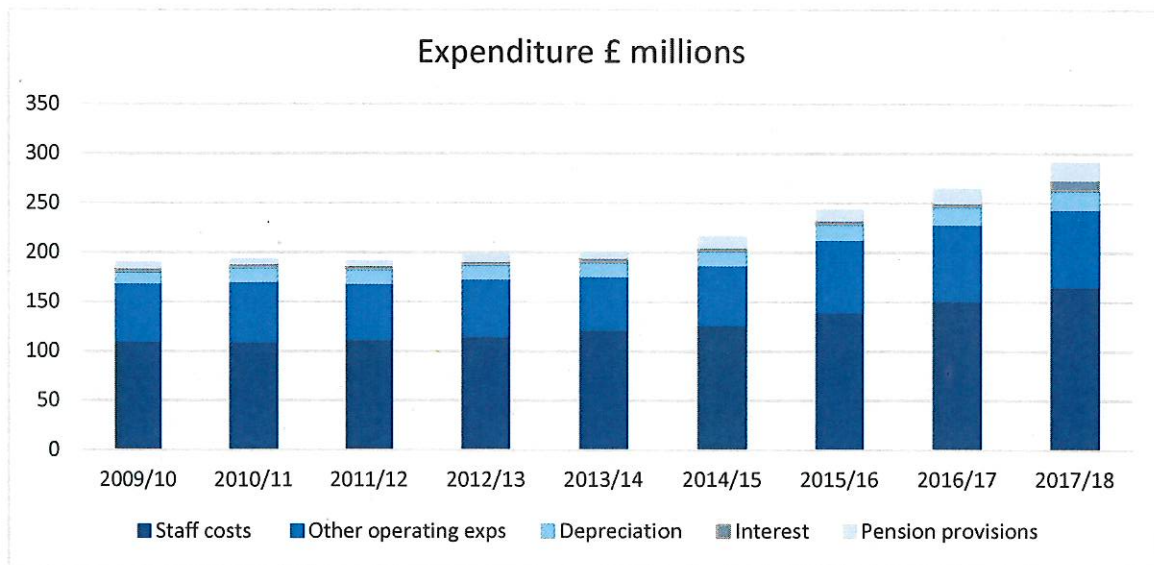


Income has grown by 6.8% year on year and by 36% over the last four years. Income from tuition fees represents over 80% of total income. Since 2009/10 funding council grant income has decreased by £59 million and now accounts for only 7% of total income.

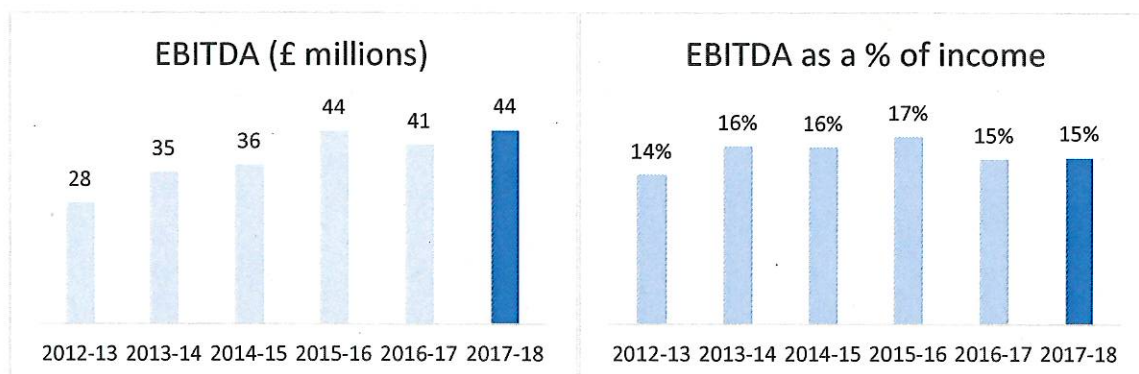


Expenditure in 2017/18 has increased by 10%. This increase in expenditure is due to exceptional refinancing costs, and higher pension accounting adjustments, as well as planned investment to support the implementation of the Strategic Plan. The increase in expenditure adjusted for pensions and exceptional items is 6.5%.

Staff costs excluding pension operating cost adjustments represent 57% of total income (55% 2016/17).

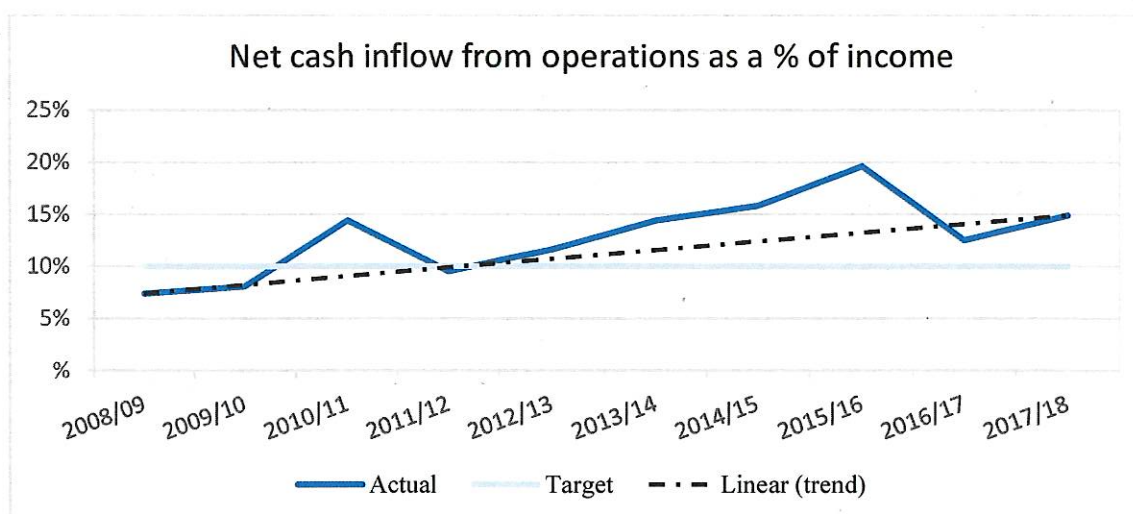


Earnings before interest, tax, depreciation and amortisation (EBITDA) in 2017/18 was £44 million, 15 % of income. Nottingham Trent University typically appears in the upper quartile of the higher education sector in this measure. The charts below show the six year trend.



Cash Flow

The University sets a minimum 10% Net Cash Inflow from Operations target as the key financial performance indicator. This target has been established to ensure investment capacity is created and to provide a sustainable financial model. In 2017/18 a net cash inflow from operations of £43 million and 14.8% of income was achieved, exceeding the long term financial plan target.



The treasury management policy prioritises security over returns and is formally reviewed annually by the Board of Governors.

The University maintains a firm policy with regard to debtors. In respect of creditors, the University ensures prompt payment of suppliers and, subject to any other agreed contractual conditions, will normally make payment within 30 days following the date of invoice.

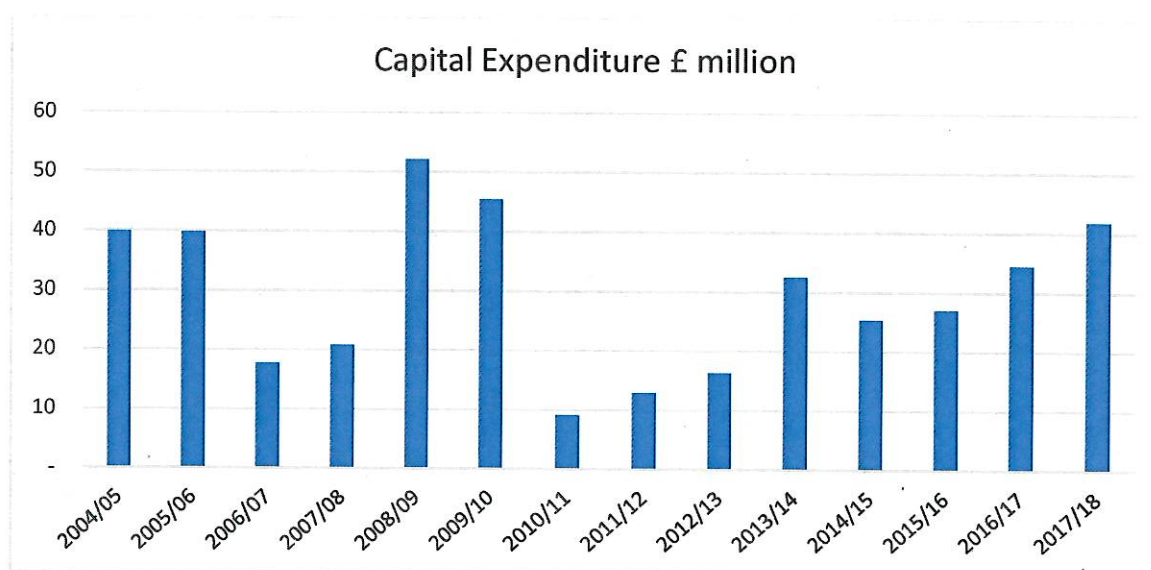
Balance Sheet

Net Assets excluding Pension Provisions have increased by £16 million. Net Assets excluding Pension Provisions have increased by £135 million since 2009/10, due to strong financial performance and cash generation. Pension provisions have decreased this year, with the increase on valuation exceeding charges to expenditure.

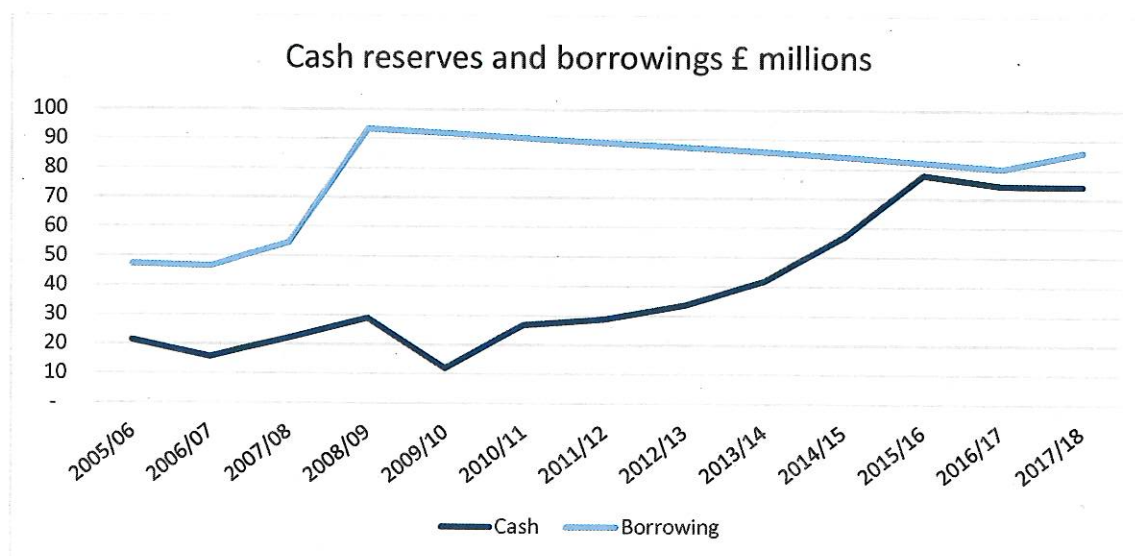
	<u>2018</u> <u>£m</u>	<u>2017</u> <u>£m</u>	<u>2016</u> <u>£m</u>	<u>2015</u> <u>£m</u>	<u>2014</u> <u>£m</u>
Non-current Assets	405.4	380.9	366.4	347.7	300.4
Current Assets (non-cash)	21.8	17.5	13.4	16.2	14.0
Cash and short-term deposits	74.4	74.5	78.1	57.0	41.8
Current Liabilities	(43.5)	(38.6)	(42.1)	(33.9)	(28.7)
Net Current Assets	52.7	53.4	49.4	39.3	27.1
Total Assets less Current Liabilities	458.1	434.3	415.8	387.0	327.5
Long-term creditors	(142.3)	(133.0)	(134.6)	(131.9)	(84.1)
Provisions (exc Pensions)	(0.9)	(2.8)	(2.8)	(2.0)	(11.6)
Net Assets excluding Pension Provision	314.9	298.5	278.4	253.1	231.8

