



ANNUAL ACCOUNTS 2011-2012



DMU is the perfect blend of tradition and innovation, offering inventive and creative teaching to inspire and encourage students to realise their ambition.

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BOARD OF GOVERNORS AND COMMITTEES, SENIOR EXECUTIVE AND PROFESSIONAL ADVISERS

BOARD OF GOVERNORS

INDEPENDENT GOVERNORS

| | |
|--|------------------------|
| The Lord Waheed Alli Hon DLitt (DMU), Hon DLitt (University of Westminster) (Chancellor of the University) | |
| Mr Ian Blatchford MA (Oxon), MA (Birbeck), FCMA, FSA(Chairman of the Board) | |
| Mr Mike Kapur BSc (Hons), ACA, FRSA | |
| Mr Jamie Andrews BA(Hons), MPhil | |
| Ms Barbara Matthews MBE, BSc | |
| The Rt Revd Bishop Tim Stevens MA, DipTh, HonDCL, Hon DLiH | |
| Mr Kevin Hand | |
| Mr Tony Stockdale ACA | |
| Ms Marcia Saunders BA, MA, MSc | |
| Professor Robert Harris BA, MA, PhD | Joined November 2011 |
| Mr Andrew Walker MA (Oxon) | Stepped down July 2011 |
| Mr John Windeler BA, MBA | Stepped down July 2011 |

CO-OPTED GOVERNORS

| | |
|--|-----------------------|
| Ms Christine Hancock BSc Hons Econ RN | |
| Professor Sue Hill OBE, PhD, MPhil, CBiol, FIBiol, Hon MRCP, Hon DSc (DMU) | Stepped down Nov 2011 |
| Professor David Stevens MPhil | Stepped down Feb 2012 |

REPRESENTATIVE GOVERNORS

| | |
|---|------------------------|
| Mr Tim O'Sullivan BSc (Hons), MA | Joined May 2012 |
| Ms Lynette Williams (DSU Student Union President – incoming) | Joined July 2012 |
| Mr Liam Davis (DSU Student Union President – outgoing) | Stepped down July 2012 |
| Mr Vincent Cornelius MCA PGCert (Support Staff Representative) | Stepped down Feb 2012 |
| Mr Anthony Gregory BA, MA, RNMH (Teaching Staff Representative) | Stepped down Feb 2012 |
| Mr Andy Rees BA (Hons) Econ, MA, PGCE (Academic Board Representative) | Stepped down May 2012 |

EX-OFFICIO GOVERNOR – CHIEF EXECUTIVE AND VICE-CHANCELLOR

Professor Dominic Shellard MA, DPhil

CLERK TO THE BOARD

Mrs Rebecca Jenkyn LLB Hons

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

Mr Mike Kapur (Chairman)

Mr Jamie Andrews

Ms Marcia Saunders

Mr Kevin Hand

Mr Andrew Walker

Joined May 2012

Joined September 2011

Stepped down July 2011

GOVERNANCE COMMITTEE (TO BE RENAMED AS A NOMINATIONS COMMITTEE FROM JULY 2012)

Ms Marcia Saunders (Chair)

Mr Ian Blatchford

Mr Tim O'Sullivan

Rt Revd Bishop Tim Stevens

Mr Andrew Rees

Professor Dominic Shellard

Joined May 2012

Joined June 2012

Stepped down May 2012

REMUNERATION COMMITTEE

The Lord Waheed Ali

Mr Ian Blatchford

Mr Tony Stockdale

Joined October 2011

FINANCE AND HUMAN RESOURCES COMMITTEE

Mr Tony Stockdale (Chairman)

Ms Barbara Matthews

Ms Christine Hancock

Professor Robert Harris

Professor Dominic Shellard

Mr John Windeler

Professor David Stevens

Joined November 2011

Joined March 2012

Stepped down July 2011

Stepped down Feb 2012

EXECUTIVE BOARD

Professor Dominic Shellard (Chief Executive and Vice-Chancellor) MA, DPhil
Mr Ben Browne (Acting Chief Operating Officer) FCIPD, MA (HRM)
Professor David Wilson (Deputy Vice-Chancellor and Dean of Business and Law) BA, BPhil, PhD, FHEA
Professor Andy Downton (Pro Vice-Chancellor) BSc, PhD, Ceng, FIEE, SMIEEE
Professor Andy Collop (Pro Vice-Chancellor Dean – Faculty of Technology) BEng, PhD, DSc, CEng, FIHT
Dr Gerard Moran (Pro Vice-Chancellor Dean – Art, Design and Humanities) BA, MA, PhD, FRSA
Professor Mandy Ashton (Pro Vice-Chancellor Dean – Health and Life Sciences) OBE, MSc, BA (Hons), DPNS, RGN
Ms Jo Cooke (Director of Student and Academic Services) BA (Hons)
Ms Kathryn Arnold (Chief Information Officer) BA (Hons), DipLib, MCLIP
Mr Matthew Needham (Interim Director of Finance) BA (Hons), FCMA
Mr Keith Perch (Director of Marketing and Communications)
Mr James Gardner (Director of Strategic Partnerships) BA (Hons)
Mr Simon Ambrose (Executive Officer to the Vice-Chancellor) LLB, MBA

PROFESSIONAL ADVISORS TO THE CORPORATION

AUDITORS

External Auditors: KPMG LLP, Birmingham
Internal Auditors: PricewaterhouseCoopers LLP, Birmingham

BANKERS

National Westminster Bank plc

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

CHAIRMAN'S INTRODUCTION TO THE ANNUAL ACCOUNTS 2011/12

I am pleased to introduce the Annual Accounts for 2011/12.

Since becoming Chairman of the Board of Governors at De Montfort University (DMU) in July 2011 this past year has seen the university continue its pursuit of quality and distinctiveness under the direction of its Vice-Chancellor, Professor Dominic Shellard and the Executive Board.

THE GUIDING PRINCIPLES OF DE MONTFORT UNIVERSITY

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

We seek to:

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

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

KEY FINANCIAL RESULTS FOR THE YEAR

The Operating and Financial Review provides full details of the university's financial performance in 2011/12; key highlights include:

- Operating surplus of £1.5m representing £2.0m improvement over the prior year
- Improvements in debt collection leading to reduction in bad and doubtful debts provision of £0.7m over prior year
- 6.2 per cent rise in academic fees and education contracts
- 7 per cent reduction in pay costs
- Capital investment of £13.8m

GOVERNANCE, GOVERNORS AND STAFF

The end of this academic year brought various changes to the membership of the Board of Governors with the expiry of individuals' periods of tenure. Mr Liam Davis President of the Students' Union, also stepped down after a year in office and the Board has welcomed the new President, Ms Lynette Williams, who will serve on the Board until July 2013. On behalf of the Board of Governors, I thank all those leaving the Board for their contributions, commitment and support.

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

Mr Ian Blatchford
Chairman of the Board of Governors

OPERATING AND FINANCIAL REVIEW 2011/12

1. UNIVERSITY MISSION AND STRATEGY

IMPLEMENTING OUR VISION

A new mission, vision and strategic plan for 2011 was agreed by our Board of Governors at the end of the 2010/11 academic year and was published in September 2011.

The university's mission statement is:

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

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

- We will develop an inspiring and supportive learning environment that transforms our students and inspires them to make a real difference in society
- We will be a university that places research excellence and innovation at the heart of our mission
- We will focus on employability and understand the needs of business and professions so that DMU courses are relevant and give our graduates a head start
- We will be a recognised leader in creative education and research, built on our reputation in the creative economy, and driven by innovative projects across all faculties
- We will be a truly international university, building influential global relationships to enrich our research, teaching and cultural collaboration
- We will make a significant contribution to global efforts to achieve environmental sustainability

QUALITY AND DISTINCTIVENESS – HOW WE HAVE IMPLEMENTED OUR STRATEGIC PLAN IN 2011/12

Our new strategic plan is ambitious, but throughout 2011/12 the university has shown that it is capable of delivering its promises.

In the rest of the Operating and Financial Review, members of DMU highlight our achievements in each of our strategic areas. We offer here some overarching observations in relation to our commitment to our vision and our overall sustainability.

In terms of our core business, the university has held to its vision of quality and distinctiveness, setting its fee at £9,000 to be able to deliver a high quality student experience and deliver on what matters to our students, an excellent education and good employability outcomes. Full-time undergraduate recruitment was buoyant in 2011/12, an increase of nearly 20 per cent on 2010/11 recruitment, but not at the cost of delivering another step change in our average tariff points on entry, moving up to over 280 points for entrants with A levels. Application levels for 2012/13 entry are reduced, as they are across the sector, but have dropped considerably less than those of other universities in our benchmark group. Our drive for quality has placed us, we hope, favourably in relation to being able to grow the numbers of the students who are exempt from student number controls, those achieving AAB+ (and ABB+ for 2013/14) at A level.

The quality and distinctiveness agenda has paid dividends in terms of our national profile, we have remained steady or increased our league table standing, reaching 60th in the Sunday Times League Table. New initiatives have been introduced or existing activities strengthened to enhance the student experience, including the building of a new leisure centre (which opened in July 2012), a re-organised Student Gateway, providing a one-stop centre for student advice and support, and considerable investment in our Students' Union to give a real boost to student-led services and an array of sporting and cultural societies. In addition, how we capture and respond to student opinion has been enhanced through better survey and feedback mechanisms.

Student employability has been enhanced. Examples include our highly successful internship scheme, Frontrunners, which ran its first placements this year, and the setting up of the internal recruitment agency for temporary posts, Unitemps, on campus.

As we move into the final straight towards the Research Excellence Framework (final submission due in October 2013) we have won a series of notable research successes during 2011/12, including two major AHRC grants.

Partnership working has been a strong theme during 2011/12. A ground-breaking partnership has been forged with HP to transform our ICT services, to ensure ICT services meet the increasing expectations of staff/students and deliver sector leading facilities. Our partnership with HP includes the development of collaborative degrees, which meet the needs of potential employers. Other significant partnerships achieved this year include relationships with Boots, Shoezone and KFC.

The Vice-Chancellor spearheaded the forging of new international partnerships, notably with highly prestigious universities in China and Japan during 2010/11. This continued into 2011/12 and picked up by colleagues across the university so partnership-led growth in student numbers is already manifesting itself across the university.

To be able to generate the necessary financial headroom to invest in key student-facing activities and developments, the university has carried out a range of efficiency measures, but without impacting on frontline delivery. As a result of effective planning, the overall sustainability of the institution and its ability to meet financial uncertainty has been considerably bolstered this year.

In our Public Benefits Statement we outline how the university's core services of teaching and research fulfil our obligation to deliver public benefit, but we also make reference to our successful and unique community engagement project, the Square Mile, and a wide range of other activities we undertake in our region.

Our local, national and international standing was confirmed this March when we were honoured as the first stop on the national Diamond Jubilee tour, by a visit from Her Majesty the Queen, The Duke of Edinburgh and The Duchess of Cambridge. The Queen was welcomed by a colourful display of our students' talents, with the highlight being a fashion show featuring the work of present and past students. The Square Mile community projects were also featured.

The visit was a highlight of a year which, despite significant change in the external environment, saw outstanding progress towards our strategic goals.

2. THE UNIVERSITY'S STATEMENT OF PUBLIC BENEFIT

De Montfort University is an exempt charity by virtue of the Charities Act 2011 and as such is regulated by HEFCE on behalf of the Charity Commission for England and Wales. The university's objectives as defined in the Education Reform Act 1988 are to "provide higher education", to "provide further education" and to "carry out research and to publish the results of that research" for the public benefit. The university's Board of Governors serve as its trustees and are collectively responsible for determining the educational character and mission of the university and provide oversight and scrutiny of its activities.

When establishing the strategic direction of the university, the Board of Governors and the university's Executive Board gave careful consideration to the Charity Commission's general and

supplementary guidance on public benefit; and also to the guidance issued by HEFCE in its capacity as principal regulator on behalf of the Commission. We consider the beneficiaries of our charitable status to encompass all students, both undergraduate and postgraduate; as well as members of the general public in the UK and overseas, all are recipients of the public benefit that we aim to deliver when fulfilling our charitable objectives.

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

- DMU believes passionately that universities are a public good through transformation of lives, through the places in which their students and staff live and work, and through sharing their discoveries for the wider benefit of society
- Our university is a community in which all our staff and students learn, develop and contribute through partnership to that shared experience
- Our research, including that crossing traditional boundaries, is central to our learning community, enhancing the quality of our programmes and serving the needs of society in a transformational way
- We are also an international community where students and staff from diverse backgrounds and cultures learn from and enrich each other
- We always seek to treat all those we work with and those with whom we come into contact with dignity, respect and integrity
- We seek to:
 - Enable our students and staff to create a high quality and distinctive academic experience, utilising new and exciting approaches to learning and research
 - Equip our students with graduate skills and knowledge both for employment and for life
 - Deliver quality and add value in all that we do
 - Understand and respond to the needs of business and the professions
- We actively promote our learning community through engagement and partnership locally, and in terms of key alliances and collaborations, both nationally and internationally
- We are strongly committed to widening access to Higher Education and to supporting students from diverse backgrounds to enable them to achieve their full potential.

