



ANNUAL ACCOUNTS

2014–2015





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

CONTENTS

2.	Chancellor, Board of Governors and committees, Executive Board and professional advisors
6.	Chairman's introduction to the annual accounts 2014/15
8.	Operating and financial review 2014/15
34.	Statement on corporate governance
38.	Independent auditor's report to the Board of Governors
40.	Statement of principal accounting policies
46.	Consolidated income and expenditure account
47.	Balance sheet
48.	Statement of consolidated total recognised gains and losses
49.	Consolidated cash flow statement
50.	Notes to the accounts

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

CHANCELLOR

The Lord Waheed Alli Hon DLitt (DMU), Hon DLitt (University of Westminster)
(Chancellor of the university)

Stepped down July 2015

BOARD OF GOVERNORS

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

Mr Mike Kapur BSc (Hons), ACA, FRSA

Mr Tony Stockdale ACA

Ms Marcia Saunders BA, MA, MSc

Professor Robert Harris BA (Hons), MA, PhD

Mr Mark Anderson MA, MBA

Stepped down December 2014

Ms Ann Ewing BA (Hons), MBA, PhD, PGCE, MCIPD

Ms Suzanne Overton-Edwards BSc, PGCE

Mr Alan Charlton CMG, CVO, MA, BLing, PGCE, FRSA

Mr Oliver Mishcon LLB (Hons), Barrister

Dr Vijay Patel BSc (Pharm), MRPS, GPHC, CCMI, FRSA

Ms Hilary Carty BA (Hons), MBA, PGCE, CCMI

Ms Sally Bowie

Joined January 2015

CO-OPTED GOVERNORS

Ms Christine Hancock BSc (Hons), Econ RN

Stepped down July 2015

REPRESENTATIVE GOVERNORS

Ms Doreen Crawford BSc, MA, PGCE

Mr Adil Waraich (DSU President)

EX-OFFICIO GOVERNOR – CHIEF EXECUTIVE AND VICE-CHANCELLOR

Professor Dominic Shellard MA, DPhil

CLERK TO THE BOARD

Mrs Rebecca Jenkyn LLB Hons

Ms Sue Francis

Stepped down September 2014

Appointed September 2014

COMMITTEES OF THE BOARD

Audit Committee

Mr Mike Kapur (Chairman)

Ms Marcia Saunders

Mr Mark Anderson

Mr Alan Charlton

Ms Sally Bowie

Stepped down December 2014

Joined January 2015

Nominations Committee

Ms Marcia Saunders (Chair)

Mr Ian Blatchford

Mr Oliver Mishcon

Ms Doreen Crawford

Mr Adil Waraich

Professor Dominic Shellard

Remuneration Committee

Mr Ian Blatchford (Chair)

Mr Tony Stockdale

Ms Marcia Saunders

Finance and Human Resources Committee

Mr Tony Stockdale (Chair)

Ms Christine Hancock

Professor Robert Harris

Professor Dominic Shellard

Ms Ann Ewing

Ms Suzanne Overton-Edwards

Stepped down July 2015

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

EXECUTIVE BOARD

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

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

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

Professor Andy Collop (Deputy Vice-Chancellor, former Pro Vice-Chancellor for Research and Innovation and Dean of Faculty of Technology) BEng, PhD, DSc, CEng, FIHT

Ms Jo Cooke (Executive Director of Student and Academic Services) BA (Hons)

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

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

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

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

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

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

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

Mr Andrew Pemberton (Executive Director of Marketing and Communications) BSc (Hons), MA, MCIPR

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

Mr Paul Marshall (Executive Director of Strategic Planning Services) BSc (Hons), PGDip, ACIS

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

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.

Stepped down January 2015

Joined September 2014

Joined August 2014

Stepped down December 2014



CHAIRMAN'S INTRODUCTION TO THE ANNUAL ACCOUNTS 2014/15

I am pleased to introduce the Annual Accounts for 2014/15.