Pension Provisions	(187.6)	(206.4)	(195.7)	(135.2)	(100.3)
Net Assets	127.3	92.1	82.8	117.9	131.5

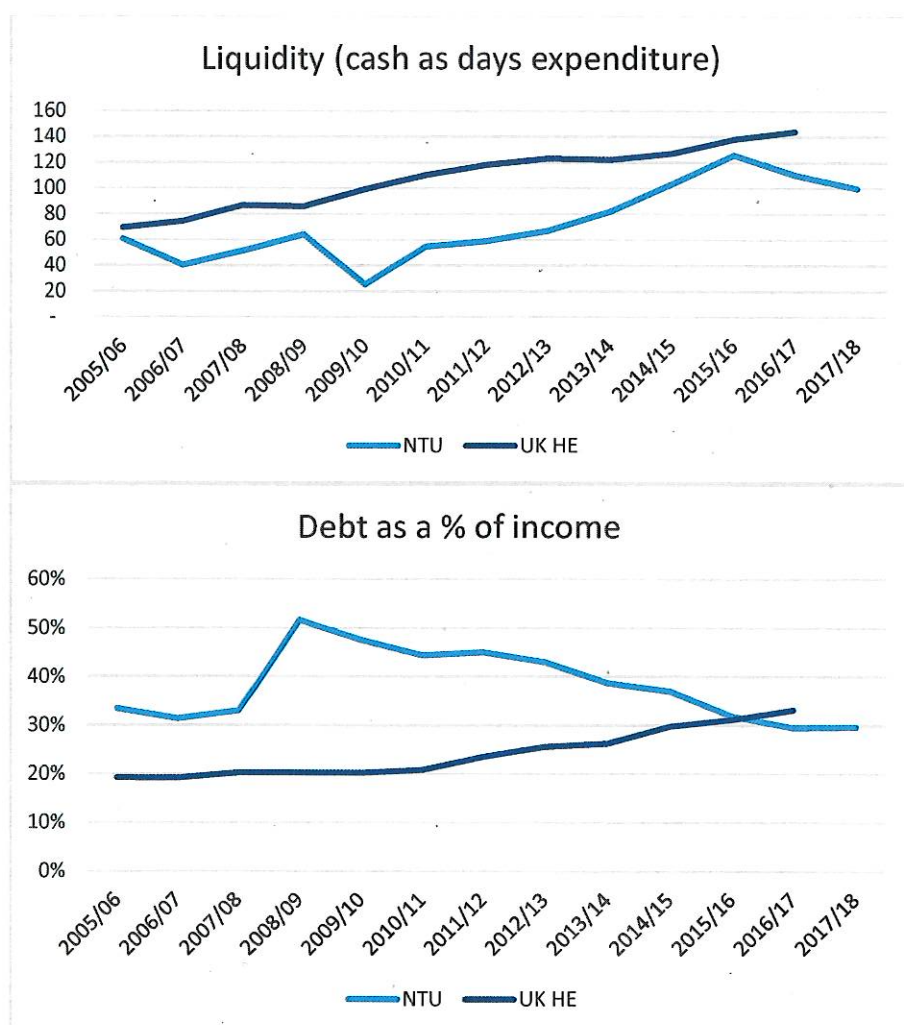
The University has an ongoing estates investment and regeneration programme to support the delivery of teaching, research and student facilities. A further £42 million has been invested in 2017/18, and financial plans include continued investment.



The initial phases of the regeneration programme were supported through borrowing in addition to disposal proceeds, working capital and cash reserves. During 2017/18 £44 million was raised via a private placement to allow repayment of fixed term loan balances and associated break costs. Borrowing has increased by £6m due to the break costs.



At 31 July 2018 cash reserves have remained at the same level as last year and represent 100 days liquidity. Borrowing has increased by £6 million to £86 million, 30% of income.

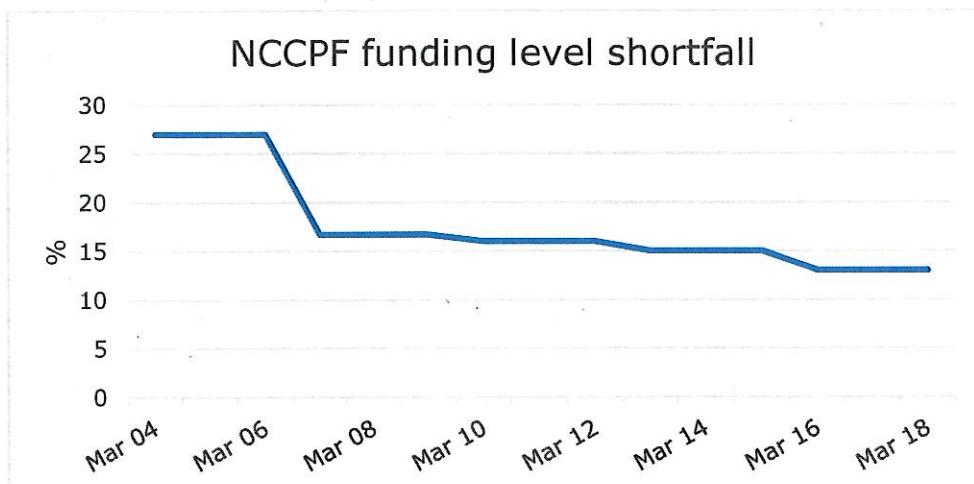


For accounting purposes, in accordance with accounting standard FRS 102, the actuary to the Nottinghamshire LGPS, the Nottinghamshire County Council Pension Fund (NCCPF), is required to calculate the present value of future pension obligations and compare this to the value of the assets owned by the pension scheme.

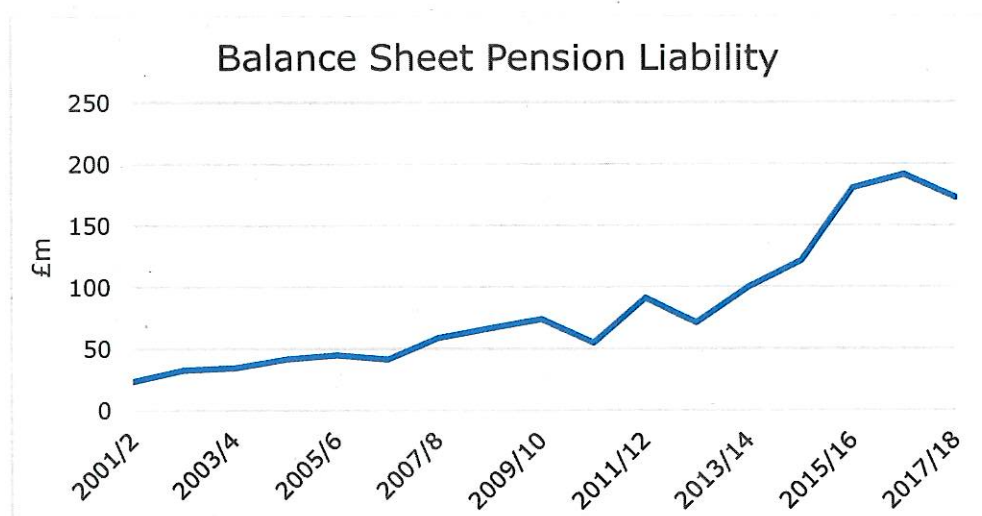
All organisations with defined benefit pension schemes have to use the same methodology, ensuring financial statements are produced on a consistent basis and pension liability calculations for accounting purposes are comparable.

Accounting standards require actuaries to calculate the present value of future obligations using a discount rate linked to the investment performance of the Merrill Lynch AA-rated corporate bond yield. Low returns for a number of years for this asset class have resulted in low discount rates and therefore a higher present value of future obligations, leading to large pension deficit liabilities appearing on the Balance Sheets of organisations with defined benefit pension schemes.

The majority of the Pension Provision (92%) relates to the Nottinghamshire County Council Pension Fund (NCCPF). At the triennial valuation date of 31 March 2016 the actuaries reported that the proportion of the scheme relating to the University was broadly on target to achieve its 20 year deficit recovery plan.



The accounting standard that dictates a methodology for inclusion of pension liabilities on balance sheets is more prudent and continues to show a material deficit. This has decreased in 2017/18 due to actuarial assumptions, primarily a lower assumed pension increase rate, and an increase in asset values.



CORPORATE GOVERNANCE

Structure and operation

The University's Board of Governors comprises lay/independent, co-opted and staff members appointed in accordance with the Instrument and Articles of Government of the University. All of the lay/independent members are non-executive. The roles of Chair and Deputy Chair of the Board are separated from the role of the University's Chief Executive, the Vice-Chancellor.

Matters specifically reserved to the Board of Governors for decision are set out in the Articles of Government of the University and the Office for Students Terms and conditions of funding for higher education institutions

The Board of Governors meets at least four times a year and has established several Committees, including a Membership and Nominations Committee, a Remuneration Committee, an Employment Policy Committee, an Audit and Risk Management Committee, a Strategy, Policy, Finance and Resources Committee, and a Development Board. All of these Committees are formally constituted with terms of reference and comprise members of the Board of Governors and (where appropriate) co-opted non-Governor members with relevant skills and expertise. Minutes of the meetings of the Committees, along with reports from the Committees on specific issues, are submitted to the Board of Governors.

The Board of Governors has adopted the Governance Code of Practice published by the Committee of University Chairs (CUC), which was updated in December 2014. The Board of Governors seeks to organise and conduct its affairs in accordance with the principles of good practice articulated in that Code, and believes that, in all material respects, its conduct does accord with those principles. The Board of Governors and the University's Executive Team has also had due regard to the general and supplementary guidance on public benefit published by the Charity Commission in exercising their powers and duties.

The Board of Governors has adopted the CUC Higher Education Remuneration Code and an annual report on remuneration will be prepared for review by the Board.