- We seek to communicate clearly and openly within the university and beyond, and to listen carefully to what people say to us
- We encourage, in all our staff and students, an innovative and entrepreneurial attitude in our approaches to learning, research and business partnerships that enriches us and those with whom we work

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

These do not however cover a wide range of additional activities which DMU is carrying out in the city of Leicester and in its local neighbourhood. The Square Mile is a unique and innovative university community engagement initiative that seeks to 'demonstrate how the skills, knowledge and expertise of the university can assist and sustain the development of a community and improve the well-being and prospects of the residents'. DMU has delivered 20 projects in its first phase of the Square Mile project to help improve the lives and aspirations of hundreds of people living in a neighbourhood of Leicester that faces major social challenges. Students, staff and residents are successfully working together in the areas of community, health, skills, local identity and media to make a huge difference. A second phase is now under way with another 20 projects that will build on the success of the first set of initiatives.

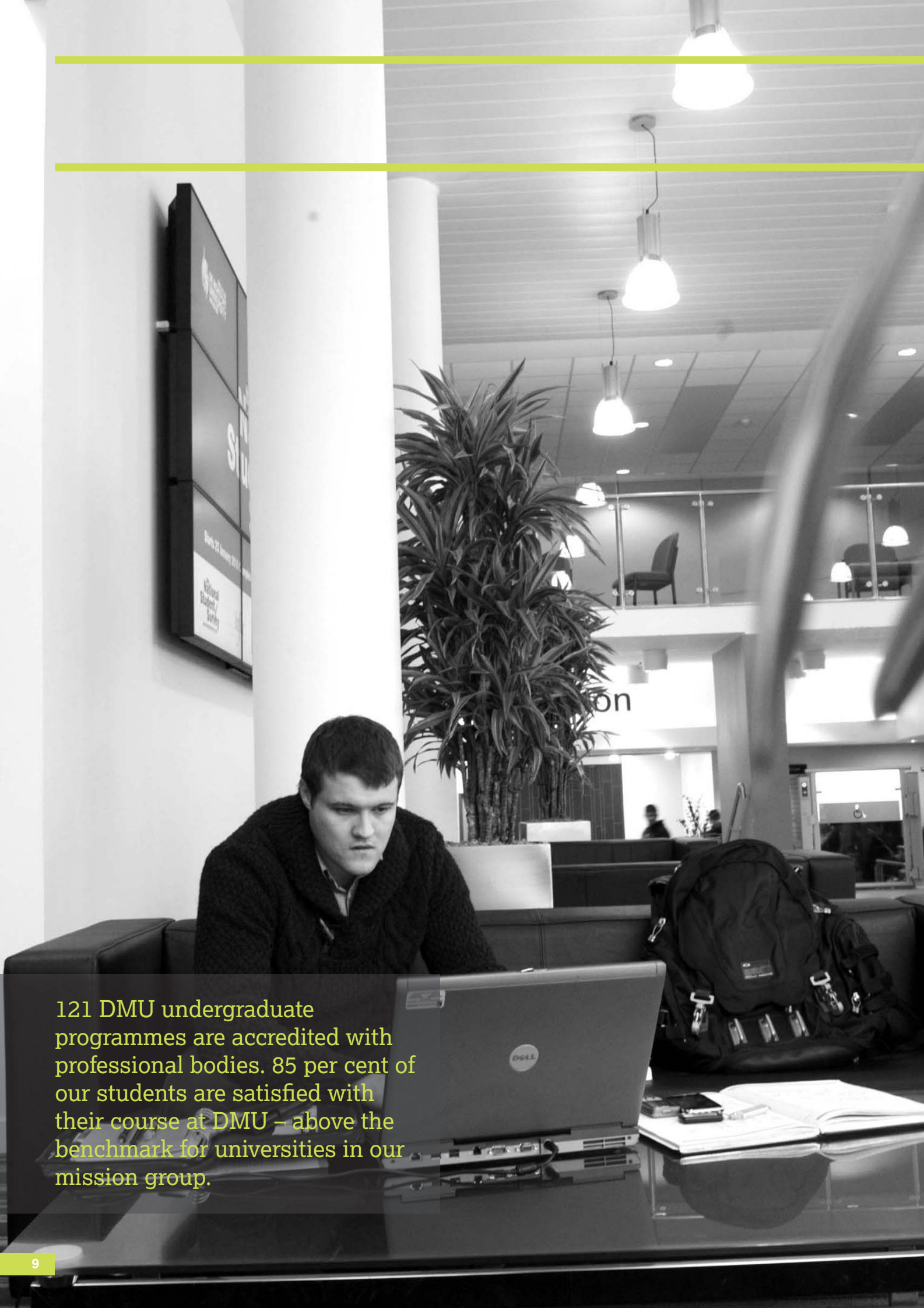
The Square Mile initiative responds directly to the needs and challenges faced by the local area. One example of this was to teach English for free to migrant workers in the area as part of our 'skills' package of projects. We have also created a community choir, hold regular sports activities for young people and we are supporting, particularly older, residents to develop IT skills. DMU's work has also enabled the community to create its first ever residents' panel for the area to assist and offer direction in the projects that aim to make the biggest difference. Through working in partnership with the community, the local authority and other stakeholders, Square Mile aims to show how DMU can utilise life-changing research and teaching to make a measurable difference to people's lives. Our students and staff have worked on research projects that aim to improve the long-term health and

well-being of residents by providing sports opportunities, weight-loss classes and hearing checks to cite just a few examples. They have also given people new skills through engineering workshops like our 'Robot Club' and helped residents take pride in their area through our 'street stories' scheme in which our history academics enabled people to tell nostalgic tales from the area.

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

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





121 DMU undergraduate programmes are accredited with professional bodies. 85 per cent of our students are satisfied with their course at DMU – above the benchmark for universities in our mission group.

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

The university's commitment to quality in learning and teaching is recognised externally through continued success in National Teacher Fellowships (NTF), with two further awards in 2012, maintaining our position as the second most successful university in the UK in total NTF awards received. DMU's strong vocational curriculum is well aligned with the increasing national focus on graduate employability and continues to attract a wide spectrum of students, with particularly strong interest from widening participation applicants.

The strength of our curriculum offer has led to a real improvement in the tariff points on entry of our students over the last three years. Many of our programmes now require a minimum tariff point score of 300. The percentage of students achieving a 2:1 or higher in their finals has also increased and is set to improve further. DMU is also seeing significant improvements in retention and progression rates.

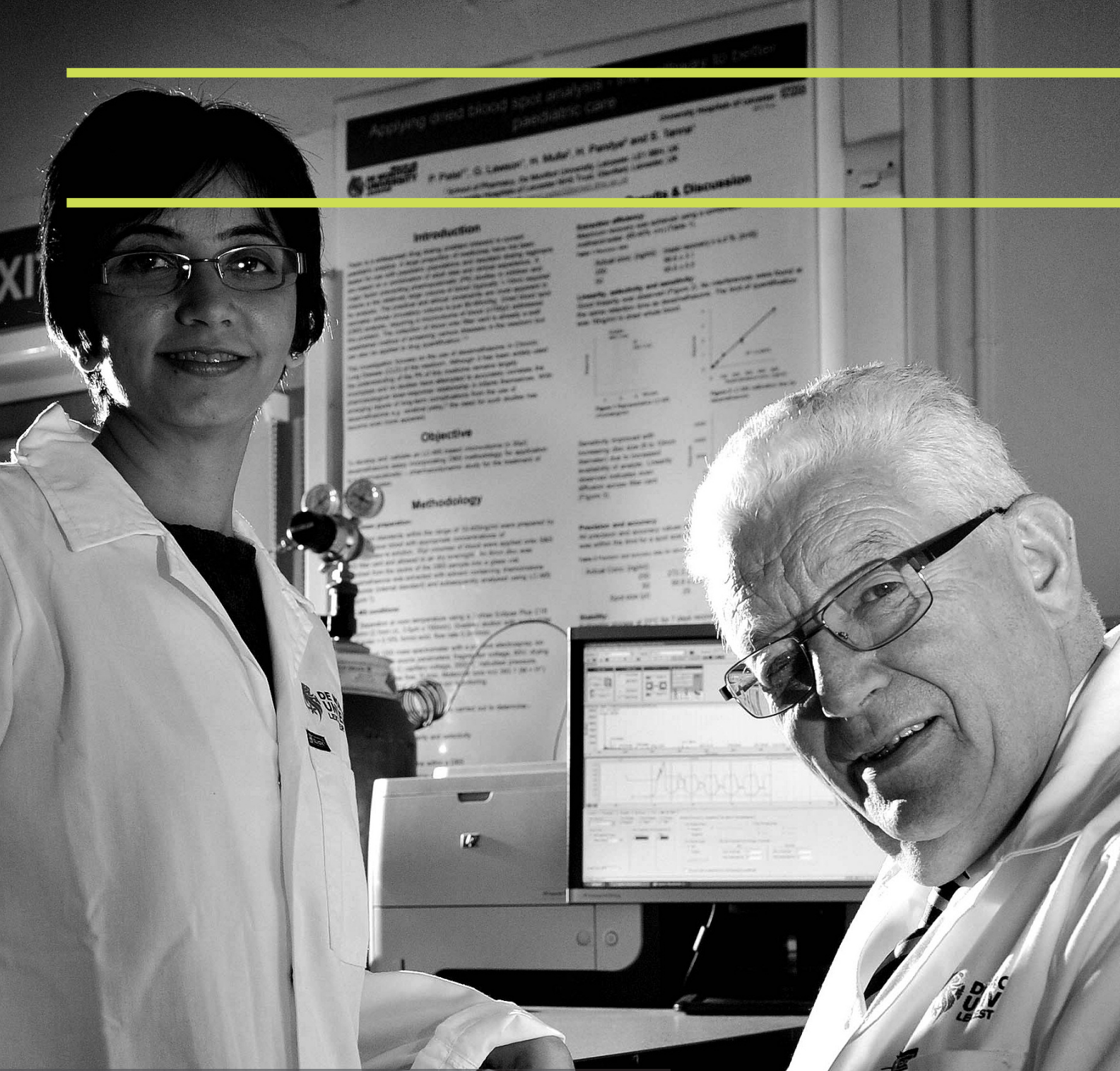
The development with students during 2011-12 of the DMU Student Charter exemplifies the university's commitment to an outstanding student experience.

De Montfort Students Union's election campaign in Spring 2012 achieved 60 per cent increase in votes cast. A dynamic new group of sabbatical officers has been elected this year, who are working actively with university management to collectively deliver activities and enhance the student experience.

A five-year programme of investment has been started to upgrade student facilities with the aim of providing a high-quality and distinctive student environment that supports both academic and co-curricular student activities 24/7. An early example is the opening of the Queen Elizabeth II Diamond Jubilee Leisure Centre in July 2012, transforming the sports and leisure facilities available to students and staff, as well as to the local community.

The university innovates and develops new programmes which meet the needs of our students and employers. A striking instance of this is the validation of a 'With Languages' option. Programmes can now offer a pathway in French, Spanish, Japanese or Mandarin alongside a range of degrees. To complement the increasing focus on graduate employability, we are also delivering more programmes in partnership with business and other employers: The MSc Professional Practice in Digital Forensics and Security has been designed with 7Safe and the BSc (Hons) Business Informatics (HP) with Hewlett-Packard. The Faculty of Business and Law has brought back the undergraduate programme in Public Policy and this is being delivered in partnership with Leicester City Council, providing direct structured placements which are integrated into the curriculum.

In a recent analysis of the university's student population for the university's Access Agreement with the Office of Fair Access, it was determined that 84 per cent of DMU students were from "OFFA-countable" groups shown to be facing some kind of educational disadvantage. University staff have vast experience supporting students from non-traditional backgrounds. A range of additional activities are being implemented, including an improved 'one-stop shop' student support environment to improve the quality, speed and efficiency with which students can obtain advice and support in the new fees era.



In RAE 2008, the majority of research undertaken in the following areas was graded as “World Leading” or “Internationally Excellent”: English Literature and Language, Architecture and Built Environment, Communications, Cultural and Media and Music.

In RAE 2008, DMU was ranked fourth for its English Literature and Language research, with 40 per cent rated as “World Leading”.