The past 12 months has been an exciting time for the university, with a number of new projects and pioneering initiatives being undertaken, under the direction of the Vice-Chancellor, Professor Dominic Shellard, and the Executive Board, with oversight from the Board of Governors.

The guiding principles of De Montfort University

De Montfort University (DMU) believes passionately that universities are a public good through the transformation of lives, through the places in which students and staff live and work, and through the sharing of knowledge and new discoveries for the wider benefit of society. Our university is a community in which all staff and students learn, develop and contribute 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:

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

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

Key financial results for the year

- Surplus on continuing operations of £8.9m
- Cash and short term deposits of £82m
- 16.5 per cent rise in academic fees and education contracts to £134.5m
- 4.5 per cent rise in total income to £168m
- Capital investment of £37.8m

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 and the appointment of new members. Mr Mark Anderson and Miss Christine Hancock stepped down from the board in December 2014 and July 2015 respectively and, in January 2015, we were joined by a new governor, Ms Sally Bowie. On behalf of the Board of Governors, I would like to thank those leaving the board for their contributions, commitment and support.

In addition, the Lord Alli stepped down from the role of Chancellor of DMU in July 2015. DMU staff, students and governors are being engaged to appoint a new Chancellor for the university.

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

Mr Ian Blatchford

Chairman of the Board of Governors

OPERATING AND FINANCIAL REVIEW 2014/15

1. UNIVERSITY MISSION AND STRATEGY

Implementing our vision

DMU's Mission, Vision and Strategic Plan (2011 to 2015) were agreed by our Board of Governors at the end of the 2010/11 academic year and published in September 2011.

The university's mission statement is:

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

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

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

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

In 2014/15, we embarked on the development of a new strategic framework to enable us to build on the considerable success we have achieved over the past three years. It was developed following an extensive process of consultation with staff, students, partners and our governing body and was launched in October 2015.

Quality and distinctiveness: how we implemented our strategic plan in 2014/15

We have continued to make strong progress throughout 2014/15 towards achieving our ambitions, as shown through the following thematic sections of our Operating and Financial Review and this summary.

A focus on quality and distinctiveness has underpinned our decision-making in 2014/15. We continue to offer a high-quality student experience, which was externally verified during our recent Quality Assurance Agency (QAA) review, in which the university was awarded a commendation for 'Enhancement'. We are one of only four universities to have been awarded this accolade out of 92 reviews completed to date.

DMU is among the first institutions to achieve a Race Equality Charter, awarded to the university in 2014 by the Equality Challenge Unit (ECU), a charity which is funded by and provides guidance for the higher education sector. The Race Equality Charter aims to inspire a strategic approach to making cultural and systemic changes that will make a real and sustainable difference to black and

minority ethnic (BME) staff and students. This includes taking measures to close the attainment gap, and supporting and developing staff where there is under representation.

Our employability strategy continues to have a significant effect on the post-graduation prospects of our graduates. DMU is a top 15 UK university for graduate employability, if you exclude small and specialist institutions, and in the top 25 overall. The most recent Destinations of Leavers from Higher Education (DLHE) survey showed that 96 per cent of DMU undergraduates are in full-time employment or further education within six months of completing their course, compared to a national average of 93 per cent.

We have seen outstanding student recruitment this year, and have been able to take full advantage of the government's policy of uncapping student numbers at English higher education institutions (HEIs) for the 2015/16 academic year. It was particularly pleasing that this was not at the expense of quality when compared to the reported impact of A-level grade deflation across the sector.

DMU has a good and increasingly strong reputation for the quality and relevance of its research, as shown by the Research Excellence Framework 2014 results that were released in December.

We are now ranked 65th in the UK for the impact of our research and 71st in terms of research power. In four units of assessment DMU academics came first in the UK for the impact of their research: English, History, Media Studies and Performing Arts. Our research quality

score showed an improvement of 15 per cent between 2008 and 2014, and we now have almost 60 per cent of our research classified as either world leading or internationally excellent.