Primary responsibilities of the Board of Governors

In accordance with its various legislative and regulatory obligations, the Board of Governors of the University is responsible for:

- Approving the mission and strategic vision of the institution, its long-term academic and business plans and key performance indicators, and ensuring that these meet the interests of stakeholders;
- Delegating authority to the Vice-Chancellor (as chief executive and head of the institution) for the academic, corporate, financial, estate and personnel management of the institution;
- Ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment;
- Ensuring that processes are in place to monitor and evaluate the performance and effectiveness of the institution against its plans and approved key performance indicators;
- Establishing processes to monitor and evaluate the performance and effectiveness of the governing body itself;
- Appointing the Vice-Chancellor, as chief executive, and putting in place suitable arrangements for monitoring his/her performance;

- Appointing a Clerk to the governing body and ensuring that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability;
- Acting as the employing authority for all staff in the institution and ensuring the establishment of an appropriate human resources strategy;
- Ensuring that appropriate provisions are in place for the general welfare and discipline of students;
- Safeguarding the institution's assets, property and estate, and its reputation and values;
- Approving the annual budget and financial statements, and publishing audited financial statements for each financial year.

In respect of its obligations for financial management issues, 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 the group and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act, the Statement of Recommended Practice Accounting for Further and Higher Education and relevant accounting standards.

In addition, Office for Students Terms and conditions of funding for higher education institutions and in accordance with other relevant regulatory obligations, the Board of Governors is required to ensure (through its designated office holder) that financial statements are prepared for each financial year which give a true and fair view of the state of affairs of the University and the group and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on a going concern basis unless it is inappropriate to presume that the University and the group will continue in operation.

The Board of Governors has taken reasonable steps to:

- ensure that funds from HEFCE, OFS and other funding bodies are used only for the purposes for which they have been given and in accordance with the Office for Students Terms and conditions of funding for higher education institutions or other relevant regulatory agreements between the University and the respective funding bodies;
- 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 the group and prevent and detect fraud;
- secure the economical, efficient and effective management of the University and the group's resources and expenditure.

Delivery of public benefit

Through a diverse range of innovative, enterprising and pioneering activity across NTU, the University is positively enhancing the experience of both our students and staff, and further impacting on our position within the local community, nationally and globally.

The University's ambition is for all NTU students to excel in developing the knowledge, skills, and resilience to play the positive role in society they envisage for themselves. By integrating the development of intellectual capability, vocational skills, work experience and personal insight into the design of all NTU courses we will enable all students to personalise their learning, combining theoretical rigour, practical relevance, and personal development.

This approach has led to NTU being awarded a gold rating in the Teaching Excellence Framework as well as being shortlisted for the prestigious 'University of the Year' title in the Times Higher Education Awards.

Both provide recognition of NTU's innovative and systematic approach to enabling students to fulfil their academic potential and in particular the University's commitment to supporting students from less privileged backgrounds in transforming their life chances.

NTU was awarded the Global Equality and Diversity Research Award for its Success for All strategy, which aims to address the disparity in student success rates. The work is based on research that shows that male students, black and minority ethnic (BME) students, students from low socio-economic backgrounds and students entering higher education via a vocational qualification route were more likely to withdraw from their course, less likely to achieve a 'good degree' and less likely to progress to further study or professional occupations.

NTU has recently launched a new place-based think tank – Nottingham Civic Exchange (NCE) – to tackle issues of relevance to Nottingham and to explore the implications of national government policy from a regional perspective. The think tank, which is a partnership with the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA), will draw on the expertise of University colleagues, the RSA and our own students to undertake its programme of work. NCE will first focus on Ordinary Working Families – a key policy area for government – and the extent to which households in Nottingham are feeling financial pressures.

NTU has implemented a robust strategy to expand the University's research excellence and further our capability and capacity to be a valued partner in projects of high commercial and public importance.

Recently the University won a prestigious Times Higher Education Award for Outstanding Contribution to Innovation and Technology. The award is in recognition of research led by Professor Paul Evans in the School of Science and Technology, who has pioneered the development of world leading 3D X-ray scanning techniques.

The research, which also previously contributed to the University winning the highest accolade of a Queen's Anniversary Prize, has improved the way airports scan for explosives, weapons and other contraband items. The judges commended the University for its continued refinement of the original research, which recently resulted in a multimillion-pound grant from the US Department of Homeland Security.

NTU plays a leading role in the social, cultural, economic and environmental development of the City, East Midlands and UK. By developing strategic relationships with civic and commercial partners we are able to engage with a wide range of organisations in order to enhance their prospects and those of our students.

The University recently signed a strategic partnership agreement with Nottinghamshire Healthcare NHS Foundation Trust to develop innovative solutions to major challenges currently facing the NHS.

Work will be undertaken to share knowledge and experience in a wide range of areas such as skills and talent development, student support, empowering people approaches, research and innovation, and the mutual use of facilities and equipment.

A specific area of focus will be workforce recruitment, retention and skills development. The University will work with the Trust to develop new pathways to enable individuals to convert or upgrade their skills. In turn, this will enable students to carry out specific project work as well as undertake work placements and experience within the Trust, leading to enhanced employment opportunities.

NTU is committed to supporting the economic development of the region and works closely with Local Enterprise Partnership, D2N2, on projects such as The Big House programme, which aims to support businesses within the creative and digital sector – seen as a key source of economic growth for both the region and the country. The University's series of Elevator workshops provided small to medium sized businesses in Derbyshire and Nottinghamshire with tailored sessions focused on disciplines such as marketing and writing business proposals to help them expand.

The University was shortlisted for Outstanding Employer Engagement Initiative for its Grads4Nottm scheme, which brings employers together with student talent and supports keeping local talent in Nottingham. Last year Grads4Nottm placed 120 students across 40 local businesses.

Promoting internationalisation and attracting talented students from around the world is a key part of NTU's global ambitions. As an international University, we nurture global citizenship, engage with the international research community, and attract talented students and staff from around the world, providing a vibrant multinational learning community.

NTU offers international students a rich, varied learning experience and in turn encourages our home students to learn from them and enjoy the cultural experience they can bring.

In terms of direct employment, the University is one of the largest employers in the city. The annual economic impact of the University has been valued at approximately £515m.

NTU is a strong recruiter of students from outside the region, bringing the brightest and the best of their generation into the city and county. At the same time, we nurture the talent of local young people; we have nearly 3,000 students from an NG postcode studying at the University and another 5,000 from within the East Midlands. Taken together, we are making a significant contribution to developing the future talent and skills that the region needs.

As well as an economic impact, NTU also plays an active role in the cultural life of the city, with strategic partnerships with a range of local organisations such as the Creative Quarter, Nottingham Playhouse, and the New Art Exchange. The University is a key partner in Nottingham's bid to become European Capital of Culture 2023.

Finally, NTU plays an active role in the continuing discussions about Higher Education Policy through both the University Alliance and our own public affairs strategy.

Statement of Internal Control

1. As the governing body of Nottingham Trent University, the Board of Governors has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in the Instrument and Articles of Government and Office for Students Regulatory Notice 2: "Regulation up to 31 July 2019 of providers that were previously funded by HEFCE".
2. The system of internal control is designed to manage rather than to eliminate the risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness.
3. The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. It is the Board's opinion that this process has been

in place for the year ended 31 July 2018 and up to the date of approval of the financial statements and accords with HEFCE and OFS guidance.

4. The Board of Governors has responsibility for reviewing the effectiveness of the system of internal control and has established the following processes:
 - a) Consideration of the operational plans and strategic direction of the University is included on the agenda of meetings of the Board of Governors;
 - b) The Board receives periodic reports from the Chair of the Audit and Risk Management Committee concerning internal control;
 - c) Senior managers are responsible for operational risk management within the University. In addition the risk management function is supported by a Project Sponsor, Risk Manager and Risk Management Co-ordinator. Risk Management has been incorporated into the management and decision making structures of the University;
 - d) The University has an Internal Audit Service that operates in accordance with the requirements set out in the Audit Code of Practice (as part of the Office for Students Terms and conditions of funding for higher education institutions). It submits regular reports to the University's Audit and Risk Management Committee on the adequacy and effectiveness of the systems of risk management, governance, internal control and value for money, together with recommendations for improvement;
 - e) A system of key performance and risk indicators has been developed;
 - f) A robust risk prioritisation methodology has been established;
 - g) Organisation-wide risk registers are maintained, containing improvement actions and timescales. Risk owners are required to regularly update the relevant register on the steps they are taking to manage risk in their area of responsibility, including progress reports on key projects.
5. The Board's review of the effectiveness of the system of internal control is informed by the work of the executive managers within the University, who have responsibility for the development and maintenance of the internal control framework, the work of the Internal Audit Service and by comments made by the external auditors in their management letter and other reports.

Membership of the Board of Governors

Members of the Board of Governors are also the Trustees of the University for the purposes of charity law.

The members of the Board (the Trustees) who served at any time during the financial year to July 2018 and until the date the financial statements were formally approved were:

Independent and External Co-opted Governors

Mr N Goulden, Chair
Ms N Hill, Deputy Chair
Mr N Collard
Mr N Ebbs
Mr I Ellis
Mrs S Fish
Mrs C Hearn (*retired 7 December 2017*)
Ms L Holder
Mr G Love (*appointed 1 September 2018*)
Ms A Somal
Mrs S Walker-Smith
Mr T M Walmsley
Baroness D Warwick
Mr D Williams (*appointed 1 September 2018*)
Mr O Woodley

Academic Board member

Ms K Moore

Student nominee

Mr B Fox (*appointed 1 July 2018*)
Ms M Longdon (*retired 30 June 2018*)

Professional Services staff member

Mr T Woodman-Clarke (*retired 19 September 2018*)

Vice-Chancellor

Professor E W Peck

Chief Operating Officer and Registrar

Mr S Denton

Mr N Goulden
Chair

Professor E W Peck
Vice-Chancellor

27 November 2018

INDEPENDENT AUDITOR'S REPORT TO COUNCIL OF THE UNIVERSITY OF NOTTINGHAM TRENT UNIVERSITY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Nottingham Trent University ("the University") for the year ended 31 July 2018, which comprise the Consolidated and University balance sheets as at 31 July 2018, Consolidated and University Statements of Comprehensive Income and Expenditure, the Consolidated and University Statements of Changes in Reserves, the Consolidated Cash Flow Statement, and related notes, including the Statement of Accounting Policies.

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 2018, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Board of Governors is responsible for the other information, which comprises the Operating and Financial Review and the Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Board of Governors responsibilities

As explained more fully in their statement set out on page 13, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using

the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit Codes 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 or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; and
- 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.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Board of Governors, in accordance with 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 them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.



Anthony Hambleton
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

30 November 2018

Statement of Accounting Policies

for the year ended 31 July 2018

1. Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention, modified to include certain fixed assets at fair value, and in accordance with Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. Additionally, the financial statements conform to the guidance published by the Office for Students. The financial statements have been prepared on a going concern basis.

2. Basis of consolidation

The consolidated financial statements incorporate those of the University and all its subsidiaries for the financial year to 31 July 2018 and include the results of subsidiaries acquired or disposed of during the period in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include those of Nottingham Trent University Union of Students as it is a separate unincorporated body in which the University does not exert control or dominant influence over their commercial and financial policy decisions.

Joint ventures are accounted for using the equity method. Associated companies are accounted for using the fair value model method. Where it is impractical to measure fair value reliably without undue cost and effort then the cost model is applied.

3. Recognition of income

Tuition fee income

Tuition fee income is stated gross of any expenditure which is not a discount and recognised in the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students are studying, including all fees payable by students or their sponsors. Where the amount of tuition fee is reduced by a discount for prompt payment, income is shown net of discount. Bursaries are accounted for gross as expenditure and not deducted from income.