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

DMU has achieved notable successes this year across a broad range of research and innovation-related activities including:

- Shortlisting in the Times Higher Education Awards Research Project category for the Dried Blood Spot project. This innovative research has enabled crucial analysis of spots of dried blood and has the potential to save the lives of babies and adults, as well as millions of pounds
- The award of a two year Knowledge Transfer Partnership (KTP) with Park Air to develop an innovative Graphical User Interface (GUI) to present complex information to the different user communities across an airport
- The award of a TSB Collaborative research and development project to Katherine Huddersman, enabling the development of a novel wastewater treatment with partners including the National Farmers Union
- The award of an AHRC Standard Research Project grant applying fuzzy logic techniques to the attribution of photographs to their descriptions in historic exhibitions, led by Professor Stephen Brown and Dr Simon Coupland
- An AHRC Collaborative Doctoral Award between the British Museum and the PhotoHistory Research Centre, led by Professor Elizabeth Edwards, has been received by Andrew Maudslay
- Building on DMU's high reputation in public policy research, a grant has been awarded to research the influence of faith and belief on the formulation, content and operation of health law in the United Kingdom, led by Jo Samanta from the Faculty of Business and Law
- Dr Damir Arsejjevic has been awarded a Leverhulme Early Career Fellowship to be hosted in the English Department at DMU to research media representations in conflict
- The award of 2 Leverhulme Visiting Fellowships in the 2012/2013 academic year
- DMU has continued to be successful in attracting EU funding. We achieved a success rate of 31 per cent in 2010/11 (which is 11 per cent above the EU average). Highlights include the award of an FP7 Marie Curie Fellowship entitled 'BIPV-PCM-COGEN' to Prof Xudong Zhao (IESD)
- Professor Bernd Stahl is a partner on a funded Science in Society (SiS) project, 'GREAT', and Dr Ben Fairweather is a partner on a second funded SiS project, 'Responsibility'. The SiS initiative aims to stimulate a harmonious integration of scientific and technological endeavour and associated research policies in European society.



16,000 – number of hours worked by De Montfort Student Union volunteers in 11/12.

87.8 per cent of students who left in 2011 were in employment or study six months after leaving university; the university ranked 55th out of 127 institutions for employability in terms of performance against regionally adjusted benchmarks.

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

DMU graduates enter into a huge variety of employment on leaving the university, going on to work for companies such as the BBC, Warner Bros, Porsche, Sky TV, Dyson, Nike and GlaxoSmithKline, as well as a wide range of professional and vocational careers, further study or setting up their own businesses. DMU improved its employability performance indicators this year but recognises that there is still huge potential in our graduates that the university should be further identifying and nurturing the development of employment skills.

DMU's new Frontrunners campus-based placement scheme allows students to apply for one of around 150 paid DMU internships per year and is the latest addition to DMU's wide range of employability measures. These internships offer on-the-job training within DMU, across a wide range of specialisms. From summer 2012, Frontrunners is being complemented by the launch of Unitemps, an internal recruitment agency for temporary posts for DMU students and graduates which will enable a significant proportion of the university's temping requirements to be met by our own students, but which will also offer student temping services to the Leicester job market in collaboration with Leicester University.

More than 60 students successfully completed the Enterprise Inc programme with De Montfort University's Campus Enterprise Opportunities team over the last 3 years and started trading with their own business.

More than 2,000 students engaged with the Enhance Your Employability presentations delivered by various businesses and organisations at DMU in 2011/12.

Our online job shop, DMU Works, published more than 4,500 vacancies for students and graduates between 1 August 2011 and 31 May 2012.

DMU new partnership with the world's largest technology company HP was launched in the House of Commons during 2011/12. As well as providing a new joint degree run in conjunction, the partnership also offers DMU students a unique range of industry links and opportunities to boost their employability including placement opportunities, training and industry-led mentoring.

DSU Volunteering works with around 250 local organisations and charities and this year students have been involved in more than 200 different projects and events. These range from students mentoring young people in care, helping children to read and supporting and building friendships with elderly people. Students have also taken part in a sponsored sleep-out to raise money for a homeless charity, arranged a netball tournament for a children's charity, and run an arts and crafts day at the Children's Hospital School at the Leicester Royal Infirmary.

This year, DMU students have broken the record for the number of hours volunteered in the local community by a staggering 7,000. More than 16,000 hours have been logged since last summer by the university's students' union volunteering service, DSU Volunteering - the equivalent of donating a living wage of £115,000 to the local community. This year has also seen 500 more students signing up to volunteer than last year, taking the total number of student volunteers at DMU to 2,200.

To support the rapid growth of DMU employability activities, significant additional staffing resource has been allocated to coordinate activities between faculties and the university, through the appointment of a Head of Employability and additional Careers Advisers dedicated to supporting each faculty's employability and placement team.



Number of full-time undergraduate entry places in the Faculty of Arts, Design and Humanities – 1,400

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

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

As a real underpinning of DMU's commitment to serving the creative economy, the Faculty of Art and Design, the Faculty of Humanities and the Institute of Creative Technologies were merged in 2011/12 to create the new Faculty of Art, Design and Humanities. This has prompted a wide range of curriculum and research synergies with more in the planning pipeline.

DMU's creative drive includes extensive interaction with the City of Leicester and with various community initiatives, including the Square Mile initiative.

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

DMU's Performing Arts students showcase their work in Phoenix Square helping it to improve its business and programme offering, and we continue to contribute to the programme the Cube, the digital gallery at Phoenix Square.

Various programmes which have links with the creative industries, have professional accreditation: the NCTJ accredits our journalism programmes; RIBA have recently granted five-year unconditional validated status to all of our professional architecture programmes, and Game Art Design is the only programme in England bearing Skillset recognition.

DMU has been shortlisted for the Times Higher Education Excellence and Innovation in the Arts award, for the Theatre Archive Project.

The Faculty also provides training programmes for some of the creative industry sector (e.g. Fashion / Contour Fashion Design and Journalism) and extensive consultancy services to the Retail Design, Product Design and Product Manufacturing sectors.



140 different nationalities currently study at DMU, and our staff are made up of 75 different nationalities.

DMU shortlisted for International Strategy of the Year (Times Higher Education)

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

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

DMU's international activity this year resulted in DMU gaining external recognition through a shortlisting for Best International Strategy in the THES Leadership & Management Awards in March 2012, and includes:

- In September 2011, DMU hosted 14 students from Tohoku University who had all been directly affected by the earthquake and tsunami in March 2011
- DMU has been proactively promoting itself on Chinese social networks, blogs and websites as a key conversion strategy for student recruitment, and also providing an information exchange platform for current and prospective students. Last year saw a 50 per cent increase in new enrolments at DMU from China
- DMU continues to reinforce institutional partnerships in China, examples are new agreements with the Wuhan Institute of Technology (WIT) and the highly distinguished Wuhan University
- In 2011, DMU organised a visit to China's Liaoning University for 19 students; this subsequently led to a second visit in 2012 for 25 students. Industrial links and placement operations for students from Leicester to China, and China to Leicester will open up through this scheme and through the Prime Minister Initiative (PMI2)
- In January 2012, DMU signed an important agreement with Thai Nguyen University (TNU), Vietnam, to assist with the development and internationalisation of a range of new foundation and undergraduate programmes to be offered at TNU that will be taught in English, and will permit students to undertake part of their programme of study at DMU, leading to receiving a named degree award from both DMU and TNU
- In April 2012, DMU's strong partnership link building has resulted in two visits to Japan under the Prime Minister's GREAT initiative to promote the UK in Olympics year. On April 23, in partnership with the British Library, DMU hosted an event to display a Shakespeare First Folio and a Sir Arthur Conan-Doyle manuscript for the first time overseas; among other things, a teaching and research agreement was signed with the University of Meisei in Tokyo and a partnership formed with the business giant Sun Wah group
- In July 2012 DMU successfully participated in the Science without Borders one year undergraduate scholarship programme run by the Brazilian government. The scheme started in 2011 in partnership with the UK to attract 10,000 Brazilian students to British universities. The first cohort of students will be enrolling in September with further bids to be submitted for January and September 2013.



DMU ranks 16th out of 145 institutions in the People & Planet Green League 2012, and was awarded a First Class Award.

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

During this first year of a clearly stated commitment to global sustainability, DMU continues to lead the HE sector in the field of sustainability. This year, DMU has produced ground breaking guidance for HEFCE on how universities can measure carbon emissions from waste, water and procurement to help reduce the HE sector carbon footprint and combat climate change. DMU has also, with project partner Arup, developed the world's first tool to help universities measure carbon emissions from everything they buy.

As well as helping others in the HE sector address sustainability DMU has also engaged with its own staff and students through projects such as Green Impact and Student Switch Off to encourage greener behaviours.

Our researchers have also developed an innovative mobile phone application, Greenview, which engages with building users on their energy consumption. This engagement and awareness raising is delivering improvements in environmental performance with recycling rates of over 55 per cent and continued reductions in energy use and carbon emissions.



3. CONCLUSION - THE FUTURE YEAR – OPPORTUNITIES AND RISK

The highest areas of risk and university responses centre upon:

- All universities face uncertainty around student demand, particularly from home students, in the new higher education funding era from 2012/13. As this review is written our applications and confirmed acceptances from full-time undergraduate students are well in line with expectations. To mitigate the risks posed by this potential market volatility including increasing competition around high-quality students, the university continues to undertake extensive scenario analysis and planning, at institutional, faculty and subject level. The university seeks to be able to deliver a targeted portfolio based on thorough market research and student and employer need
- The government has decided to further extend the exemptions to the student number control applied to full time undergraduates from the UK and the EU. While this means another step towards a more commercialised sector, DMU is well positioned to take advantage of this trend – with a range of programmes already which do not accept students on less than 300 tariff points. The university's pro-active portfolio review again is targeting developments towards our national leading subject areas which will attract high-quality graduates
- The university took an informed and strategic decision in April this year when it again decided to set its fees at £9,000 for a full-time undergraduate home student in its submission to the Office of Fair Access. In the short term this may lead to a reduction of the university's student number control limit – but in the longer term will lead to gains in terms of numbers of quality students, and the levels of student satisfaction we are able to deliver
- At the same time, we are conscious of DMU's strong credentials in widening participation in higher education – 86 per cent of our students fulfil one or more widening participation criteria. There is a risk that higher fees and a stagnant economy will deter students from entering higher education. For this reason we have a generous bursary package in place for 2012/13, are actively targeting schools and neighbourhoods with students from disadvantaged backgrounds, and have a wide range of initiatives to improve student engagement and retention. We will be investing up to £2m a year in initiatives and partnerships to improve our graduates' employability
- The considerable reduction in capital funding has led the university to reconsider its financing arrangements. In July 2012 the university secured a £110m bond, of which £20m is retained, enabling the university to fund significant capital improvements to improve the student experience in forthcoming years. This has been arranged with the formal 'consent' of HEFCE and is the largest public bond within the higher education sector in recent years. It will give the university the security to make the appropriate investments during 2012/13 and beyond to achieve its strategic aims
- The university recognises the complex factors which could affect its ability to attract overseas students, including international political developments, the growth of international higher education and UK government immigration policy. The university is responding to these risks through an ambitious international strategy. This includes the development of strategic partnerships, more international activity by the senior team, a strengthened international office, an enhanced international student experience, appropriate portfolio developments, and a greater diversification of sending countries

4. FINANCIAL PERFORMANCE IN 2011/12

The Higher Education sector continues to face a number of challenges and risks as detailed in section 3 of this review. The economic environment, at home and abroad, is likely to prove testing, not least in terms of student recruitment from the reduced student number control limit. The university recognises the need to have a stable and sustainable financial position to respond flexibly to such challenges. Maximisation and diversity of its income portfolio, cost control and securing external funds are all crucial in the delivery of its strategic plan.

In July 2012, the university raised £90m in funding from the issue of an unsecured fixed rate public bond, part of which was utilised to pay off existing bank loans. Securing the funds at a fixed rate over a thirty year term, has removed uncertainty and risk in raising finance for future investment in the capital and infrastructure of the university's assets for the benefit of students and staff.

Results for the year

The university's income and expenditure results for the year ended 31 July 2012 are summarised as follows:

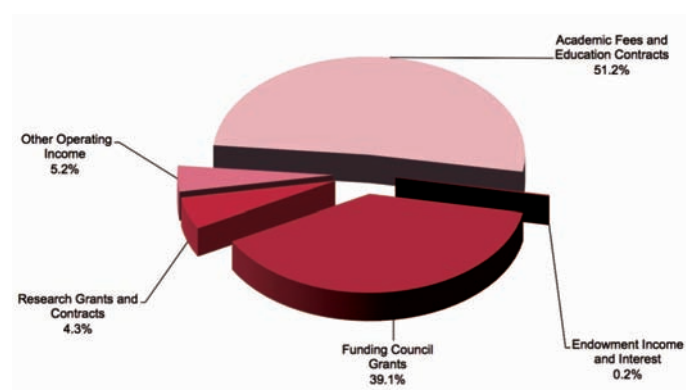
| | 2011/12 £'000 | 2010/11 £'000 |
|--|------------------|------------------|
| Income | 146,987 | 149,433 |
| Expenditure | 145,460 | 149,921 |
| Suplus/(deficit) on continuing operations | 1,527 | (488) |
| Surplus on disposal of tangible fixed assets | 1 | 255 |
| Transfer from endowments | 233 | 75 |
| Difference between historic cost depreciation and actual depreciation charge | 51 | 61 |
| Realisation of revaluation surplus on disposal of assets | - | 681 |
| Historic cost surplus for the year | 1,812 | 584 |

The operating surplus of £1.5m is stated after accounting for an 'exceptional' item of £6.9m, being the breakage costs payable in respect of the early redemption of loans with Lloyds Banking Group. Although income has fallen in 2011/12, expenditure has reduced at a faster pace most notably in respect of pay costs.