Internationally, our reach, impact and influence all continue to grow. Our flagship #DMUglobal student mobility programme has enabled more than 3,000 students to have an international experience since 2013, and this number will continue to grow as we embed a #DMUglobal opportunity into every programme of study. DMU was the sole university partner for the government's 'GREAT' campaign, which is designed to support the UK's major export industries in key existing or emerging markets. Recruitment remains buoyant and focused on long-term strategic partnerships with institutions across the globe to mitigate the ongoing challenges as a result of government policy and rhetoric around migration.

Our Annual Accounts show we delivered a surplus after sustained cost control and successful income growth.

This will be reinvested into our student experience and provides a firm foundation on which to pursue our strategic ambitions. The Director of Finance's commentary provides further detail.

In our Statement of Public Benefit we outline how the university's core services of teaching and research fulfil our obligation to deliver public benefit and we also focus on our successful and award-winning community engagement project, Square Mile.

2. THE UNIVERSITY'S STATEMENT OF PUBLIC BENEFIT

DMU is an exempt charity by virtue of the Charities Act 1993 and as such is regulated by the Higher Education Funding Council for England (HEFCE) on behalf of the Charity Commission for England and Wales. The university's objectives, as defined in the Education Reform Act 1988, are to 'provide higher education', to 'provide further education' and to 'carry out research and to publish the results of that research' for the public benefit. The university's Board of Governors serves as its trustees and is responsible for determining the educational character and mission of the university, overseeing and scrutinising its activities.

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

DMU believes universities are a public good. We transform lives by providing inspiring environments where our students and staff live and work, and by sharing our discoveries for the wider benefit of society. DMU is a community in which all staff and students learn, develop and contribute to society for the good of all.

Our research is central to this ethos. It enhances the quality of our teaching and serves the needs of society.

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

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

DMU promotes its vision by engagement and partnership locally, nationally and internationally. We are strongly committed to widening access to higher education and to supporting students from diverse backgrounds. We seek to communicate clearly and openly within the university, and beyond, and to listen carefully to what people say to us.

We encourage, in all our staff and students, an innovative and entrepreneurial attitude and approach to learning, research and business partnerships which enrich us and those with whom we work.

DMU's pioneering Square Mile programme is one of the university's key public-benefit activities. It offers unparalleled opportunities for our wider community to draw upon the university's academic expertise to improve health, education and job prospects in an area near the university campus. Many of these projects are embedded into degree coursework, ensuring hundreds of participating students gain skills which make them stand out in an increasingly difficult jobs market, as well as demonstrating palpably how the work of a university can sustainably support and develop communities.

When the Square Mile project was launched, city residents identified four key areas in which the work of the university could benefit them: offering skills to increase employability; delivering health services and support; increasing youth activities; and creating a sense of community in their neighbourhoods.



As an example of its work, in October 2014, DMU Square Mile students recruited more than 1,000 people to the national stem cell register – the largest number ever achieved in one day in the UK – creating a lifesaving legacy in Leicester. So far, at least four people fighting blood cancer have benefited from being matched with donors gathered by DMU and the Rik Basra Leukaemia Campaign – giving them hope in their fight against the disease.

DMU Square Mile's support for schools has also expanded rapidly since the start of the 2014/15 academic year, with more than 500 student volunteers working alongside pupils in the city schools that need the most help. As a result children's reading and spelling ages have increased and attainment in maths SATs exams has been boosted significantly.

The work of Square Mile is underpinned by the Executive Board's commitment to position the university as a public good – a vital contributor to the social, political and economic wellbeing of the community in which it is based. The Square Mile programme also links to the university's commitment to widening participation in education.