Income from the sale of goods or services is recognised in the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customer or the terms of the contract has been satisfied.

Investment income including dividends, other than that associated with endowments, is recognised on a receivable basis.

Funds the University receives and disburses as a paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk and has no economic benefit related to the transaction. Where the University has applied this policy to certain funds received during the year they are disclosed in note 34.

Grant Funding

Government revenue grants including recurrent funding council block grant and research grants are recognised in income over the periods the University recognises the related costs for which the grant is intended to compensate.

Capital (non-recurrent) government grants, received in respect of the purchase or construction of fixed assets, are recognised in income on a systematic basis over the expected useful life of the asset to which the grant relates.

Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants, including research grants, from non-government sources (non-exchange transactions) are recognised when the University is entitled to the income and performance conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors and released to income as the conditions are met.

Donations and endowments

Non-exchange transactions without performance related conditions are donations or endowments as appropriate.

Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general (unrestricted) reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment fund.

There are two main types of donations and endowments identified in reserves:

1. Restricted donations – the donor has specified that the donation must be used for a particular objective.
2. Restricted expendable endowments – the donor has specified that a particular objective other than the purchase or construction of tangible fixed assets, and the University has the right to use the capital.

Statement of Accounting Policies (continued)
for the year ended 31 July 2018

4. Accounting for retirement benefits

The University participates, principally, in two pension schemes, the Teachers' Pension Scheme (TPS) for academic staff and the Local Government Pension Scheme (LGPS) for non-academic staff. The schemes are defined benefit schemes, independently administered and contracted out of the State Second Pension (S2P).

Because of the mutual nature of the TPS, the scheme cannot allocate assets to individual contributing institutions and a scheme-wide contribution rate is set. As such, the University is exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of underlying assets and liabilities of the scheme and, therefore, as required by FRS 102(28), accounts for the scheme as if it were a defined contribution scheme.

For the LGPS defined benefit scheme the amounts charged to comprehensive income and expenditure are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost of the net defined benefit liability is charged to comprehensive income and expenditure and included within interest and other finance costs. Remeasurement comprising of actuarial gains and losses and return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

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

Further details of the above pension schemes are given in note 32.

5. Short term employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render 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.

6. Finance Leases

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Leased assets acquired by way of a finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction in the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

7. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

8. Foreign currency

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange differences arising on translation are recognised in the income statement.

9. Intangible assets

Intangible assets are amortised over 10 years representing the remaining estimated economic life of the assets.

Statement of Accounting Policies (continued)
for the year ended 31 July 2018

10. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land and assets-under-construction, at rates calculated to write-off the cost or valuation of each asset less any residual value, on a straight-line basis over its expected useful life as follows:

Freehold buildings	10 to 50 years
Plant & equipment	3 to 20 years
Fixtures & fittings	10 years
Vehicles	4 years

Equipment purchased for specific research grants is depreciated over the shorter of its estimated useful life or the remaining life of the research grant, with the related grant income being credited over the same period.

Tangible fixed asset additions are capitalised where the cost of such assets exceeds £25,000. Items costing less than this amount are expensed in the year of purchase.

Land and buildings

Land and building assets in existence as at 31 July 2014 were revalued to fair value on transition to FRS 102 as at 1 August 2014. Subsequent additions to Land and building after this date but before 31 July 2015 have also been subject to revaluation. The fair value of land and buildings was determined from either market-based evidence or depreciated replacement cost by appraisal by independent qualified valuers in accordance with the Royal Institute of Chartered Surveyors Valuation – Professional Standards January 2014, in particular, UK Valuation Standards 1, 2 and 4.

Fair value is defined as the amount for which an asset could be exchanged, a liability settled or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

Depreciation and impairment losses, if applicable, are subsequently charged on the revalued amounts.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred up to 31 July. The assets are not depreciated until they are brought into use.

11. Investments

Investments in subsidiaries and associates are measured at cost less impairment.

Investments in publicly traded ordinary shares are measured at fair value.

Current asset investments, which may include listed investments, are held at fair value with movements recognised in Surplus/Deficit before tax.

12. Stock

Stock is held at the lower of cost and net realisable value, and is measured using an average cost formula.

13. Cash and cash equivalents

Cash includes cash on hand and deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are held for the purpose of meeting short term cash commitments and defined as short term, highly liquid investments that are readily convertible to cash with insignificant risk in change of value.

14. Provisions

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Statement of Accounting Policies (continued)
for the year ended 31 July 2018

15. Taxation

The University and its subsidiary, Nova Centric Limited are considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meet the definition of a charitable organisation for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Nottingham Consultants Limited, Education Support Centre (UK) Limited, Confetti Constellations Limited Nottingham Conference Centre Limited and NTU Temporary Staff Limited are not subject to these exemptions and are liable for corporation tax on profits or gains arising. However, under a Gift Aid arrangement with the University the subsidiary companies transfer all their taxable profits, where allowable under regulation, to the University to minimise the payment of corporation tax.

The University is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

16. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a restricted expendable fund.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Consolidated and University Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2018

		Year ended 31 July 2018		Year ended 31 July 2017	
	Note	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	239,645	235,174	220,734	215,795
Funding body grants	2	20,370	20,370	21,169	21,169
Research grants and contracts	3	7,195	7,175	6,687	6,687
Other income	4	22,310	15,669	22,252	14,847
Investment income	5	431	781	688	777
Donations and endowments	6	309	278	238	238
Total income		290,260	279,447	271,768	259,513
Expenditure					
Staff costs	7	176,794	167,259	159,447	150,407
Other operating expenses	8	78,947	78,650	77,930	74,499
Interest and other finance costs	9	9,085	9,099	8,861	8,831
Interest and other finance costs - exceptional	9	6,897	6,897	-	-
Intangible amortisation	11	393	-	384	-
Depreciation	12	18,736	17,968	17,441	16,634
Total expenditure		290,853	279,873	264,063	250,371
(Deficit)/surplus before other gains losses and share of operating surplus of associates		(593)	(426)	7,705	9,142
(Loss)/ gain on disposal of fixed assets		(497)	(493)	(316)	(316)
Gain/(loss) on investments		108	108	(140)	10
Share of operating surplus in associates	14	1,137	-	57	-
Result before tax		155	(811)	7,306	8,836
Taxation	10	6	-	(22)	-
Result for the year		161	(811)	7,284	8,836
Actuarial gain/(loss) in respect of pension schemes	21	35,082	35,082	2,055	2,055
Total comprehensive income for the year		35,243	34,271	9,339	10,891
Represented by:					
Endowment comprehensive income for the year	23	(660)	(660)	(606)	(606)
Restricted comprehensive income for the year	24	24	24	(77)	(77)
Unrestricted comprehensive income for the year		35,879	34,907	10,022	11,574
Attributable to the University		35,243	34,271	9,339	10,891
Surplus for the year attributable to:					
University		161	(811)	7,284	8,836

All items of income and expenditure relate to continuing activities.

The accompanying notes form an integral part of the financial statements.

Consolidated and University Statement of Changes in Reserves

Year ended 31 July 2018

Consolidated	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
Balance at 1 August 2016	6,864	142	(6,232)	81,977	82,751
Surplus/(deficit) from the income & expenditure statement	(606)	(77)	7,967	-	7,284
Other comprehensive income	-	-	2,055	-	2,055
Transfers between revaluation and income and expenditure reserve	-	-	1,890	(1,890)	-
Release of restricted capital funds spent in year	-	-	-	-	-
Total comprehensive income for the year	(606)	(77)	11,912	(1,890)	9,339
Balance at 1 August 2017	6,258	65	5,680	80,087	92,090
Surplus/(deficit) from the income & expenditure statement	(660)	24	797	-	161
Other comprehensive income	-	-	35,082	-	35,082
Transfers between revaluation and income and expenditure reserve	-	-	2,325	(2,325)	-
Release of restricted capital funds spent in year	-	-	-	-	-
Total comprehensive income for the year	(660)	24	38,204	(2,325)	35,243
Balance at 31 July 2018	5,598	89	43,884	77,762	127,333

University	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
Balance at 1 August 2016	6,864	142	(4,582)	76,519	78,943
Surplus/(deficit) from the income and expenditure statement	(606)	(77)	9,519	-	8,836
Other comprehensive income	-	-	2,055	-	2,055
Transfers between revaluation and income and expenditure reserve	-	-	1,751	(1,751)	-
Release of restricted funds spent in year	-	-	-	-	-
Total comprehensive income for the year	(606)	(77)	13,325	(1,751)	10,891
Balance at 1 August 2017	6,258	65	8,743	74,768	89,834
Surplus/(deficit) from the income and expenditure statement	(660)	24	(175)	-	(811)
Other comprehensive income	-	-	35,082	-	35,082
Transfers between revaluation and income and expenditure reserve	-	-	2,186	(2,186)	-
Release of restricted funds spent in year	-	-	-	-	-
Total comprehensive income for the year	(660)	24	37,093	(2,186)	34,271
Balance at 31 July 2018	5,598	89	45,836	72,582	124,105

The accompanying notes form an integral part of the financial statements.

Consolidated and University Balance Sheet

As at 31 July 2018

	Note	As at 31 July 2018		As at 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Intangible assets	11	2,726	-	3,071	-
Fixed assets	12	399,132	376,216	375,475	360,410
Investments	13	594	594	486	486
Investment in subsidiaries	13	-	3,976	-	3,976
Investments in associates	14	2,985	441	1,858	441
		405,437	381,227	380,890	365,313
Current assets					
Stock	15	549	259	468	243
Debtors: amounts falling due within one year	16	18,052	26,549	13,862	25,481
Debtors: amounts falling due after one year	17	3,174	13,505	3,174	3,174
Investments	18	25,000	25,000	25,000	25,000
Cash and cash equivalents	25	49,375	47,517	49,521	48,347
		96,150	112,830	92,025	102,245
Less: Creditors: amounts falling due within one year	19	(43,480)	(40,075)	(38,605)	(36,411)
Net current assets		52,670	72,755	53,420	65,834
Total assets less current liabilities		458,107	453,982	434,310	431,147
Creditors: amounts falling due after more than one year	20	(142,266)	(142,266)	(133,029)	(133,029)
Provisions					
Pension provisions	21	(187,611)	(187,611)	(206,384)	(206,384)
Other provisions	21	-	-	(1,900)	(1,900)
Provision for deferred tax	22	(897)	-	(907)	-
Total net assets		127,333	124,105	92,090	89,834
Restricted Reserves					
Income and expenditure reserve - endowment reserve	23	5,598	5,598	6,258	6,258
Income and expenditure reserve - restricted reserve	24	89	89	65	65
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		43,884	45,836	5,680	8,743
Revaluation reserve		77,762	72,582	80,087	74,768
Total Reserves		127,333	124,105	92,090	89,834

The accompanying notes form an integral part of the financial statements.