Income analysis

Total income decreased by £2.4m, 1.6 per cent, from 2010/11.

Income Analysis 2011/12



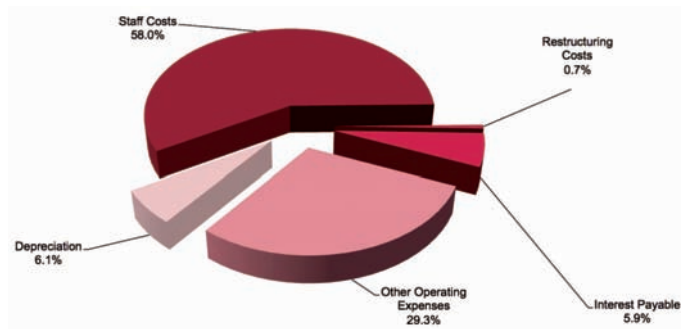
Some significant movements within the individual income categories as analysed above were:

- Funding Council Grants were reduced by £6.6m (10.3 per cent); Recurrent Grants were lower by £2.9m and specific grants by £2.9m as various initiatives come to an end in 2011/12
- Academic fees and education contracts have risen by £4.4m (6.2 per cent), with both home and overseas income improving by 9 per cent and 10 per cent respectively.

Expenditure analysis

Total expenditure reduced by £4.4m, 3.0%, from the prior year.

Expenditure Analysis 2011/12



Balance Sheet

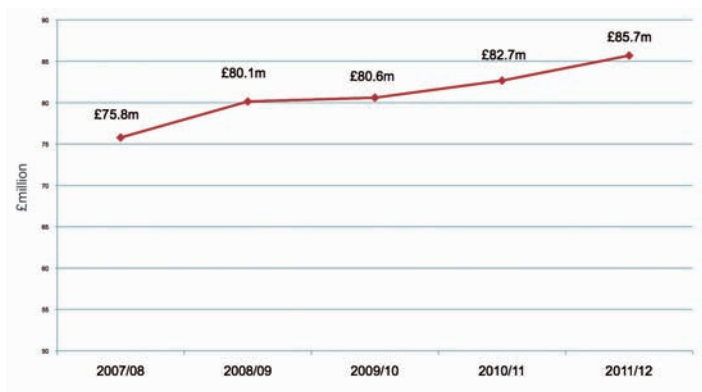
The university's consolidated group balance sheet at 31 July 2012 discloses total net assets of £220m, being an increase of £114m from 2010/11. Net current assets have increased by £55.7m to £66.1m. The key changes in the balance sheet year-on-year are:

- Fixed tangible assets increased by £122.4m (net of depreciation), giving a total fixed assets value of £274.1m. The university invested £13.9m during 2011/12 of which £7.5m was in respect of the Queen Elizabeth II Diamond Jubilee Leisure Centre and £1.8m for the refurbishment of the Edith Murphy building. Both of the buildings became fully operational in the year
- The net book value of fixed assets has increased by £122.4m of which £118m was in respect of the revaluation of the university's land and buildings, and inclusion of 'heritage assets' for the first time
- Current debtors have decreased by £1.6m, as a result of the tightening of credit control procedures in the year
- Reduction in current creditors of £1.0m
- An overall increase in creditors, falling due after more than one year, of £63m, which arises due to the issue of the public bond, included at a value of £86m, net of transaction costs

- A decrease in provisions for liabilities and charges of £1.8m at 31 July 2012 as compared to 2010/11 when substantial restructuring took place.

Liquidity has continued to remain healthy bolstered by the positive operating position, and capital grants. The level of general income and expenditure reserves increased by £3.0m to £85.7m, as at the balance sheet date. The level of general reserves has increased steadily in recent years as highlighted in the graph below.

General Income and Expenditure Reserves



STATEMENT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

This statement outlines for readers of the financial statements the corporate governance procedures adopted by the Board of Governors.

The Board of Governors recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times, and to ensure that it discharges its duties with due regard for the proper conduct of a publicly-funded business. In carrying out its responsibilities, full account is taken of the Committee of University Chairs (CUC) Governance Code of Practice and Principles published in November 2004 and of the requirements of the Charities Act 1993 and 2006.

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

SUMMARY OF THE UNIVERSITY'S STRUCTURE OF CORPORATE GOVERNANCE

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

It is a requirement of the Instrument of Government of the Corporation that there should be a majority of Board members who are non-executive and independent; and that the Board should comprise no less than 12 and no more than 25 members (including the Vice-Chancellor ex-officio). Currently the Board has a total of 14 members (including the Chancellor and the Vice-Chancellor ex-officio), 9 of whom are independent governors as defined under the Articles together with one co-opted external governor. The remaining two members of the Board of Governors include representatives of the Academic Board and the student body. The university has a number of vacant posts to fill should it wish to broaden the depth of its membership which is actively considered at the Nominations Committee each year.

The principal officer is the Vice-Chancellor, who has responsibility to the Board of Governors for the organisation, direction and management of the university. He is also the designated Accountable Officer for the purposes of the Financial Memorandum with the Higher Education Funding Council for England. The Vice-Chancellor is supported by an Executive Board comprising the Deputy Vice-Chancellor and Dean of Business and Law, the Pro Vice-Chancellor for Research and Innovation, the Pro Vice-Chancellor for Teaching and Learning, the Pro Vice-Chancellors/ Deans of the respective Faculties, the Chief

Operating Officer, the Director of Finance, the Director of Student and Academic Services, the Chief Information Officer, the Director of Marketing and Communications, the Director of Strategic Partnerships and the Vice-Chancellor's Executive Officer.

CONDUCT OF BUSINESS

The Board of Governors is responsible for, amongst other matters, the determination of the educational character and mission of the university and for the general oversight of its activities. It approves the university's strategy, which supports and informs the setting of the strategic and other priorities for the next year. In the conduct of its formal business and in addition to the strategic away day when required, the Board meets four times a year. It has a number of formally constituted committees- Audit, Finance and Human Resources, Nominations, and Remuneration, each of which has clearly defined, delegated responsibilities.

The Audit Committee regularly meets the external and internal auditors through their attendance at each meeting of the Committee. The Audit Committee considers internal audit reports and recommendations for the improvement of the university's systems of internal control, together with management's responses and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England (HEFCE) as they affect university business, monitors adherence with regulatory requirements and discusses the results of the external audit process with the auditors. The terms of reference of the Audit Committee incorporate its role in monitoring, and reporting upon, the effectiveness of the university's risk management, data management quality, and value for money processes and procedures. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members and the Committee may meet the internal and external auditors on their own for independent discussions.

The Finance and Human Resources Committee, inter alia, recommends to the Board of Governors annual revenue and capital budgets, and monitors performance in relation to the approved budgets. The Committee also reviews and recommends to the Board, the University Financial Regulations, financial policies and the annual financial statements. It reviews the accounting policies that are applied to the preparation of the financial statements and to budgets and estimates, including any significant matters of judgement that require consideration, and meets with the external auditors to discuss the financial statements. It determines matters in relation to the conditions of employment of all university staff and has oversight of the implementation and operation of change management policies as they affect staff employment and of management training and development. It also has oversight of the university's compliance with legislation relating to diversity and equality as it relates to, and impacts on, not only staff, but also students and other parties.

The Nominations Committee reviews the membership of the Board, advising on the skills mix available and that required by the Board to fulfil its responsibilities. It considers nominations of new external Governors, making recommendations to the relevant appointing authority.

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

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

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

FINANCIAL RESPONSIBILITIES OF THE UNIVERSITY'S BOARD OF GOVERNORS

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

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the university and enable it to ensure that the financial statements are prepared in accordance with the university's Articles, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. As a Higher Education Corporation, the Board, through its designated Accountable Officer, produces financial statements for each financial year, which give a true and fair view of the state of affairs of the university and of the surplus or deficit and cash flows for that year. These statements are also submitted to HEFCE, under the terms and conditions of the Financial Memorandum agreed between the Funding Council and the University.

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

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

The Board of Governors has taken reasonable steps to:

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

INTERNAL CONTROL

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

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

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

RISK MANAGEMENT

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

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

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

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

- An annual programme of those topics to be considered by the Board at its meetings to ensure that it is focused on the key strategies, activities and targets for the university
- Performance-monitoring reports designed to monitor performance against targets and provide a link to the university's strategic planning and risk management process
- The development of Key Performance Indicators linked to externally available data, to ensure the university's performance against strategic objectives is viewed within the context of the performance of the higher education sector as a whole
- An organisation-wide risk register, using commonly agreed template and assessment matrices, that is regularly updated via an independent Risk Management Committee, which reports to the Audit Committee of the Board of Governors. The Risk Management Committee is chaired by the Chief Operating Officer
- A statement of risk management policy agreed by the Board of Governors; and guidelines issued to all risk owners and senior staff
- Updating of the risk register through consultation with Faculties, Directorates and members of Executive Board to ensure broad representation of knowledge, expertise and risk exposure is achieved when identifying and assessing risk. Risk registers are updated at least three times a year with mechanisms for capturing new developments outside of the cycle. These risks cover: governance, management, quality, reputation and financial risks and seek to establish a balanced portfolio of risk exposure
- Identification of high-level corporate risks, aligned to areas of the strategic plan; each of these risks is assigned an owner at Executive Board level

- Members of the Risk Management Committee vote anonymously to arrive at common assessments of the likelihood and impact of key risks
- An annual assessment by the Board of Governors taking account of the work of the Senior Executive and other officers and the review undertaken by the Audit Committee, including the reports from internal and external auditors
- Provision of risk awareness training and dissemination of good practice. Regular reviews of the risk priorities at both the Senior Executive and at Faculty/department level and the compilation of Faculty and Directorate risk registers which are reviewed by the Risk Management Committee
- Oversight of risk management processes, including support of the Risk Management Committee, is undertaken by the Director of Strategic Planning, supported by Executive Officer staff, and reporting to the Chief Operating Officer.

GOING CONCERN STATEMENT

After making enquiries, the Board of Governors has a reasonable expectation that the university has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing accounts.

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

We have audited the Group and University financial statements (the 'financial statements') of DMU for the year ended 31 July 2012 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out therein.

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

RESPECTIVE RESPONSIBILITIES OF THE BOARD OF GOVERNORS AND AUDITOR

As explained more fully in the Statement of Corporate Governance set out on page 25 the Board of Governors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- Give a true and fair view of the state of the affairs of the Group and University as at 31 July 2012 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

M J Rowley

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

1. ACCOUNTING CONVENTION

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

2. TANGIBLE FIXED ASSETS

i) Capitalisation

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

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

Or

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

Or

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

ii) Valuation

Land and buildings, included in tangible fixed assets, are recognised at current market cost. This is a change in accounting policy for the university as previously it has adopted the transitional arrangements available under FRS15. Innes England, an independent firm of Commercial Property Consultants, valued the land and buildings as at 30 May 2012 for inclusion in the balance sheet at 31 July 2012; the basis of valuation being depreciated replacement cost. Innes England further confirmed that, in their opinion, the value of the property had not moved between the date of their valuation and 31 July 2012. In future years, land and buildings will require to be valued on a 3-5 year cycle by an independent firm in compliance with FRS15.

All other tangible fixed assets are stated at cost.

Buildings are depreciated over their expected useful life, which is normally 50 years except for certain building improvements, which are depreciated over 20 years. Leasehold property is depreciated over the life of the lease.

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

A review for impairment of buildings is carried out annually. If events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable, depreciation is adjusted accordingly.

iii) Depreciation

Land is not depreciated. Leasehold property including improvements to leasehold property, and other leased assets are depreciated over the life of the lease. Where assets comprise two or more major components with substantially different useful economic lives, each component is accounted for and depreciated over its individual economic life. Other tangible assets are depreciated on a straight-line basis over their useful life as follows:

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

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

Depreciation on disposals is as follows:

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

iv) Funded tangible fixed assets

Where assets are acquired with the aid of specific grants or donations they are capitalised and depreciated as above. The related grants and donations are treated as deferred capital grants and released to income over the expected useful life of the asset (or the period of the grant in respect of specific projects). Grants received in respect of land are released to the Income and Expenditure Account as donations in the year in which the expenditure is incurred.

v) Tangible donated fixed assets

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

vi) IT equipment and software licences

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

IT software licences are treated as a revenue cost and are charged to the Income and Expenditure Account in the year of purchase.

vii) Heritage assets

Heritage assets are defined as assets that are held principally for their contribution to knowledge and culture. The accounting treatment and disclosure of these assets is governed by FRS30 (Heritage Assets).