The financial statements on pages 21 to 46 were approved by the Board of Governors on 27 November 2018 and signed on its behalf on that date by:



Mr N Goulden
Chair



Professor E W Peck
Vice Chancellor

Consolidated Cash Flow Statement

Year ended 31 July 2018

		Year ended 31 July 2018	Year ended 31 July 2017
		Consolidated	Consolidated
	Notes	£'000	£'000
Cash flow from operating activities			
Surplus for the year		161	7,284
Adjustment for non-cash items			
Depreciation	12	18,736	17,441
Amortisation of intangibles	11	393	384
Loss/(gain) on investments	13	(108)	140
(Increase)/decrease in stock	15	(81)	19
(Increase)/decrease in debtors	16	(4,195)	(4,084)
Increase/(decrease) in creditors	19	6,391	(1,790)
Increase in pension provision	21	16,308	12,760
(Decrease)/increase in other provisions	21	(1,900)	-
Change in deferred tax asset/provision	22	(5)	22
Share of operating deficit/(surplus) in associate	13	(1,137)	(57)
Adjustment for investing or financing activities			
Investment income	5	(431)	(688)
Interest payable	9	10,602	3,930
Endowment income	6	(127)	(166)
Loss/(profit) on the sale of fixed assets		497	316
Capital grant income	29	(1,883)	(1,537)
Net cash inflow from operating activities		43,221	33,974
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Capital grants receipts	29	2,952	2,101
Disposal of non-current asset investments		7	-
Withdrawal of deposits		-	-
Investment income	5	431	688
Payments made to acquire fixed assets	12	(41,900)	(34,489)
Payments made to acquire intangible fixed assets	11	(48)	-
Payments made to acquire subsidiary undertakings		-	-
New non-current asset investments		-	-
New deposits	18	-	15,000
		(38,558)	(16,700)
Cash flows from financing activities			
Interest paid	9	(10,602)	(3,930)
Endowment cash received	23	127	166
New secured loans		-	-
New unsecured loans	20	44,548	100
Repayments of amounts borrowed		(38,744)	(2,222)
Repayment of finance leases		(138)	-
		(4,809)	(5,886)
Increase/(decrease) in cash and cash equivalents in the year		(146)	11,388
Cash and cash equivalents at beginning of the year	25	49,521	38,133
Cash and cash equivalents at end of the year	25	49,375	49,521

The accompanying notes form an integral part of the financial statements.

Notes to the Accounts
for the year ended 31 July 2018

	Note	Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Tuition fees and education contracts					
Further education		3,989	164	3,610	155
Undergraduate tuition - Home/EU		185,684	185,636	173,475	172,471
Undergraduate tuition - Overseas		19,387	19,387	17,424	17,424
Postgraduate tuition - Home/EU		15,185	15,235	13,062	13,062
Postgraduate tuition - Overseas		12,731	12,731	11,612	11,612
Other fees and support grants		2,669	2,021	1,551	1,071
		239,645	235,174	220,734	215,795
2 Funding body grants					
Recurrent grant					
Higher Education Funding Council for England / Office for Students		16,064	16,064	16,960	16,960
Education and Skills Funding Agency		993	993	1,171	1,171
Specific grants					
Higher Education Funding Council for England		1,700	1,700	1,417	1,417
National College for Teaching and Leadership		112	112	172	172
Non-recurrent grants released in year					
Buildings		1,501	1,501	1,449	1,449
		20,370	20,370	21,169	21,169
3 Research grants and contracts					
Research councils and charities		2,062	2,062	2,063	2,063
Government (UK and overseas)		2,038	2,038	1,719	1,719
Industry and commerce		3,095	3,075	2,905	2,905
		7,195	7,175	6,687	6,687
4 Other income					
Residences, catering and conferences		7,964	5,589	7,979	5,619
Other revenue grants		3,335	3,248	2,369	2,431
Other capital grants		381	381	88	88
Other income generating activities		10,630	6,451	11,816	6,709
		22,310	15,669	22,252	14,847
5 Investment income					
Investment income on expendable endowments	23	50	50	55	55
Other investment income		296	296	332	332
Other interest receivable		85	435	301	390
		431	781	688	777
6 Donations and endowments					
New endowments	23	127	127	166	166
Donations with restrictions	24	85	85	9	9
Unrestricted donations		97	66	63	63
		309	278	238	238

Notes to the Accounts
for the year ended 31 July 2018

	Note	Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
7 Staff costs					
<i>Employee costs:</i>					
Wages and salaries		132,681	123,914	121,390	112,838
Social security costs		13,287	12,804	12,175	11,760
Other pension costs		19,097	18,812	17,256	17,183
Pension operating costs	21	11,729	11,729	8,626	8,626
Total		176,794	167,259	159,447	150,407
<i>Emoluments of the Vice-Chancellor:</i>				2018	2017
Salary				£'000	£'000
Payment in lieu of pension contributions				262	250
Bonus				40	33
				25	24
				327	307
Pension contributions including contributions to USS				6	12
				333	319
<i>Remuneration of other higher paid staff, excluding employer's pension contributions:</i>				No.	No.
£100,000 to £104,999				3	4
£105,000 to £109,999				3	2
£110,000 to £114,999				2	-
£115,000 to £119,999				1	2
£120,000 to £124,999				1	1
£125,000 to £129,999				1	-
£130,000 to £134,999				-	1
£135,000 to £139,999				-	1
£140,000 to £144,999				5	2
£145,000 to £149,999				-	1
£150,000 to £154,999				-	1
£165,000 to £169,999				1	-
£170,000 to £174,999				-	1
£175,000 to £179,999				1	-
£185,000 to £189,999				1	-
£200,000 to £204,999				-	1
No remuneration was paid to the Chair of the Board of Governors nor to other non-executive members of the Board and its subsidiary undertakings.					
<i>Average weekly staff numbers (including senior post-holders) employed during the period:</i>				2018	2017
				Fte	Fte
Academic departments				1,472	1,353
Academic support services				670	669
Other support services				113	99
Administration and central services				827	766
Estates				380	360
Other				67	62
				3,529	3,309

Notes to the Accounts
for the year ended 31 July 2018

7 Staff costs (continued)

Compensation for loss of office - all staff

	2018	2017
	£'000	£'000
Compensation paid/payable recorded within staff costs	850	857

	2018	2017
	Number	Number
Number of people to whom this was payable	31	31

Compensation was paid in cash from general University funds.

Key management personnel

Key management personnel are those members of the University Executive Team, having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs include compensation (salaries and benefits, including any employer's pension contributions) paid to key management personnel as follows:

	2018	2017
	£'000	£'000
Key management personnel compensation	1,931	1,768

Trustees

No trustee has received any remuneration/waived payments from the group during the year (2017: None).

The total expenses paid to or on behalf of the 20 trustees was £8,075 (2017: £11,954 to 20 trustees). This represents travel and subsistence expenses incurred in attending Board of Governors and Committee meetings and Charity events in their official capacity.

Head of provider pay

The Vice-Chancellor does not receive any taxable benefits. He receives a non taxable benefit in the form of an annual health care assessment with a value of £450.

The Vice-Chancellor's remuneration is reviewed annually by the Remuneration Committee, one of the sub-committees of the Board of Governors. The Remuneration Committee was established by the Board of Governors on 1 May 2018, taking over relevant duties from the former Remuneration and Employment Policy Committee.

The Vice-Chancellor is not a member of the Remuneration Committee. The Vice-Chancellor is invited to attend the Committee's meetings to advise the Committee on agenda items that do not relate to his own salary or other potential benefits. The Remuneration Committee is chaired by a senior independent member of the Board of Governors, and includes both a staff and student voice within its membership. In addition to five independent members of the Board of Governors, the Academic Board member on the Board of Governors (staff voice) and a recent NTU student (student voice) appointed by the Chair of the Board with the advice of the NTSU are both full members. The Remuneration Committee can draw on the expertise of an independent adviser.

In considering any increase in his salary, or indeed that of any member of the senior team, this Committee has taken into account:

- the performance of the University overall and against the 21 Key Performance Indicators (KPIs) agreed by the Board of Governors;
- the comparability of the current package to peers both within the sector and appropriate benchmarks external to the sector; and
- the pay and bonus principles and practice operating across the University.

The head of the provider's basic salary is 8.3 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff. The head of the provider's total remuneration is 9.6 times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff.

Median pay calculations exclude atypical staff employed directly by subsidiary companies. Payments to agencies are also excluded. To reflect these accurately in the median pay calculation would take a disproportionate amount of time and effort.

Further details on the pay, expenses and payments in lieu of pension contributions for the Vice-Chancellor are available on the NTU website at <https://www.ntu.ac.uk/about-us/governance/vice-chancellor/vice-chancellors-salary>

Notes to the Accounts
for the year ended 31 July 2018

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
8 Analysis of other operating expenses by activity				
Academic departments	20,343	24,209	19,570	21,276
Academic services	14,014	13,958	13,230	13,165
Administration and central services	27,718	26,237	25,989	25,215
Premises	9,161	8,918	10,029	9,565
Residences, catering and conferences	2,416	987	1,899	855
Research grants and contracts	4,350	4,341	4,425	4,423
Other expenses	945	-	2,788	-
	78,947	78,650	77,930	74,499
<i>Other operating expenses include:</i>				
External auditors remuneration in respect of audit services	59	38	55	37
External auditors remuneration in respect of non-audit services	31	6	31	6
Operating lease rentals - land and buildings	462	246	260	220
- other	306	306	206	206

9 Interest and other finance costs	Note				
Bank interest on loans		3,705	3,718	3,930	3,900
Bank interest on loans - exceptional		6,897	6,897	-	-
Net charge on pension scheme	21	5,381	5,381	4,931	4,931
		15,982	15,996	8,861	8,831

The exceptional bank interest on loans relates to the cost of early repayment of the fixed term loans.

10 Taxation

Recognised in the statement of comprehensive income

Current tax

Current tax expense	-	-	-	-
Adjustment in respect of previous years	-	-	-	-
Current tax expense	-	-	0	-

Deferred tax

Origination and reversal of timing differences	34	-	62	-
Reduction in tax rate	(40)	-	(40)	-
Recognition of previously unrecognised tax losses	-	-	0	-
Deferred tax (charge)/ credit	(6)	-	22	-

Total tax credit	(6)	-	22	-
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The tax charge is represented in the consolidated balance sheet through the net financial impact of the creation of corporation tax payable (Note 19) and a deferred tax asset (Note 16) and the decrease in the provision for deferred tax (Note 22).

11 Intangible assets

Brand

Opening Balance	3,071	-	3,455	-
Additions	48	-	-	-
Amortisation charge for the year	(393)	-	(384)	-
At 31 July 2018	2,726	-	3,071	-

Included in the amount above is £2.69m which relates to the purchase of the Confetti Media Group brand on 3rd August 2015.

The amortisation period is 10 years.

Notes to the Accounts
for the year ended 31 July 2018

12 Fixed Assets

	Investment Land & Buildings £'000	Freehold Land and Buildings £'000	Fixtures and fittings £'000	Furniture and equipment £'000	Assets under course of construction £'000	Total fixed assets £'000
Consolidated						
Cost or valuation						
At 1 August 2017	6,290	305,977	65,427	65,871	20,275	463,840
Additions	-	2,933	9,403	10,653	19,898	42,887
Transfers	-	11,288	2,547	1,843	(15,678)	-
Disposals	-	(495)	(537)	(1,837)	(16)	(2,885)
At 31 July 2018	6,290	319,703	76,840	76,530	24,479	503,842
Consisting of valuation as at:						
1 August 2014	6,290	273,909	-	-	-	280,199
Cost	-	45,794	76,840	76,530	24,479	223,643
	6,290	319,703	76,840	76,530	24,479	503,842
Depreciation						
At 1 August 2017	348	16,876	29,500	41,641	-	88,365
Charge for the year	116	6,188	4,290	8,142	-	18,736
Disposals	-	(63)	(495)	(1,833)	-	(2,391)
At 31 July 2018	464	23,001	33,295	47,950	-	104,710
Net book value						
At 31 July 2018	5,826	296,702	43,545	28,580	24,479	399,132
At 31 July 2017	5,942	289,101	35,927	24,230	20,275	375,475
University						
Cost or valuation						
At 1 August 2017	6,290	292,476	62,637	61,013	18,579	440,995
Additions	-	2,459	9,512	10,398	11,900	34,269
Transfers	-	11,116	2,547	1,843	(15,506)	-
Disposals	-	(495)	(475)	(1,758)	(16)	(2,744)
At 31 July 2018	6,290	305,556	74,221	71,496	14,957	472,520
Consisting of valuation as at:						
1 August 2014	6,290	273,909	-	-	-	280,199
Cost	-	31,647	74,221	71,496	14,957	192,321
	6,290	305,556	74,221	71,496	14,957	472,520
Depreciation						
At 1 August 2017	348	15,840	26,758	37,639	-	80,585
Charge for the year	116	5,693	4,284	7,875	-	17,968
Disposals	-	(63)	(430)	(1,756)	-	(2,249)
At 31 July 2018	464	21,470	30,612	43,758	-	96,304
Net book value						
At 31 July 2018	5,826	284,086	43,609	27,738	14,957	376,216
At 31 July 2017	5,942	276,636	35,879	23,374	18,579	360,410

A full valuation as at 1 August 2014 of the University's land and buildings (including those of its subsidiaries, where applicable) was carried out by an independent and professionally qualified Valuer. In addition, building assets transferred at cost from Assets under the course of Construction during the period 1st August 2014 to 31st July 2015 were also subject to full valuation.

At 31 July 2018, investment land and buildings included £490,000 (2017 - £490,000) in respect of freehold land which is not depreciated.

Notes to the Accounts
for the year ended 31 July 2018

12. Fixed Assets (continued)

At 31 July 2018, freehold land and buildings included £39,063,180 (2017 - £39,063,180) in respect of freehold land which is not depreciated.

Consolidated furniture and equipment include assets held under finance leases as follows:

	at 31 July 2018	at 31 July 2017
	£'000	£'000
Furniture and Equipment	88	145

On 2 August 1999 the University signed a deed preserving the 'further education asset base' inherited following its merger with Brackenhurst College on 1 April 1999. In the event of a total failure to preserve the asset base, the Skills Funding Agency shall have the right to call for the repayment of the 'further education asset base', being the greater of the value of indexed-based 'chattels' less 'liabilities' or the total cost of replacing the land asset with accommodation and facilities of comparable quality, size and location.

In 1999/2000 the University entered into a lease with a developer for the provision of a hotel/gym complex on its Goldsmith Square car park. The lease is for 50 years with breaks at 15 and 25 years. At the conclusion of the lease, the whole of the property will revert to the University.

During 2007/08 the University entered into an amended lease agreement with UPP Group Limited and UPP Nottingham Limited for the majority of its student residences. The University received consideration totalling £11,032,000 in 2007/08 in respect of this transaction, including a 20% shareholding in UPP Nottingham Limited and an entitlement to loan notes to be issued by UPP Nottingham Limited. In 2009/10 the University received consideration totalling £652,000 in respect of an additional entitlement to loan notes. The leases are for 40 years maturing in 2048 and at the conclusion of the leases the properties will revert to the University.

In 2009/10 the University entered into a lease agreement with UPP (Clifton) Limited for the provision of a new student residence on the Clifton campus. The University received a gross consideration totalling £7,333,000, which net of costs totalled £6,880,000. The transaction included a 20% shareholding in UPP (Clifton) Limited and an entitlement to loan notes to be issued by UPP (Clifton) Limited. The lease is co-terminus with the existing UPP agreements and at the conclusion of the lease the properties will revert to the University.

In 2011/12 the University entered into a new lease agreement with UPP (Byron) Limited for the provision of a new student residence and new Students Union building on the City campus. The University received a premium of £1,833,000 in respect of the agreement. The transaction includes a 20% shareholding in UPP (Byron) Limited and an entitlement to loan notes to be issued by UPP (Byron) Limited. On completion of the building in 2013/14 the University received a further lease premium of £11,813,000 as a fixed asset rather than cash.

13. Non-current Investments

	Subsidiary Companies	Investment In Associates	Other Investments	Total
	£'000	£'000	£'000	£'000
Consolidated				
At 1 August 2017	-	1,858	486	2,344
Additions	-	-	-	-
Fair value adjustments	-	1,137	108	1,245
Disposals	-	(10)	-	(10)
Impairments	-	-	-	-
At 31 July 2018	-	2,985	594	3,579
University				
At 1 August 2017	3,976	441	486	4,903
Additions	-	-	-	-
Fair value adjustments	-	-	108	108
Disposals	-	-	-	-
Impairments	-	-	-	-
At 31 July 2018	3,976	441	594	5,011

Other Investments

The Group holds 32,258 ordinary shares in Experian Plc (2017: 32,258) which were valued at £18.4 per share (2017: £15) as per the closing Sell position on the London Stock Exchange as at 31 July 2018.

	Shareholding %	Cost £	Value £
CompanDx Limited	50	550	-
SiActive Limited	27	25	-
Halo X-Ray Technologies Limited	26	260	-

Notes to the Accounts

for the year ended 31 July 2018

13 Non-current Investments (continued)

Other Investments (cont'd)

The Group also holds shares in a number of companies which have been set up through The HIVE Initiative. Details of these investments have not been disclosed due to their insignificant nature.

Subsidiary Companies

The University owns 100% of the issued share capital of the following companies which are registered in England and Wales and operating in the UK.

Company Name	No. of Ord Shares	Cost of Investment £'000	Value of Investment £'000
Nottingham Law School Limited	1,667,000	1,667	-
Nottingham Consultants Limited	555,000	555	-
Nottingham Trent Residences 1 plc	5,000,004	2,500	-
Nottingham Trent International College Limited	1	-	-
Nottingham Conference Centre Limited	1	-	-
Confetti Constellations Limited	100	3,976	3,976

In addition, the University is the sole subscriber to the following companies limited by guarantee, registered in England and Wales and operating in the UK

Company Name

Education Support Centre (UK) Limited (ceased trading on 31 December 2017)

Nottingham Law School Legal Advice Centre Limited

Nova Centric Limited

NTU Temporary Staff Limited

The registered office for all subsidiaries is 50 Shakespeare Street, Nottingham, NG1 4FQ.

14 Investment in joint ventures and associates

Company Name	Shareholding percentage %	2018 Value of Investment £'000	2017 Value of Investment £'000
UPP Clifton Limited	20	78	78
UPP Byron Limited	20	113	113
NET	n/a	50	50
Loreus Limited	10	-	-
BioCity Group Ltd (formerly investment in BioCity Nottingham Limited)	n/a	2,744	1,607
Notts TV Limited	43	-	-
Voicekey	36	-	10
		<u>2,985</u>	<u>1,858</u>

The Group's holdings in UPP Clifton Limited and UPP Byron Limited were a result of property lease financing arrangement considerations (see Note 12).

The Group's participating interest in BioCity Group Limited related to the net assets in the joint venture arrangement entered into by the University to form BioCity Nottingham Limited with the University of Nottingham and the East Midlands Development Agency (EMDA). Following the abolition of EMDA in March 2012 the University has continued the joint venture arrangement with the University of Nottingham. During the year BioCity Nottingham Limited distributed its shares in BioCity Group Limited to its shareholders. As BioCity Nottingham Limited was a holding company only, this has had no impact on the joint venture investment.

BioCity Group Limited owns 75% of BioCity Scotland Limited formed with a minority interest partner. BioCity Scotland Limited was gifted land, plant, equipment and stock by Merck to the value of £11.3m in 2012. Owing to restrictions under the joint venture deed the resulting increase in net asset value of BioCity Group Limited, as a result of this gift, is an unrealisable gain. The accounts of BioCity Nottingham Limited treat the "unrealisable" gain as a Special Reserve not distributable to BioCity Scotland Limited shareholders or joint venture partners of BioCity Group Limited.

Associated companies are accounted for using the fair value model method. Where it is impractical to measure fair value reliably without undue cost and effort then the cost model is applied. The value of investment in Loreus Limited is £10 (Ten pounds).

Notes to the Accounts
for the year ended 31 July 2018

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
15 Stock and stores in hand				
Finished goods	364	208	295	198
Goods for resale	185	51	173	45
	<u>549</u>	<u>259</u>	<u>468</u>	<u>243</u>

16 Debtors: amounts falling due within one year

Trade Debtors	9,316	7,716	7,371	6,111
Amounts due by group undertaking companies	-	10,237	-	12,472
Deferred tax asset	33	-	38	-
Accrued income	4,896	5,042	2,890	3,589
Prepayments	3,509	3,404	3,465	3,309
Other debtors	298	150	98	-
	<u>18,052</u>	<u>26,549</u>	<u>13,862</u>	<u>25,481</u>

The movement in deferred tax asset is credited in the statement of comprehensive income and expenditure

17 Debtors: amounts falling due after more than one year

Loan notes	3,174	3,174	3,174	3,174
Amounts due by group undertaking companies	-	10,331	-	-
	<u>3,174</u>	<u>13,505</u>	<u>3,174</u>	<u>3,174</u>

The loan notes were received as part of the consideration for the lease agreements for UPP Clifton Limited and UPP Byron Limited. They are operative over the life of the concession.

18 Current Investments

Short term deposits	25,000	25,000	25,000	25,000
	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with more than three months but less than twelve months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2018 the weighted average interest rate of these fixed rate deposits was 0.54% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 208 days.

19 Creditors: amounts falling due within one year

	Note	Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Bank Loans	20	-	-	2,152	2,152
Salix Finance Loan	20	359	359	250	250
Net obligations under finance leases		35	-	173	-
Trade creditors		6,586	5,876	5,653	4,952
Social security and other taxation payable		4,692	4,335	4,428	4,331
Corporation tax payable		-	-	-	-
Other creditors		652	548	1,257	1,256
General accruals		17,703	15,637	13,906	13,057
Deferred income		13,453	13,320	10,786	10,413
		<u>43,480</u>	<u>40,075</u>	<u>38,605</u>	<u>36,411</u>

Deferred income

The following items of income which have been deferred until specific performance related conditions have been met.