Heritage assets are being recognised for the first time in the university's financial statements in accordance with FRS30. Adam N Scoon, an independent antiques and fine art valuer, valued the heritage assets as at 16 September 2011. Therefore those assets, which are valued either individually or as a group at or in excess of £10,000, are recognised in the Balance Sheet at this valuation where a valuation is reasonably obtainable. Heritage Assets included are not depreciated since their long economic life and high residual value are an indication that any depreciation charge is immaterial. They are subject to impairment reviews if damage or deterioration is reported. They are maintained and the cost of maintenance charged to the income and expenditure accounts as incurred.

3. INTANGIBLE ASSETS

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

4. LEASES

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of the lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to the Income and Expenditure Account in equal amounts over the periods of the leases.

5. FUNDING COUNCIL GRANTS

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

Capital grants and contributions received by the university to finance the construction or purchase of capital assets are accounted for as deferred capital grants and released to the Income and Expenditure Account over the expected useful life of the related assets.

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

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

6. STOCKS

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

7. TAXATION STATUS

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

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

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

8. DEFERRED TAXATION

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

9. PENSION SCHEME ARRANGEMENTS

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

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

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

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

10. RECOGNITION OF INCOME

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

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

11. CONSOLIDATION

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

The consolidated financial statements do not include those of DMU Students' Union Limited, as it is a separate Limited company in which the University has no financial interest. In 2011/12, the university made the recurrent grant to DMU Students' Union Limited of £726,000 (2010/11: £735,000).

12. CASH FLOWS AND LIQUID RESOURCES

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

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

13. MAINTENANCE OF PREMISES

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

14. STAFF RESTRUCTURING COSTS

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

15. PROVISIONS

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

16. INVESTMENTS

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

17. FOREIGN CURRENCIES

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

18. ACCOUNTING FOR CHARITABLE DONATIONS

i) Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

ii) Endowment funds

Where charitable donations are to be retained for the benefit of the Institution as specified by the donors, these are accounted for as endowments. There are three main types.

- Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the Institution
- Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the Institution can convert the donated sum into income
- Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

iii) Donations for fixed assets

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

iv) Gifts in kind, including donated tangible fixed assets

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

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31 July 2012

| | Note | 2012 £'000 Total | 2011 £'000 Total |
|--|------|------------------------|------------------------|
| Income | | | |
| Funding council grants | 1a | 57,458 | 64,056 |
| Academic fees and education contracts | 1b | 75,308 | 70,917 |
| Research grants and contracts | 1c | 6,275 | 7,095 |
| Other operating income | 1d | 7,628 | 7,129 |
| Endowment income and interest receivable | 1e | 318 | 236 |
| Total Income | | 146,987 | 149,433 |
| Expenditure | | | |
| Staff costs | 2 | 84,472 | 90,381 |
| Staff restructuring costs | | 968 | 6,548 |
| Other operating expenses | 3 | 42,641 | 41,778 |
| Interest payable | 4 | 8,518 | 2,245 |
| Depreciation | 6 | 8,861 | 8,969 |
| Total Expenditure | 5 | 145,460 | 149,921 |
| Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items | | 1,527 | (488) |
| Exceptional items: continuing operations | | | |
| Surplus on disposal of tangible fixed assets | | 1 | 255 |
| Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets | | 1,528 | (233) |
| Transfer from accumulated income within endowments | 8 | 233 | 75 |
| Surplus/(deficit) for the year retained within general reserves | | 1,761 | (158) |

The consolidated surplus includes a surplus of £1,761k (2010/11: deficit of £33k) that has been dealt with in the accounts of the university.

All items dealt with above relate to continuing operations.

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

For the Year Ended 31 July 2012

| | Note | 2012 £'000 Total | 2011 £'000 Total |
|--|------|------------------------|------------------------|
| Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets | | 1,528 | (233) |
| Difference between historical cost depreciation charge and actual depreciation charge for the year | 17 | 51 | 61 |
| Realisation of revaluation surplus on disposal of assets | 17 | - | 681 |
| Historical cost surplus for the year | | 1,579 | 509 |
| Historical cost surplus for the year retained after transfers in respect of endowments | | 1,812 | 584 |

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

BALANCE SHEET

As at 31 July 2012

| | Note | Group 2012 £'000 | Group 2011 £'000 | Corporation 2012 £'000 | Corporation 2011 £'000 |
|--|------|---------------------|---------------------|---------------------------|---------------------------|
| Fixed assets | | | | | |
| Tangible assets | 6 | 274,118 | 151,720 | 274,118 | 151,720 |
| Investments | 7 | 343 | 310 | 653 | 620 |
| | | 274,461 | 152,030 | 274,771 | 152,340 |
| Endowment asset investments | 8 | 1,218 | 1,068 | 1,218 | 1,068 |
| Current assets | | | | | |
| Stocks | 9 | 122 | 131 | 122 | 131 |
| Properties held for resale | | 4,002 | 4,432 | 4,002 | 4,432 |
| Debtors - amounts falling due within one year | 10 | 4,896 | 6,474 | 5,104 | 6,475 |
| Investments | 11 | 76,251 | 20,277 | 75,308 | 19,603 |
| Cash at bank and in hand | | 993 | 217 | 988 | 213 |
| | | 86,264 | 31,531 | 85,524 | 30,854 |
| Creditors: amounts falling due within one year | 12 | (20,132) | (21,131) | (19,959) | (21,021) |
| Net current assets | | 66,132 | 10,400 | 65,565 | 9,833 |
| Total assets less current liabilities | | 341,811 | 163,498 | 341,554 | 163,241 |
| Creditors: amounts falling due after more than one year | 13 | (86,032) | (22,871) | (86,032) | (22,871) |
| Provisions for liabilities and charges | 14 | (1,189) | (3,036) | (1,189) | (3,036) |
| | | (87,221) | (25,907) | (87,221) | (25,907) |
| Total net assets excluding pension deficit | | 254,590 | 137,591 | 254,333 | 137,334 |
| Pension deficit | 29d | (34,732) | (31,621) | (34,732) | (31,621) |
| Total net assets including pension deficit | | 219,858 | 105,970 | 219,601 | 105,713 |
| Represented by: | | | | | |
| Deferred capital grants | 15 | 41,382 | 44,890 | 41,382 | 44,890 |
| Endowments | | | | | |
| Expendable | | 758 | 610 | 758 | 610 |
| Permanent | | 460 | 458 | 460 | 458 |
| | 16 | 1,218 | 1,068 | 1,218 | 1,068 |
| Reserves | | | | | |
| Revaluation reserve | 17 | 126,290 | 8,965 | 126,290 | 8,965 |
| Income and expenditure account | 17 | 85,700 | 82,668 | 85,443 | 82,411 |
| Pension reserve | 17 | (34,732) | (31,621) | (34,732) | (31,621) |
| Total reserves | | 177,258 | 60,012 | 177,001 | 59,755 |
| Total reserves and endowments | | 178,476 | 61,080 | 178,219 | 60,823 |
| Total funds | | 219,858 | 105,970 | 219,601 | 105,713 |

The financial statements on pages 29 to 58 were approved by the Board of Governors on 22 November 2012 and were signed on its behalf by

Mr I Blatchford
Chairman

Professor D Shellard
Chief Executive and Vice-Chancellor

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

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

For the Year Ended 31 July 2012

| | | 2012 £'000 | 2011 £'000 |
|---|------|----------------|---------------|
| | Note | Total | Total |
| Surplus/(deficit) on continuing operations after depreciation of assets | | 1,528 | (233) |
| Increase in value of fixed asset investment | 17 | 8 | 14 |
| Increase in value of land and buildings | 17 | 116,681 | - |
| Increase in value of heritage assets | 17 | 687 | - |
| New endowed funds | 16 | 380 | 231 |
| Appreciation of endowed funds | 16 | 3 | 10 |
| FRS17 actuarial (loss)/gain | 29d | (1,891) | 20,515 |
| Total recognised gains relating to the year | | 117,396 | 20,537 |
| Opening reserves and endowment | | 61,080 | 40,543 |
| Total recognised gains | | 117,396 | 20,537 |
| Closing reserves and endowments | | 178,476 | 61,080 |

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

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 July 2012

| | Note | 2012 £'000 | 2011 £'000 |
|---|------|---------------|---------------|
| Net cash inflow from operating activities | 19 | 13,695 | 5,197 |
| Returns on investments and servicing of finance | | | |
| Interest received | 20 | 326 | 233 |
| Interest paid | 20 | (8,095) | (915) |
| Bond transaction costs | 20 | (3,994) | - |
| | | (11,763) | (682) |
| Net cash inflow from returns on investments and servicing of finance | | 1,932 | 4,515 |
| Capital expenditure | | | |
| Payments to acquire tangible assets | | (12,500) | (13,875) |
| Proceeds of sale of tangible assets | | 1 | 1,993 |
| Deferred capital grants received | | 666 | 3,077 |
| Net cash outflow from capital expenditure | | (11,833) | (8,805) |
| Net cash outflow before management of liquid resources | | (9,901) | (4,290) |
| Management of liquid resources | | | |
| Cash transferred (to)/from term deposits | 22 | (55,974) | 3,863 |
| Financing | | | |
| Bond issue | 21 | 90,000 | - |
| Loan drawn down in year | 21 | - | 70 |
| Loan repayment in year | 21 | (23,348) | (430) |
| | 22 | 66,652 | (360) |
| Increase/(decrease) in cash | 22 | 777 | (787) |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | Note | 2012 £'000 | 2011 £'000 |
|---|------|---------------|---------------|
| Increase/(decrease) in cash in the year | 22 | 777 | (787) |
| Cash inflow/(outflow) from liquid resources | 22 | 55,974 | (3,863) |
| Bond issue | 21 | (90,000) | - |
| New loans taken out in year | 21 | - | (70) |
| Loan repayment in year | 21 | 23,348 | 430 |
| Change in net funds | | (9,901) | (4,290) |
| Net (debt)/funds at 1 August | | (2,898) | 1,392 |
| Net debt at 31 July | | (12,799) | (2,898) |

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

NOTES TO THE ACCOUNTS

1. Analysis of income

| | 2011/2012 £'000 | 2010/2011 £'000 |
|--|--------------------|--------------------|
| a) Funding council grants | | |
| Recurrent grants | | |
| Higher Education Funding Council | 52,134 | 55,027 |
| Learning and Skills Council | 1,072 | 845 |
| Specific grants | | |
| Employer Engagement | - | 1,083 |
| Higher Education Innovation Fund | 804 | 2,056 |
| Graduate Internship Project | - | 332 |
| HEFCE Matched Funding | 2 | 159 |
| E-Marketplace | (43) | 43 |
| Releases of deferred capital grants (note 15) | | |
| Buildings | 1,512 | 1,452 |
| Equipment | 1,977 | 3,059 |
| Total | 57,458 | 64,056 |
| b) Academic fees and education contracts | | |
| Home and EU students | 47,699 | 43,754 |
| Overseas students | 14,788 | 13,460 |
| Education contracts | 11,945 | 12,100 |
| Other contracts | 876 | 1,603 |
| Total | 75,308 | 70,917 |
| c) Research grants and contracts | | |
| Research councils | 1,540 | 1,607 |
| UK-based charities | 293 | 307 |
| European commission | 816 | 943 |
| Other grants and contracts | 3,626 | 4,238 |
| Total | 6,275 | 7,095 |
| d) Other operating income | | |
| Residences and catering | 3,478 | 3,515 |
| Other services rendered | 2,023 | 1,665 |
| Other income | 1,379 | 1,406 |
| Releases of deferred capital grants (note 15) | 685 | 541 |
| Donations | 63 | 2 |
| Total | 7,628 | 7,129 |
| e) Endowment income and interest receivable | | |
| Income from expendable endowments (note 16) | 7 | 5 |
| Income from permanent endowments (note 16) | 12 | 12 |
| Interest on short-term investments | 256 | 219 |
| Interest from HMRC | 43 | - |
| Total | 318 | 236 |

2. Staff costs and other details

| | 2011/2012 £'000 | 2010/2011 £'000 |
|--|--------------------|--------------------|
| a) Staff Costs | | |
| Wages and salaries | 69,177 | 74,865 |
| Social security costs | 5,732 | 6,093 |
| Other pension costs | 8,729 | 9,277 |
| The financial effects of the adoption of FRS17 | 834 | 146 |
| Total | 84,472 | 90,381 |

b) Employee numbers

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

| | 2011/2012 | 2010/2011 |
|--------------|--------------|--------------|
| Academic | | |
| Full-time | 663 | 734 |
| Part-time | 215 | 221 |
| Support | 1,031 | 1,155 |
| Total | 1,909 | 2,110 |

c) Senior post holder emoluments

| | | |
|-----------------------------------|------------|------------|
| Vice-Chancellor | | |
| Emoluments of the Vice-Chancellor | 193 | 207 |
| Pension contributions | 30 | 30 |
| | 223 | 237 |

The emoluments, including taxable benefits, of the Vice-Chancellor are shown on the same basis as for higher paid staff and exclude employer's national insurance contributions.