Tuition fee income		4,428	4,332	5,118	4,920
Government non-recurrent grant income	29	1,467	1,467	1,321	1,321
Research grant income		4,752	4,752	1,608	1,587
Other grant income		507	492	1,173	1,173
Other income		2,298	2,277	1,566	1,412
		<u>13,453</u>	<u>13,320</u>	<u>10,786</u>	<u>10,413</u>

Notes to the Accounts
for the year ended 31 July 2018

	Note	Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
20 Creditors : amounts falling due after more than one year					
Other creditors		467	467	-	-
Government non-recurrent grant deferred income	29	56,046	56,046	55,123	55,123
		<u>56,513</u>	<u>56,513</u>		
Salix Finance Loans		1,753	1,753	1,566	1,566
Bank loans		40,000	40,000	76,340	76,340
Other loans		44,000	44,000	-	-
Total bank and other loans		<u>85,753</u>	<u>85,753</u>	<u>77,906</u>	<u>77,906</u>
		<u>142,266</u>	<u>142,266</u>	<u>133,029</u>	<u>133,029</u>

Salix have been working with Universities since 2006, currently offering finance on behalf of the Department of Business, Energy and Industrial Strategy (BEIS) and previously through the joint-funded Revolving Green Fund Scheme 1 and 4 with the Office for Students (OfS).

Analysis of bank and other loans

Due within one year	<u>359</u>	<u>359</u>	<u>2,402</u>	<u>2,402</u>
Due between one and two years	359	359	2,513	2,513
Due between two and five years	453	453	7,845	7,845
Due in five years or more	84,941	84,941	67,548	67,548
Due after more than one year	<u>85,753</u>	<u>85,753</u>	<u>77,906</u>	<u>77,906</u>
Total debt	<u>86,112</u>	<u>86,112</u>	<u>80,308</u>	<u>80,308</u>

Analysis of debt by repayable date:

Loan repayable by 2020	625	625	875	875
Loan repayable by 2022	941	941	941	941
Loan repayable by 2023	546	546	-	-
Loans repayable by 2030	-	-	38,492	38,492
Loan repayable by 2038	40,000	40,000	40,000	40,000
Loan repayable by 2043	44,000	44,000	-	-
	<u>86,112</u>	<u>86,112</u>	<u>80,308</u>	<u>80,308</u>

Lender	Amount £'000	Rate of Interest
Salix Finance Limited	2,936	0.00%
Royal Bank of Scotland	40,000	4.93%
3.01% loan notes	44,000	3.01%
Total	<u>86,936</u>	

The £40m and the £44m which are repayable in a single amount at the end of the loan period. The Salix loans are repayable in installments over the loan period.

Notes to the Accounts
for the year ended 31 July 2018

21 Provisions for liabilities and charges

Consolidated & University

	USS pension fund deficit obligation £'000	Enhanced pensions on termination £'000	DB pension obligations (Note 32) £'000	Total Pension Provisions £'000	Other Provisions £'000
At 1 August 2017	2,549	12,465	191,371	206,385	1,900
Utilised in year	-	(802)	-	(802)	-
Released in year	-	-	-	-	(1,900)
Additions in year - Operating cost	(1,012)	-	12,741	11,729	-
Additions in year - Interest	45	287	5,049	5,381	-
Actuarial (gain)/loss	-	1,506	(36,588)	(35,082)	-
At 31 July 2018	1,582	13,456	172,573	187,611	-

USS pension fund

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

Enhanced pensions on termination

The enhanced pensions on termination scheme is accounted for as a defined benefit scheme.

This relates to unfunded pension payments to which the university is committed.

The assumptions for calculating the provision for enhanced pensions on termination under FRS 102, are as follows:

Discount Rate	2.3%
Inflation Rate	2.4%

Other provisions

Provision relates to potential future tax liability other than deferred taxation

22 Provision for deferred tax

Consolidated only

	2018 £'000	2017 £'000
Accelerated capital allowances	934	944
Short term timing differences	(9)	(9)
Tax losses carried forward and other deductions	(28)	(28)
	897	907

Movement in provision

At 1 August 2017	907
Deferred tax credited in the statement of comprehensive income and expenditure	(10)
At 31 July 2018	897

Notes to the Accounts
for the year ended 31 July 2018

23 Endowment Reserves

	Consolidated and University		
	Restricted Expendable £'000	2018 Total £'000	2017 Total £'000
Balances at 1 August 2017			
Capital	6,258	6,258	6,864
Accumulated income	-	-	-
	<u>6,258</u>	<u>6,258</u>	<u>6,864</u>
New endowments	127	127	166
Investment income	50	50	55
Expenditure	(837)	(837)	(827)
Total endowment comprehensive income for the year	<u>(660)</u>	<u>(660)</u>	<u>(606)</u>
At 31 July 2018	<u>5,598</u>	<u>5,598</u>	<u>6,258</u>
Represented by:			
Capital	5,598	5,598	6,258
Accumulated income	-	-	-
	<u>5,598</u>	<u>5,598</u>	<u>6,258</u>
Analysis by type of purpose:			
Research support	5,598	5,598	6,258
	<u>5,598</u>	<u>5,598</u>	<u>6,258</u>
Analysis by asset			
Current and non-current asset investments	-	-	-
Cash & cash equivalents	-	5,598	6,258
	-	<u>5,598</u>	<u>6,258</u>

Restricted expendable endowments represents £5.6m relating to connected institutions under paragraph 28 Schedule 2 of the Charities Act 2011, for funds received from the van Geest Foundation Cancer Research Fund, a charitable trust established to administer funds donated by John and Lucille van Geest Foundation. The objects of the fund are to advance education at the University into all aspects of cancer biology and contribute towards and meet the costs of cancer research undertaken at the University and the publication of useful results of such research.

24 Restricted Reserves

Reserves with restrictions are as follows:

	Consolidated and University		
	Donations £'000	2018 Total £'000	2017 Total £'000
Balances at 1 August 2017	65	65	142
New grants	-	-	-
New donations	85	85	9
Capital grants utilised	-	-	-
Expenditure	(61)	(61)	(86)
Total restricted comprehensive income for the year	<u>24</u>	<u>24</u>	<u>(77)</u>
At 31 July 2018	<u>89</u>	<u>89</u>	<u>65</u>
Analysis of other restricted funds /donations by type of purpose:			
Lectureships	-	-	-
Scholarships and bursaries	-	82	37
Research support	-	-	-
Prize funds	-	7	7
General	-	-	21
	-	<u>89</u>	<u>65</u>

Notes to the Accounts
for the year ended 31 July 2018

25 Cash and cash equivalents

Consolidated	At 1st August	Cash	At 31st July
	2017	Flows	2018
	£'000	£'000	£'000
Cash and cash equivalents	49,521	(146)	49,375
	<u>49,521</u>	<u>(146)</u>	<u>49,375</u>

University	At 1st August	Cash	At 31st July
	2017	Flows	2018
	£'000	£'000	£'000
Cash and cash equivalents	48,347	(830)	47,517
	<u>48,347</u>	<u>(830)</u>	<u>47,517</u>

26 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2018:

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Commitments contracted for	41,562	41,332	5,087	5,087
	<u>41,562</u>	<u>41,332</u>	<u>5,087</u>	<u>5,087</u>

27 Contingent liabilities

The University is a member of U.M. Association (Special Risks) Limited, a company limited by guarantee, formed to provide a mutual association for terrorism risks. The University is a guarantor, on a joint and several basis with other members, of the association's £15m bank loan facility. If the association as a whole suffers a shortfall in any indemnity year, the members are liable for their pro rata share, subject to the articles of the association and the memorandum. No liability has yet arisen under this guarantee.

28 Operating lease obligations

Total rentals payable under operating leases:

	Plant and Machinery	Land and buildings	2018	2017
	£'000	£'000	£'000	£'000
Payable during the year	307	463	770	466
Future minimum lease payments due:				
Not later than 1 year	326	497	823	515
Later than 1 year and not later than 5 years	232	2,034	2,266	1,164
Later than 5 years	-	9,002	9,002	483
Total lease payments due	558	11,533	12,091	2,162

29 Government non-recurrent grant deferred income

	Consolidated and University		2018	2017
	Funding Councils	Other Grants	Total	Total
	£'000	£'000	£'000	£'000
Balances at 1 August 2017 - Buildings only	52,616	3,828	56,444	55,880
New grants	2,496	456	2,952	2,101
Release to income statement	(1,501)	(382)	(1,883)	(1,537)
At 31 July 2018 - Buildings only	53,611	3,902	57,513	56,444
Analysed by:				
Creditors : amounts falling due within one year			1,467	1,321
Creditors : amounts falling due after more than one year			56,046	55,123
			<u>57,513</u>	<u>56,444</u>

Notes to the Accounts
for the year ended 31 July 2018

30 Subsidiary undertakings

The subsidiary companies (all of which are registered in England & Wales), wholly-owned or effectively controlled by the University, are as follows:

Company	Principal Activity	Status
Nottingham Law School Limited	Dormant	100% owned
Nottingham Consultants Limited	Provision of courses, consultancy services and commercial research and the commercial letting of accommodation	100% owned
Nottingham Trent Residences 1 plc	Dormant	100% owned
Nottingham International College Limited	Dormant	100% owned
Nottingham Conference Centre Limited	Provision of conference and catering facilities	100% owned
Confetti Constellations Limited	Provision of education facilities and services for music, multi-media and communications courses, including the design, consultancy, supply and installation services for the provision of music, moving image, IT equipment and furniture	100% owned
Education Support Centre (UK) Limited	Provision of Microsoft support advice to the education sector in the UK - dormant since 1 February 2018	Limited by Guarantee
Nottingham Law School Legal Advice Centre Limited	Provision of legal advice and information services to the local community and individuals in need, whilst providing practical experience to law students undertaking their professional law training under the supervision and guidance of qualified solicitors	Limited by Guarantee
Nova Centric Limited	Provision of further and higher education courses in music, multi-media and communication courses	Limited by Guarantee
NTU Temporary Staff Limited	Provision of temporary staff	Limited by Guarantee
Nottingham Business School Limited	Dormant	100% owned
Nottingham Language Centre Limited	Dormant	100% owned
Confetti Media Limited	Dormant	100% owned

31 Connected charitable Institutions

A number of charitable institutions are administered by or on behalf of the University and have been established for its general or special purposes. As a result, under paragraph 28 of Schedule 3 to the Charities Act 2011, these connected institutions are exempt from registration with the Charity Commission.

The movements in the year on the total funds of all connected institutions were as follows:

	Opening balance £'000	Income £'000	Expenditure £'000	Closing Balance £'000
within Consolidated Financial Statements				
Van Geest Cancer Research Fund	6,258	177	(837)	5,598
Nottingham Trent University Trust Fund	185	1	(9)	177

Notes to the Accounts
for the year ended 31 July 2018

32 Pension Schemes

The University participates, principally, in two pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). It also participates in the Universities Superannuation Scheme (USS), although there is only a small number of participants and a low level of contributions.

Total Pension Cost for the year:

		Year Ended 31 July 2018		Year Ended 31 July 2017	
		£'000	£'000	£'000	£'000
TPS:	Contributions Paid		8,742		8,092
USS:	Contributions Paid	1,170		1,062	
	Pension operating costs	(1,012)		504	
			158		1,566
LGPS	Contributions Paid	7,139		6,052	
	Pension operating costs - administration charge	99		86	
	Pension operating costs	12,642		8,036	
			19,880		14,174
	Enhanced pension contributions		195		203
	Past Service liability contributions		1,566		1,774
Pension Cost for year - University			30,541		25,809
Other pension contributions			286		74
Pension Cost for year - Consolidated			30,827		25,883

Other pension contributions relate to payments made by Confetti Constellations Limited and Nova Centric Limited to several pensions funds, including employees' personal pensions. No further disclosure is made on the grounds of materiality.

Teachers' Pension Scheme

The TPS is an unfunded multi-employer defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972.

Because of the mutual nature of the scheme, the scheme cannot allocate assets to individual contributing institutions and a scheme-wide contribution rate is set. As such, the University is exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of underlying assets and liabilities of the scheme and, therefore, as required by FRS 102(28), accounts for the scheme as if it were a defined contribution scheme.

The pension cost is normally assessed every five years in accordance with the advice of the Government Actuary. The latest actuarial valuation of the TPS was 31 March 2012 and contain assumptions and other relevant data that have the most significant effect on the determination of the contribution levels as follows:

TPS Fund position at last valuation

Valuation Method	Prospective benefits
Market value of assets at date of last valuation	£ 176,600 m
Proportion of members' accrued benefits covered by the actuarial value of assets	92%
Salary scale increases per annum	4.75%

Following the publication of the latest interim actuarial valuation in June 2014 the employer contribution was set at 16.48% with effect from September 2015. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

Universities' Superannuation Scheme

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. The valuation as at 31 March 2017 is underway but not yet completed.

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. These figures will be revised once the 2017 Scheme Valuation is complete.

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

	2018	2017
Discount Rate	2.16%	1.77%
Pensionable Salary		
Growth	n/a	n/a
Pension increases (CPI)	2.40%	2.40%

Notes to the Accounts
for the year ended 31 July 2018

Pension Schemes (cont'd)

Universities' Superannuation Scheme (cont'd)

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

Mortality base table

Pre-retirement

2018 - 71% of AMCOO (duration 0) for males and 112% of AFC) (duration 0) for females

2017 - 98% of SAPS S1NA "light" YOB unadjusted for males

Post retirement

2018 - 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females

2017 - 99% of SAPS S1NA "light" YOB with a -1 year adjustment for females

Future improvements to mortality

2018- CM1_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and a 1.6% pa for females

2017 - CMI_2014, with a long term rate of 1.5% pa

		2018	2017
Retiring today	Males	24.5	24.4
	Females	26.0	26.6
Retiring in 20 years	Males	26.5	26.5
	Females	27.8	29.0
		2018	2017
Scheme Assets		£63.6bn	£60.0bn
Total scheme liabilities		£72.0bn	£77.5bn
FRS102 total scheme deficit		£8.4bn	£17.5bn
FRS102 total funding level		88%	77%

Local Government Pension Scheme

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefit on career average revalued earnings.

The administering authority for the fund is Nottinghamshire County Council. The Pension Fund Committee oversees the management of the Fund whilst day to day administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As administering authority to the Fund, Nottingham County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investing Principles. These should be amended when appropriate based on the Fund's performance and funding.

The Fund is valued every three years by a professionally qualified independent actuary, as required by regulations, using the projected unit method. Contributions are set as a result of the actuarial valuation. The last valuation was carried out as at 31 March 2016 and set contributions for the period April 2017 to March 2020. During this accounting period the University's minimum employer contributions were equal to 12.4%, whilst a separate lump sum payment of £4.78m is payable over the three year valuation period to fund past service liabilities. The fund position as at 31 March 2017 is detailed below:

Value of Assets	£4,067m
Funding level for accrued benefit	87%
Investment return per annum to meet future service liabilities	
- equities	7.4%
- gilts	2.4%
- property	5.9%
Long term pay scale increases per annum	3.9%
Consumer price inflation	2.4%
Pension increase per annum	2.4%

The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period April 2020 to March 2023. There are no minimum funding requirements in the LGPS but contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

To assess the value of the University's liabilities at 31 July 2018, the Actuary rolled forward the value of the University's liabilities calculated for the funding valuation as at 31 March 2017, using the financial assumptions that comply with FRS102.

To calculate the asset share the actuary has rolled forward the assets allocated to the University at 31 March 2016 allowing for investment returns, contributions paid into, and estimated benefits paid from, the Fund by and in respect of the University and its employees.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund and their dependents. These pensions are linked to inflation and will normally be payable on retirement of the life of the member or a dependent following a member's death.

Notes to the Accounts

for the year ended 31 July 2018

Pension Schemes (cont'd)

Local Government Pension Scheme (cont'd)

It is not possible to accurately assess the estimated liabilities as at 31 July 2018 without completing a full valuation. However, the Actuary and the University are satisfied that the approach of rolling forward previous valuation data to 31 July 2018 should not introduce any material distortions to the results provided that the actual experience of the University and the Fund has been broadly in line with underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation.

In addition, the actuary adopted a set of demographic assumptions consistent with those used for the most recent Fund valuation (31 March 2016). The post retirement mortality tables adopted are S1PA tables with a multiplier of 110% for males and 100% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5%.

The material assumptions used by the Actuary as at 31 July 2018 were:

	2018	2017
<i>Financial assumptions (referenced to market conditions at 31 July 2018)</i>	% p.a.	% p.a.
Discount Rate	2.65%	2.7%
Pension increases	2.35%	2.6%
Salary increases	3.85%	4.0%

The discount rate is the annualised yield at the 22 year point on the Merrill Lynch AA-rated corporate bond yield curve which was chosen in consideration of the estimated duration of the University's liabilities.

The Consumer Prices Index assumption, on which future pension increases are expected to be based, will be 2.35% p.a.

Salaries are assumed to increase at 1.5% p.a above CPI in addition to a promotional scale. However, the actuary has allowed for a short-term overlay to 31 March 2020 for salaries to rise in line with CPI.

<i>Mortality assumptions (life expectation from age 65)</i>		2018	2017
Retiring today	Males	22.7	22.6
	Females	25.6	25.5
Retiring in 20 years	Males	24.9	24.7
	Females	28.0	27.8

Fund members' behaviour

- Members will exchange half their commutable pension for cash at retirement
- Members will retire at one retirement age for all tranches of benefit; and
- 10% of active members will take up option under the new LGPS to pay 50% of contributions for 50% of benefits

The University's share of net assets of the Fund is approximately 5% and the estimated asset allocation as at 31 July 2018 attributable to the University is as follows:

	31 July 2018		31 July 2017	
	£'000	%	£'000	%
Equities	181,827	64%	167,424	66%
Gilts	6,932	2%	8,060	3%
Other bonds	32,653	12%	30,485	12%
Property	38,215	13%	29,543	12%
Cash	7,649	3%	5,289	3%
Inflation-linked pool funds	7,133	3%	6,247	2%
Infrastructure	9,355	3%	6,114	2%
	<u>283,764</u>		<u>253,162</u>	

The University's financial position in the LGPS Scheme as at 31 July 2018 is:

	2018	2017
	£'000	£'000
Fair value of Fund assets	283,764	253,162
Present value of defined benefit obligation	(452,654)	(440,683)
Surplus / (Deficit)	<u>(168,890)</u>	<u>(187,521)</u>
Present value of unfunded obligation	(3,683)	(3,850)
Net defined benefit asset / (liability)	<u>(172,573)</u>	<u>(191,371)</u>

Notes to the Accounts
for the year ended 31 July 2018

Pension Schemes (cont'd)

Local Government Pension Scheme (cont'd)

Reconciliation of opening & closing balances of the present value of defined benefit and unfunded obligations

	2018	2017
	£'000	£'000
Opening defined benefit and unfunded obligation	444,533	397,946
Current service cost	21,449	15,900
Interest cost	11,972	10,306
Past service costs, including curtailment	77	241
Contributions	3,918	3,614
Benefits paid net of transfers in	(6,239)	(7,096)
Actuarial losses	(19,373)	23,622
Closing defined benefit and unfunded obligation	456,337	444,533

Reconciliation of opening & closing balances of the fair value of Fund assets

	2018	2017
	£'000	£'000
Opening fair value of Fund Assets	253,162	217,378
Interest on assets	6,923	5,712
Return on assets less interest	17,215	26,924
Administration expenses	(99)	(86)
Other actuarial gains/(losses)	-	(1,389)
Contributions by University including unfunded	8,884	8,105
Contributions by Scheme participants	3,918	3,614
Benefits paid net of transfers in	(6,239)	(7,096)
Closing fair value of Fund Assets	283,764	253,162

Actuarial gain/(loss) in other comprehensive income

	2018	2017
	£'000	£'000
Return on Fund assets in excess of interest	17,215	26,924
Other actuarial losses on assets	-	(1,389)
Change in financial assumptions	19,373	(17,898)
Change in demographic assumptions	-	(4,452)
Experience gain/(loss) on defined benefit obligation	-	(1,272)
Actuarial gain/(loss) of the net assets/defined liability	36,588	1,913

Sensitivity analysis

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	+0.0%	-0.1%
Present value of total obligation	446,548	456,337	466,350
Projected service cost	19,623	20,145	20,681
Adjustment to long term salary increase	+0.1%	+0.0%	-0.1%
Present value of total obligation	457,533	456,337	455,150
Projected service cost	20,145	20,145	20,145
Adjustment to pension increases and deferred revaluation	+0.1%	+0.0%	-0.1%
Present value of total obligation	465,174	456,337	447,698
Projected service cost	20,682	20,145	19,621
Adjustment to life expectancy assumptions	+ 1 Year	None	- 1 Year
Present value of total obligation	472,542	456,337	440,704
Projected service cost	20,788	20,145	19,522

Projected pension expense for the year to 31 July 2019

	2019
	£'000
Service Cost	20,145
Net interest on defined liability / (asset)	4,456
Administration expenses	111
Total loss / (profit)	24,712
Employer contributions	8,713

Notes to the Accounts

for the year ended 31 July 2018

32 Pension Schemes (cont'd)

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

33 Related Party Transactions

The University controls 100% of the voting rights of all subsidiary undertakings. Therefore the University has taken advantage of the exemption contained in FRS 102 (33.1A) and has not disclosed transactions or balances with entities that form part of the group and are included within these financial statements.

As at the year end, the University had an outstanding loan of £0.35m (2017: £0.2m) from BioCity Nottingham Limited. The loan is accruing interest at 1% above the Barclays Bank Plc base rate.

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arms' length and in accordance with the University's financial regulations and normal procurement procedures.

Mr B Fox (1 month), Ms M Longdon (11 months), Ms S Walker-Smith (1 month) and Mr TM Walmsley (12 months), in addition to being University Governors/Trustees, were also members of the Board of Trustees of the Nottingham Trent University Students Union. Transactions with a total value of £1.7m relating to block grant and other activities took place between the University and the Students Union.

No transactions were identified which should be disclosed under Section 33 of FRS102.

34 Transactions whereby University acts only as paying agent on behalf of a funding body

Funding body grants are available solely for students; the University acts only as the paying agent. The grants and disbursements are therefore excluded from income and expenditure statement.

	2018 £'000	2017 £'000
<i>Learner support funds</i>		
Education and Skills Funding Agency grants	70	69
Interest earned	-	-
	<u>70</u>	<u>69</u>
Disbursement to students	(55)	(43)
Balance unspent as at 31 July	<u>15</u>	<u>26</u>
<i>National College for Teaching and Leadership bursaries</i>		
National College for Teaching and Leadership bursaries	1,762	1,621
Interest earned	-	-
	<u>1,762</u>	<u>1,621</u>
Disbursement to students	(1,624)	(1,482)
Balance unspent as at 31 July	<u>138</u>	<u>139</u>