The university's pension contributions to the Teachers' Pension Scheme in respect of the Vice-Chancellor is paid at the same rates as for other academic staff. This represents employer's pension contributions of 14.1% (2010/11: 14.1%).

The Contract of Employment of the Vice-Chancellor provides for termination by the Corporation on giving 12 months' notice or the Vice-Chancellor reaching the age of 65.

d) Remuneration of other higher paid staff

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

| | 2011/2012 | 2010/2011 |
|---------------------|-----------|-----------|
| £100,000 - £109,999 | 2 | 3 |
| £110,000 - £119,999 | 6 | 4 |
| £120,000 - £129,999 | 1 | 2 |
| £130,000 - £139,999 | 1 | - |
| £140,000 - £149,999 | - | 1 |
| £150,000 - £159,999 | - | 1 |

| Compensation for loss of office payable to senior post-holders | 2011/2012 £'000 | 2010/2011 £'000 |
|--|--------------------|--------------------|
| Compensation payable | 394 | - |

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

3. Other operating expenses

| | | 2011/2012 £'000 | 2010/2011 £'000 |
|---|--|--------------------|--------------------|
| External auditors remuneration | Group audit | 49 | 46 |
| The above remuneration includes £40k in respect of the audit of the University (2011: £38k) | | | |
| Auditors fees for non-audit services | Other services supplied pursuant to such legislation | - | 3 |
| | Other services relating to taxation | - | - |
| | Valuation and actuarial services | - | - |
| | Other | 7 | 27 |
| Internal audit services | | 84 | 85 |
| Residences and catering | | 1,999 | 2,380 |
| Rent, rates and insurance | | 791 | 789 |
| Repairs and general maintenance | | 4,154 | 3,389 |
| Energy | | 2,085 | 2,152 |
| Administrative expenses | | 4,503 | 4,454 |
| Research grants and contracts | | 1,750 | 2,071 |
| Legal, professional and consultancy fees | | 6,321 | 4,117 |
| General education expenses | | 5,099 | 5,454 |
| Student bursaries | | 8,009 | 8,817 |
| Publicity | | 1,759 | 2,101 |
| Staff development | | 463 | 468 |
| Travel and subsistence | | 1,682 | 1,334 |
| Grant to De Montfort University Students' Union Limited | | 726 | 735 |
| Consumables | | 2,436 | 2,427 |
| Other | | 724 | 929 |
| Total | | 42,641 | 41,778 |
| Other operating expenses include: | | 2011/2012 £'000 | 2010/2011 £'000 |
| Operating leases - buildings | | 283 | 296 |
| Operating leases - equipments | | 151 | 282 |

Governors

No governor has received any remuneration/waived payments for the Group during the year (2011: none)

The total expenses paid to or on behalf of 15 governors was £14,962 (2011: £38,435 to 26 governors).

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

4. Interest payable

| | 2011/2012 £'000 | 2010/2011 £'000 |
|---|--------------------|--------------------|
| Bank loan | 982 | 911 |
| Net Financing costs in Pension Scheme Liabilities (under FRS17) | 386 | 1,334 |
| Interest on bond | 186 | - |
| | 1,554 | 2,245 |
| Bank loan breakage cost | 6,964 | - |
| Total | 8,518 | 2,245 |

5. Analysis of 2011/2012 expenditure by activity

| | Staff costs £'000 | Other operating expenses £'000 | Interest £'000 | Depreciation £'000 | Total £'000 | 2010/2011 Total £'000 |
|-------------------------------|----------------------|--------------------------------------|-------------------|-----------------------|----------------|-----------------------------|
| Academic departments | 50,796 | 9,473 | - | 1,857 | 62,126 | 69,285 |
| Academic services | 7,733 | 3,546 | - | 1,201 | 12,480 | 14,057 |
| Admin and central services | 9,737 | 4,887 | - | 632 | 15,256 | 12,905 |
| General education expenditure | 3,703 | 12,064 | - | 115 | 15,882 | 14,785 |
| Staff and student facilities | 2,825 | 1,626 | - | 72 | 4,523 | 4,490 |
| Premises | 4,959 | 6,787 | - | 4,705 | 16,451 | 15,606 |
| Residences and catering | 349 | 1,999 | - | 150 | 2,498 | 2,976 |
| Research grants and contracts | 3,013 | 1,750 | - | 129 | 4,892 | 5,978 |
| Other services rendered | 523 | 461 | - | - | 984 | 893 |
| Other expenditure | - | - | 8,132 | - | 8,132 | 911 |
| Provision for restructuring | 968 | 48 | - | - | 1,016 | 6,555 |
| FRS17 adjustment | 834 | - | 386 | - | 1,220 | 1,480 |
| Total | 85,440 | 42,641 | 8,518 | 8,861 | 145,460 | 149,921 |

The depreciation charge has been funded by:

| | £'000 |
|--|--------------|
| Deferred capital grants released (note 15) | 3,643 |
| Revaluation reserves released (note 17) | 51 |
| General income | 5,167 |
| | 8,861 |

6. Tangible fixed assets and depreciation

| Group and Corporation | Land and buildings £'000 | Buildings under construction £'000 | Furniture and equipment £'000 | Computer equipment £'000 | Heritage Assets £'000 | Total £'000 |
|---------------------------------|-----------------------------|---------------------------------------|----------------------------------|-----------------------------|--------------------------|----------------|
| Cost or valuation | | | | | | |
| At 1 August 2011 | 170,579 | 8,015 | 14,606 | 13,471 | - | 206,671 |
| Additions at cost | 9,649 | 57 | 832 | 3,346 | - | 13,884 |
| Transfers to land and buildings | 8,015 | (8,015) | - | - | - | - |
| 2012 revaluation | 79,307 | - | - | - | 687 | 79,994 |
| Disposals | 11 | - | - | (2,137) | - | (2,126) |
| At 31 July 2012 | 267,561 | 57 | 15,438 | 14,680 | 687 | 298,423 |
| Depreciation | | | | | | |
| At 1 August 2011 | 33,887 | - | 11,401 | 9,663 | - | 54,951 |
| Charge for the year | 4,709 | - | 1,423 | 2,729 | - | 8,861 |
| 2012 revaluation | (37,374) | - | - | - | - | (37,374) |
| Disposals | 4 | - | - | (2,137) | - | (2,133) |
| At 31 July 2012 | 1,226 | - | 12,824 | 10,255 | - | 24,305 |
| Net book value: | | | | | | |
| At 31 July 2012 | 266,335 | 57 | 2,614 | 4,425 | 687 | 274,118 |
| At 31 July 2011 | 136,692 | 8,015 | 3,205 | 3,808 | - | 151,720 |

The net book value of tangible fixed assets held under finance leases at 31 July 2012 was nil (31 July 2011: nil). Of the net book value of land and buildings, £266,392,000 as at 31 July 2012, £407,000 is held at cost and £265,985,000 is held at the 2012 valuation. The historical cost equivalent of the re-valued land and buildings is £140,461,000 as at 31 July 2012.

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

| | Group and Corporation | |
|--------------|-----------------------|--------------------|
| | 2011/2012 £'000 | 2010/2011 £'000 |
| Freehold | 265,985 | 136,125 |
| Long lease | 407 | 567 |
| Total | 266,392 | 136,692 |

7. Investment

| | Group 2011/2012 £'000 | Group 2010/2011 £'000 | Corporation 2011/2012 £'000 | Corporation 2010/2011 £'000 |
|---|-----------------------------|-----------------------------|-----------------------------------|-----------------------------------|
| Movement in the year | | | | |
| Balance at beginning of year | 310 | 296 | 620 | 606 |
| Additions | 25 | - | 25 | - |
| Disposals | - | (1) | - | (1) |
| Appreciation of investments | 8 | 15 | 8 | 15 |
| Balance at year end | 343 | 310 | 653 | 620 |
| Analysis of closing balance | | | | |
| Shareholding in subsidiary undertakings | - | - | 310 | 310 |
| Other investments | 305 | 272 | 305 | 272 |
| Shareholding in CVCP Properties PLC | 38 | 38 | 38 | 38 |
| | 343 | 310 | 653 | 620 |

a) Shareholdings in subsidiary undertakings

At year end, investments in subsidiary undertakings comprise:

| | Group holding % | Corporation 2011/2012 £ | 2010/2011 £ | Description of activities |
|------------------------------------|-----------------------|-------------------------------|----------------|--|
| Directly owned by the university: | | | | |
| De Montfort Expertise Ltd | 100 | 310,000 | 310,000 | Provision of contract research and development |
| Leicester Business School Ltd | 100 | 1 | 1 | Dormant company |
| Leicestershire Business School Ltd | 100 | 1 | 1 | Dormant company |
| | | 310,002 | 310,002 | |

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

b) Other investments

| | Holding % | Corporation 2011/2012 £ | 2010/2011 £ | Description of activities |
|------------------------------------|--------------|-------------------------------|----------------|---|
| Talis Group Ltd | <0.50 | - | - | Library management system (note 1 below) |
| Spear Therapeutics Ltd | 11.06 | 234 | 234 | Drug development and research |
| BTG PLC | <0.01 | 74,185 | 56,672 | Drug development and research |
| CYPS Ltd | 100.00 | 100 | 100 | Dormant company |
| In Smart Ltd | 100.00 | 100 | 100 | Dormant company |
| Morvus Technology Ltd | <0.40 | 589 | 589 | Drug development and research |
| Access Pharmaceuticals Inc | <0.70 | 4,615 | 13,834 | Drug development and research, incorporated in USA. |
| Lachesis Seed Fund Ltd Partnership | 20.00 | 200,000 | 200,000 | Seed funding for new high technology businesses |
| Mediatag Ltd | 32.47 | 150 | 150 | Software development |
| Venuesim Ltd | 33.00 | 300 | 300 | Software development |
| WZVI Ltd | 10.00 | 100 | 100 | Science and Engineering Research |
| IP By Design Ltd | 10.00 | 25,000 | - | Intellectual Property Management Consultancy |
| | | 305,373 | 272,079 | |

Notes

1 The shares in this company were issued without payment. This followed the reorganisation of BLCMP Library Services, in which the university was previously a shareholder.

8. Endowment asset investments - Group and Corporation

| | 2011/2012 £'000 | 2010/2011 £'000 |
|--|--------------------|--------------------|
| Balance as at 1 August | 1,068 | 902 |
| New endowments invested | 380 | 231 |
| Increase in market value of investments | 3 | 10 |
| Decrease in cash balances held for endowment funds | (233) | (75) |
| Balance as at 31 July | 1,218 | 1,068 |
| Represented by: | | |
| Securities and fixed interest stock | 205 | 202 |
| Bank balances | 1,013 | 866 |
| Total endowment assets | 1,218 | 1,068 |

9. Stocks - Group and Corporation

| | 2011/2012 £'000 | 2010/2011 £'000 |
|-------------------------|--------------------|--------------------|
| Goods for resale | - | 1 |
| Catering and residences | - | 4 |
| Art and Design | 96 | 90 |
| ITMS | 26 | 36 |
| | 122 | 131 |

10. Debtors falling due within one year

| | Group 2011/2012 £'000 | Group 2010/2011 £'000 | Corporation 2011/2012 £'000 | Corporation 2010/2011 £'000 |
|--------------------------------|-----------------------------|-----------------------------|-----------------------------------|-----------------------------------|
| Student debtors | 804 | 1,463 | 804 | 1,463 |
| Other debtors | 824 | 991 | 612 | 880 |
| Research | 766 | 1,228 | 766 | 1,228 |
| Prepayments and accrued income | 2,502 | 2,792 | 2,331 | 2,618 |
| Subsidiary undertakings | - | - | 591 | 286 |
| | 4,896 | 6,474 | 5,104 | 6,475 |

11. Short Term Deposits - Group and Corporation

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

At 31 July 2012:

£76,251,000 of Group Funds was on deposit (31 July 2011: £20,277,000).

£75,308,000 of Corporation Funds was on deposit (31 July 2011: £19,603,000).

12. Creditors falling due within one year

| | Group 2011/2012 £'000 | Group 2010/2011 £'000 | Corporation 2011/2012 £'000 | Corporation 2010/2011 £'000 |
|------------------------------|-----------------------------|-----------------------------|-----------------------------------|-----------------------------------|
| Bank account | - | 1 | - | 1 |
| Payments received in advance | 6,891 | 5,174 | 6,794 | 5,174 |
| Trade creditors | 3,618 | 3,477 | 3,567 | 3,341 |
| Other creditors | 2,330 | 4,492 | 2,330 | 4,492 |
| Taxation | 932 | 1,428 | 932 | 1,425 |
| Social security | 894 | 931 | 894 | 931 |
| Accruals | 5,049 | 4,591 | 5,011 | 4,562 |
| Loans | 17 | 520 | 17 | 520 |
| Student caution deposits | 400 | 515 | 400 | 515 |
| Access funds (note 26) | 1 | 2 | 1 | 2 |
| Subsidiary undertakings | - | - | 13 | 58 |
| | 20,132 | 21,131 | 19,959 | 21,021 |

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

| | 2011/2012 £'000 | 2010/2011 £'000 |
|------------------------|--------------------|--------------------|
| Bond | 90,000 | - |
| Bond transaction costs | (3,994) | - |
| | 86,006 | - |
| Bank loan | - | 22,828 |
| Other loans | 26 | 43 |
| | 86,032 | 22,871 |

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

De Montfort University may, at its option, redeem all, or from time to time any part of, the Bonds at the higher of the principal amount of the Bonds and the sum of the Gross Redemption Yield of the Benchmark Gilt (4.5 per cent Treasury Gilt 2042) and 0.40 per cent plus accrued interest.

The Bond transactions costs of £4.0 million will be amortised over the life of the Bond, thirty years to interest payable, with effect from financial year 2012/13.

The three Lloyds fixed term loans, one of which was callable by the Bank, were paid up in the year from the proceeds of the Bond issue. The payment consisted of £22.83 million capital balance outstanding at the time of repayment, £0.17 million accumulated interest and £6.96 million break costs.

14. Provisions for liabilities and charges - Group and Corporation

| | Future pensions £'000 | Staff restructuring £'000 | Total £'000 |
|--|--------------------------------------|--|------------------------|
| At 1 August 2011 | 2,353 | 683 | 3,036 |
| Utilised in year | (1,266) | (512) | (1,778) |
| Transfer to Income and Expenditure Account | 90 | (159) | (69) |
| At 31 July 2012 | 1,177 | 12 | 1,189 |

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

15. Deferred capital grants - Group and Corporation

| | Funding Council Grants £'000 | Other grants £'000 | Total Grants £'000 |
|---|---|-------------------------------|-------------------------------|
| Balance at 1 August 2011 | | | |
| Buildings | 35,891 | 3,428 | 39,319 |
| Equipment | 4,898 | 673 | 5,571 |
| Total | 40,789 | 4,101 | 44,890 |
| Cash receivable | | | |
| Buildings | 337 | - | 337 |
| Equipment | 337 | (8) | 329 |
| Total | 674 | (8) | 666 |
| Released to Income and Expenditure Account | | | |
| Buildings | (1,512) | (494) | (2,006) |
| Equipment | (1,977) | (191) | (2,168) |
| Total | (3,489) | (685) | (4,174) |
| | To fund depreciation (note 5) | | (3,643) |
| | To fund revenue | | (531) |
| | | | (4,174) |
| Balance at 31 July 2012 | | | |
| Buildings | 34,716 | 2,934 | 37,650 |
| Equipment | 3,258 | 474 | 3,732 |
| Total | 37,974 | 3,408 | 41,382 |

16. Endowments - Group and Corporation

| | Unrestricted permanent £'000 | Restricted permanent £'000 | Total permanent £'000 | Restricted expendable £'000 | 2011/2012 Total £'000 | 2010/2011 Total £'000 |
|--|------------------------------------|----------------------------------|-----------------------------|-----------------------------------|-----------------------------|-----------------------------|
| Capital | 1 | 388 | 389 | 605 | 994 | 823 |
| Accumulated income | - | 69 | 69 | 5 | 74 | 79 |
| | 1 | 457 | 458 | 610 | 1,068 | 902 |
| Investment income | - | 12 | 12 | 7 | 19 | 17 |
| Expenditure | - | (14) | (14) | (238) | (252) | (92) |
| | - | (2) | (2) | (231) | (233) | (75) |
| New endowments | - | 1 | 1 | 379 | 380 | 231 |
| Appreciation in market value of investments | - | 3 | 3 | - | 3 | 10 |
| At 31 July 2012 | 1 | 459 | 460 | 758 | 1,218 | 1,068 |
| Represented by: | | | | | | |
| Capital value | 1 | 392 | 393 | 754 | 1,147 | 994 |
| Accumulated income | - | 67 | 67 | 4 | 71 | 74 |
| | 1 | 459 | 460 | 758 | 1,218 | 1,068 |

17. Reserves

| | Group 2011/2012 £'000 | Group 2010/2011 £'000 | Corporation 2011/2012 £'000 | Corporation 2010/2011 £'000 |
|--|-----------------------------|-----------------------------|-----------------------------------|-----------------------------------|
| Income and expenditure reserve | | | | |
| At 1 August | 82,668 | 80,604 | 82,411 | 80,222 |
| Surplus/(deficit) retained in the year | 1,761 | (158) | 1,761 | (33) |
| Transfer from revaluation reserve | 51 | 61 | 51 | 61 |
| Realisation of revaluation surplus on disposal of assets | - | 681 | - | 681 |
| Add back pension deficit | 1,220 | 1,480 | 1,220 | 1,480 |
| At 31 July | 85,700 | 82,668 | 85,443 | 82,411 |
| Pension reserve | | | | |
| At 1 August | (31,621) | (50,656) | (31,621) | (50,656) |
| Actuarial (loss)/gain on pension scheme | (1,891) | 20,515 | (1,891) | 20,515 |
| Deficit retained within reserves | (1,220) | (1,480) | (1,220) | (1,480) |
| At 31 July | (34,732) | (31,621) | (34,732) | (31,621) |
| Revaluation reserve | | | | |
| At 1 August | 8,965 | 9,693 | 8,965 | 9,693 |
| Increase in value of fixed asset investments | 8 | 14 | 8 | 14 |
| Tangible assets revaluation | 116,681 | - | 116,681 | - |
| Heritage assets revaluation | 687 | - | 687 | - |
| Contribution to depreciation | (51) | (61) | (51) | (61) |
| Realisation of revaluation surplus on disposal of assets | - | (681) | - | (681) |
| At 31 July | 126,290 | 8,965 | 126,290 | 8,965 |
| Total reserves | 177,258 | 60,012 | 177,001 | 59,755 |

18. Borrowings and lease obligations - Group and Corporation

a) Borrowings

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

| | 2011/2012 £'000 | 2010/2011 £'000 |
|----------------------------|--------------------|--------------------|
| In one year or less | 17 | 521 |
| Between one and two years | 17 | 707 |
| Between two and five years | 9 | 2,301 |
| In five years or more | 90,000 | 19,863 |
| Total | 90,043 | 23,392 |

b) Operating leases

At 31 July 2012, the university had annual commitment under operating leases as follows:

| | 2011/2012 £'000 | 2010/2011 £'000 |
|---------------------------------------|--------------------|--------------------|
| Land and buildings | | |
| Leases expiring within one year | 22 | - |
| Leases expiring within two-five years | - | 22 |
| Leases expiring thereafter | 283 | 275 |
| Total lease payments due | 305 | 297 |
| Other | | |
| Leases expiring within one year | 2 | 36 |
| Leases expiring within two-five years | 89 | 105 |
| Leases expiring thereafter | 4 | 6 |
| Total lease payments due | 95 | 147 |

19. Net cash flow from operating activities - Group

| | 2011/2012 | | 2010/2011 | |
|---|-----------|---------------|-----------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Income and Expenditure Account before taxation | 1,527 | | (488) | |
| FRS17 impact on Income and Expenditure Account (including interest) | 1,220 | | 1,480 | |
| Endowment income adjustment | 233 | | 75 | |
| Income previously shown as capital grant receipt | (8) | | - | |
| Interest receivable (excluding FRS17 interest) | (318) | | (236) | |
| Surplus before interest receivable | | 2,654 | | 831 |
| Add back interest payable (excluding FRS17 interest): | | | | |
| Bank loans | 982 | | 911 | |
| Interest on bond | 186 | | - | |
| Bank loan breakage costs | 6,964 | | - | |
| Total interest payable | | 8,132 | | 911 |
| Surplus from operating activities | | 10,786 | | 1,742 |
| Release of capital grant | | (4,174) | | (5,052) |
| Increase in value of fixed asset investments | | 8 | | 15 |
| Depreciation | | 8,861 | | 8,969 |
| Decrease/(increase) in stock | | 9 | | (22) |
| Decrease in debtors | | 2,000 | | 2,399 |
| (Decrease) in creditors | | (1,948) | | (4,337) |
| (Decrease)/increase in provisions | | (1,847) | | 1,483 |
| Net cash inflow from ordinary operating activities | | 13,695 | | 5,197 |

20. Returns on investments and servicing of finance - Group

| | 2011/2012 £'000 | 2010/2011 £'000 |
|------------------------------------|--------------------|--------------------|
| Income from short term investments | 326 | 233 |
| Interest paid | (1,131) | (915) |
| Loan breakage costs | (6,964) | - |
| | (8,095) | (915) |
| Bond transaction costs | (3,994) | - |
| | (11,763) | (682) |

21. Analysis of changes in financing - Group

| | 2011/2012 £'000 | 2010/2011 £'000 |
|---------------------------|--------------------|--------------------|
| Balance at 1 August | 23,391 | 23,751 |
| Bond issue | 90,000 | - |
| New loan principal | - | 70 |
| Loans repayment | (23,348) | (430) |
| Balance at 31 July | 90,043 | 23,391 |

22. Analysis of net funds - Group

| | At 1 August 2011 £'000 | Non cash changes £'000 | Cash flow £'000 | At 31 July 2012 £'000 |
|-----------------------------------|------------------------------|------------------------------|--------------------|-----------------------------|
| Net cash | | | | |
| Cash at bank and in hand | 217 | - | 776 | 993 |
| Bank overdrafts | (1) | - | 1 | - |
| | 216 | - | 777 | 993 |
| Liquid resources | | | | |
| Current asset investments | 20,277 | - | 55,974 | 76,251 |
| Debt | | | | |
| Debts falling due within one year | (520) | (17) | 520 | (17) |
| Debts falling due after one year | (22,871) | 17 | (67,172) | (90,026) |
| | (23,391) | - | (66,652) | (90,043) |
| Net funds | (2,898) | - | (9,901) | (12,799) |

23. Financial commitments - Group and Corporation

Provision has not been made for the following capital commitments at 31 July 2012.

| | 2011/2012 £'000 | 2010/2011 £'000 |
|-----------------------------------|--------------------|--------------------|
| Commitments contracted for | 1,958 | 7,558 |
| Authorised but not contracted for | 13,250 | 4,027 |
| | 15,208 | 11,585 |

24. Contingent liabilities

There are no material contingent liabilities.

25. Related party transactions

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

Mr James Gardner, Director of Strategic and International Partnerships, and Mr Simon Ambrose, Executive Officer to the Vice-Chancellor, sit on the Board of Directors of Leicester Arts Centre Ltd. De Montfort University has made a £40,000 revenue contribution to Leicester Arts Centre Ltd in respect of the Digital Media Centre during 2011/12.

Professor Andy Downton, Pro Vice-Chancellor, and Ms Kathryn Arnold, Chief Information Officer, are Governors of Regent College. The University received income of £5,000 in respect of a student placement at the college. Ms Kathryn Arnold and Mr Michael Robinson, former Director of Information Technology and Media Service, held Directorships during the year on behalf of the University at EMMAN (East Midlands Metropolitan Area Network). The value of services provided to the University during 2011/12 was £25,398. Mr Jamie Andrews, Independent Governor, is Head of English and Drama at the British Library. The value of services provided to the University in 2011/12 was £12,398.

It is a requirement of HEFCE that transactions during the year between Institutions and the autonomous, non-consolidated students' unions are reported as a related party transaction. Ms Lynette Williams, President of De Montfort Students' Union sits on the university's board. The grant paid to the students' union during the year was £726,000.

| 26. Access funds | 2011/2012 | 2010/2011 |
|-----------------------------|------------------|------------------|
| | £'000 | £'000 |
| Balance unspent at 1 August | 2 | 44 |
| Funding council grants | 533 | 540 |
| Interest earned | 2 | 3 |
| | 537 | 587 |
| Disbursed to students | (536) | (585) |
| | 1 | 2 |

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

27. Intangible fixed asset

De Montfort Developments PLC, a formally wholly owned subsidiary, assigned a patent to the university on 20 July 2007. It is the intention not to exploit the patent in the next 12 months. Impairment has been made for the full cost in compliance with FRS10. It is considered that the transaction is immaterial and is not disclosed in the Balance Sheet as at 31 July 2012. A review of the status of the intangible asset is undertaken annually.

| | Group and Corporation |
|---------------------------------------|------------------------------|
| | 31 July 2012 |
| | £ |
| Cost | |
| Expenditure | 50,000 |
| Impairment | |
| Charge to date | (50,000) |
| Adjustment for the year | - |
| Net book value at 31 July 2012 | - |

29. Pension schemes

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

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

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

Pension summary

| | TPS | LGPS | USS |
|---|-----------|----------|----------|
| | 31/03/04 | 31/03/10 | 31/03/11 |
| Last actuarial valuation: | | | |
| Investment returns per annum | 6.5% | 4.5% | 6.1% |
| Salary rate increase per annum | 5.0% | 5.3% | 4.4% |
| Pension increase per annum | 3.5% | 3.3% | 3.4% |
| Market value of assets at date of last valuation: | £163,240m | £2,111m | £32,434m |
| Proportion of members' actuarial benefits covered by the actuarial valuation of the assets: | 98.0% | 80.0% | 92.0% |

The total pension cost for the University and its subsidiaries was:-

| | 2011/2012 £'000 | 2010/2011 £'000 |
|---|--------------------|--------------------|
| Contributions to TPS and USS | 5,102 | 5,474 |
| Contributions to LGPS | 3,627 | 3,803 |
| The financial effects of the adoption of FRS17: LGPS | 834 | 146 |
| Total | 9,563 | 9,423 |

Contributions to pension schemes

| | 2011/2012 From April 2011 | 2010/2011 From April 2010 |
|----------------------|------------------------------|------------------------------|
| TPS | 14.10% | 14.10% |
| USS | 16.00% | 16.00% |
| LGPS officers * | 15.40% | 13.60% |
| LGPS manual pre-1998 | 11.00% | 11.00% |

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

The pension charge for the year includes an amount in respect of enhanced pension entitlements of staff taking early retirement that are not accounted for under FRS17. The calculation of the cost of early retirement provisions charged to the Income and Expenditure Account in the year of retirement is based on the total capital cost of providing enhanced pensions.

An amount of £1,177k (2011: £2,353k), not accounted for under FRS17, is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the University of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

b) Pension schemes

Teachers' Pension Scheme

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

Under the definitions set out in FRS17, Retirement Benefits, the TPS is a multi-employer pension scheme. The university is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the university has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The university has set out below the information available on the deficit in the scheme and the implications for the university in terms of the anticipated contribution rates.

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

| | |
|---|----------------------|
| | 31 March 2004 |
| Actuarial method | prospective benefits |
| Investment returns per annum | 6.50% |
| Salary scale increases per annum | 5.00% |
| Value of notional assets at date of last valuation | £163,240m |
| (estimated future contributions together with notional investments held at 31 March 1996) | |
| Proportion of members' accrued benefits covered by the actuarial value of the assets | 98% |

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

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

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution has been assessed at 19.75 per cent, plus a supplementary contribution rate of 0.75 per cent (to balance assets and liabilities as required by the regulations within 15 years); a total contribution rate of 20.5 per cent. This translates into an employee contribution rate of 6.4 per cent and employer contribution rate of 14.1 per cent payable. The cost-sharing agreement has also introduced, effective for the first time from the 2008 valuation, a 14 per cent cap on employer contributions payable.

c) Universities Superannuation Scheme

The Institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1 per cent per annum, salary increases would be 4.4 per cent per annum (with short-term general pay growth at 3.65 per cent per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4 per cent per annum for 3 years following the valuation then 2.6 per cent per annum thereafter.

Standard mortality tables were used as follows;

| | |
|--------------------------|-------------------------------------|
| Male members' mortality | S1NA YoB tables - No age rating |
| Female members mortality | S1NA YoB tables - rated down 1 year |

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates the CMI 2099 projections with a 1.25 per cent pa long term rate were also adopted. The assumed life expectations on retirement at 65 are;

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

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

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4 per cent per annum (the expected return on gilts) the funding level was approximately 68 per cent. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93 per cent funded; on a buy-out basis (ie, assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57 per cent of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5 per cent per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82 per cent.

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

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16 per cent of salaries.

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

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

New Entrants

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

Normal pension age

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

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5 per cent p.a. and 6.5 per cent p.a. for FS Section members and CRB Section members respectively.

Cost sharing

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

Pension increase cap

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

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the new scheme specific funding regime has fallen from 92 per cent to 77 per cent. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS17 basis, using a AA bond discount rate of 4.9 per cent per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74 per cent. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56 per cent.

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

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

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

The next formal triennial actuarial valuation is due as at 31 March 2014. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The total pension cost for the institution was £275,233 (2011: £252,256). This includes £nil (2011: £nil) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

d) Local Government Pension Scheme

The university participates in a defined benefit scheme in the UK, the Leicestershire County Council Pension Fund. A full actuarial valuation of the fund was carried out at 31 March 2007 by a qualified independent actuary. This was updated to 31 July 2012 for FRS17 purposes by a qualified independent actuary. The major assumptions used by the actuary were as follows:

| | 2012 | 2011 |
|--|-----------|----------|
| Salary increase rate | 2.0% | 4.0% |
| Pension increase rate | 2.0% | 2.7% |
| Discount rate | 4.3% | 5.3% |
| Inflation assumption rate CPI | 2.0% | 2.7% |
| Inflation assumption rate RPI | - | 3.5% |
| Expected return on plan assets at 31 July | 4.8% | 6.6% |
| Number of employees opting for early retirement | 44 | 8 |

| | 2012 | 2012 |
|------------------------|--------------|----------------|
| Mortality rates | Males | Females |
| Current pensioners | 20.9 years | 23.3 years |
| Future pensioners | 23.3 years | 25.6 years |

Scheme assets

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

| | Long term rate of return expected at 31 July 2012 | Value at 31 July 2012 £'000 | Value at 31 July 2011 £'000 |
|--------------|---|-----------------------------------|-----------------------------------|
| Equities | 5.5% | 1,620,500 | 1,782,300 |
| Bonds | 2.8% | 393,550 | 159,950 |
| Property | 3.7% | 254,650 | 274,200 |
| Cash | 2.8% | 46,300 | 68,550 |
| Total | | 2,315,000 | 2,285,000 |

| | 31 July 2012 £'000 | 31 July 2011 £'000 |
|-----------------------------------|-----------------------|-----------------------|
| Opening fair value of asset plans | 100,032 | 95,082 |
| Expected return on assets | 6,664 | 6,461 |
| Contributions by members | 1,651 | 1,824 |
| Contributions by employer | 4,370 | 3,998 |
| Actuarial (losses)/gains | (5,737) | 1,255 |
| Estimated benefits paid | (4,094) | (8,588) |
| Total | 102,886 | 100,032 |

The Group expects to contribute £3,407,000 to its defined benefit pension plan from 1 August 2012 - 31 July 2013.

Net pension liability

The following amounts at 31 July 2012 were measured in accordance with the requirements of FRS17:

| | 31 July 2012 £'000 | 31 July 2011 £'000 |
|-------------------------------------|-----------------------|-----------------------|
| Fair value of employer assets | 102,886 | 100,032 |
| Present value of scheme liabilities | (137,618) | (131,653) |
| Net pension liability | (34,732) | (31,621) |

| | 31 July 2012 £'000 | 31 July 2011 £'000 |
|--|-----------------------|-----------------------|
| Present value of the defined benefit plan | | |
| Opening defined benefit obligation | 131,653 | 145,738 |
| Current service cost | 3,713 | 3,980 |
| Interest cost | 7,050 | 7,795 |
| Contributions by members | 1,651 | 1,824 |
| Actuarial gains | (3,846) | (19,260) |
| Losses on curtailments | 1,491 | 164 |
| Estimated benefits paid | (4,094) | (8,588) |
| Closing defined benefit obligation | 137,618 | 131,653 |

| | Year ended 31 July 2012 £'000 | Year ended 31 July 2011 £'000 | Year ended 31 July 2010 £'000 | Year ended 31 July 2009 £'000 | Year ended 31 July 2008 £'000 |
|--|--|--|--|--|--|
| Analysis of amounts charged to income and expenditure account | | | | | |
| Charged to staff costs | | | | | |
| Current service cost | (3,713) | (3,980) | (4,437) | (3,480) | (3,702) |
| Past service cost | - | - | - | - | (1,134) |
| Curtailment and settlements | (1,491) | (164) | (171) | (85) | (52) |
| Employer contributions | 4,370 | 3,998 | 4,032 | 3,831 | 3,302 |
| | (834) | (146) | (576) | 266 | (1,586) |
| Financing: | | | | | |
| Expected return on pension scheme assets | 6,664 | 6,461 | 5,635 | 6,733 | 7,562 |
| Interest on scheme liabilities | (7,050) | (7,795) | (8,322) | (7,552) | (6,331) |
| Net (charge)/return | (386) | (1,334) | (2,687) | (819) | 1,231 |
| Net income and expenditure account cost | (1,220) | (1,480) | (3,263) | (553) | (355) |

| | Year ended 31 July 2012 £'000 | Year ended 31 July 2011 £'000 |
|------------------------------|--|--|
| Actual return on plan assets | - | - |

Analysis of amounts which would be recognised in the statement of total recognised gains and losses

| | Year ended 31 July 2012 £'000 | Year ended 31 July 2011 £'000 | Year ended 31 July 2010 £'000 | Year ended 31 July 2009 £'000 | Year ended 31 July 2008 £'000 |
|---|--|--|--|--|--|
| Actual return less expected return on pension scheme assets | (1,891) | 20,515 | (871) | (20,084) | (16,969) |
| Experience losses arising on scheme liabilities | - | - | - | - | (139) |
| Changes in financial assumptions underlying the present value of scheme liabilities | - | - | - | (15,476) | 2,475 |
| Actuarial (losses)/gains in pension plan recognised | (1,891) | 20,515 | (871) | (35,560) | (14,633) |
| Cumulative actuarial (losses)/gains | (10,946) | (9,055) | (29,570) | (28,699) | 6,861 |

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

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

| | 31 July 2012 | 31 July 2011 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Deficit on scheme at 1 August | (31,621) | (50,656) |
| Movements in year: | | |
| - Current service cost | (3,713) | (3,980) |
| - Employer contributions | 4,370 | 3,998 |
| - Impact of settlements and curtailments | (1,491) | (164) |
| - Net return on assets | (386) | (1,334) |
| Total impact on income and expenditure account (see note 17) | (1,220) | (1,480) |
| - Actuarial (losses)/gains | (1,891) | 20,515 |
| Total movement in the year | (3,111) | 19,035 |
| Deficit on scheme at 31 July | (34,732) | (31,621) |

Experience gains and losses in the year

The experience gains and losses for the year ended 31 July 2012 were as follows:

| | 31 July 2012 | 31 July 2011 | 31 July 31, 2010 | 31 July 2009 | 31 July 2008 |
|--|-----------------|-----------------|---------------------|-----------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Difference between the expected and actual return on scheme assets | (5,737) | 1,255 | 6,328 | (20,084) | (16,969) |
| Value of assets | 102,886 | 100,032 | 95,082 | 80,307 | 90,868 |
| Percentage of scheme assets | (5.6%) | 1.3% | 6.7% | (25.0%) | (18.7%) |
| Experience (losses)/gains on liabilities | (1,586) | 5,282 | - | - | (2,850) |
| Total present value of liabilities | 137,618 | 131,653 | 145,738 | 137,028 | 111,476 |
| Percentage of the total present value of scheme liabilities | (1.2%) | 4.0% | 0.0% | 0.0% | (2.6%) |
| Total actuarial losses/(gains) | 1,891 | (20,515) | 871 | 35,560 | 14,633 |
| Total present value of liabilities | 137,618 | 131,653 | 145,738 | 137,028 | 111,476 |
| Percentage of the present value of scheme liabilities | 1.4% | (15.6%) | 0.6% | 26.0% | 13.1% |

Sensitivity analysis

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

| Assumptions | Change in assumptions | Approximate impact on Employer FRS17 liabilities as at 31 July 2012 |
|-----------------------|--------------------------------|---|
| Discount rate | Increase/decrease by 0.5% p.a. | Increase/decrease liability c11% |
| Pension increase rate | Increase/decrease by 0.5% p.a. | Increase/decrease liability c8% |
| Rate of salary growth | Increase/decrease by 0.5% p.a. | Increase/decrease liability c4% |
| Rate of mortality | Improve by one year | Increase by c3% |

**DE MONTFORT UNIVERSITY
THE GATEWAY
LEICSTER
LE1 9BH
UK**

**T: (0116) 257 7513
E: enquiry@dmu.ac.uk
W: dmu.ac.uk**

ALTERNATIVE FORMATS

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