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

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

In 2015, a key moment came when the Quality Assurance Agency (QAA) came to DMU to conduct a Higher Education Review. This standard evaluation process considered all elements of learning and teaching provision as well as student support. It entailed a substantial written submission, supported by more than 1,000 pieces of documentary evidence, alongside a De Montfort Students' Union (DSU) submission and an institutional visit, which took place in April 2015.

The result of the review was extremely positive, with all requirements regarding quality and standards deemed to have been met. In addition, the university was commended for its wide-ranging work to enhance student learning opportunities – one of only four higher education institutions to be awarded this status out of the 92 QAA reviews that had taken place at universities and colleges across the country. Good practice was also identified, including the use and presentation of management information, the role of DMU's Teacher Fellows and the innovative #DMUglobal programme, which aims to offer the majority of students an international experience during their time with us.

Our courses are taught by dedicated and enthusiastic lecturers. Learning is student-focused, founded on the research and professional practice activities of our staff. Our teaching is strongly committed to developing students' employability skills.

Since the inception of the National Teaching Fellow (NTF) Awards, DMU has received 18 – the third-highest total nationally. The Higher Education Academy (HEA) has awarded them in recognition of our colleagues' innovative and transformational teaching. In addition to the 11 NTFs still working at DMU, the university's Teaching Excellence Awards recognise the work of our outstanding lecturers. These include the student-nominated Vice-Chancellor's Distinguished Teaching Awards and the DMU Teacher Fellowship Scheme, with 18 new awards announced during 2014/15.

In December 2014, DMU was successfully accredited to award HEA Fellowships to academic staff. HEA accreditation provides DMU with the authority to award HEA Fellowships to eligible staff in recognition of their continuing success in teaching and learning support. DMU's Define framework offers both a development programme and an opportunity for staff to apply to be awarded Associate Fellow, Fellow or Senior Fellow status. The number of DMU academics with such recognition has increased from 253 (23 per cent) in September 2014 to 367 (35 per cent) at the end of the past academic year, with a target set of 100 per cent of relevant staff with such recognition by September 2018. As a result, the number of Senior Fellows of the HEA has increased from two to 27 over the same period and steps are being taken to secure DMU's first Principal Fellows.

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

We are proud of the excellent work we do with our partners, which benefits our students, staff and members of the public. The university innovates and develops new courses that meet the changing needs of our students and of employers. From collaborations on courses with organisations such as the BBC and the NHS, to sponsorship of our cutting-edge facilities by companies like EE, thanks to our partners, DMU students enjoy an education that is closely tied to industry practice. To complement the increasing focus on graduate employability, we are delivering more programmes in partnership with business and other employers, including Hewlett-Packard, Deloitte, RWE npower, Jaguar Land Rover and KFC.



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



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

The university's teaching quality indicators have improved steadily over the past five years. Due to this continued improvement, the percentage of finalist undergraduates who achieve a 2:1 or above increased from 61.4 per cent (2011/12) to 70.9 per cent (2013/14). We predict this will continue to improve.

Teaching satisfaction scores measured by the National Student Survey (NSS) are satisfactory (86 per cent of students were satisfied with their course in the 2015 survey – a small rise compared to 2014) but we anticipate these will continue to improve further as a result of initiatives which are being co-ordinated and monitored by DMU's Teaching and Learning Theme Board. These include ongoing improvements in personal tutoring, a new focus on assessment and feedback, a revised lesson observation scheme, improved module level feedback and greatly enhanced monitoring of student engagement.

We are continuing to invest significant resources, via projects within the strategic portfolio and faculty-level action plans, to improve our learning and teaching provision across a wide range of areas, including e-learning and employability. The forthcoming DMU Learning, Teaching and Assessment Strategy will provide a new framework for further development and innovation, with a renewed focus on student retention and attainment, and inclusivity in learning and engagement.

The university is continuing to invest in its well-run and sustainable estate – with the Fletcher development approaching completion, the transformation of the former John Sandford Sports Centre building into The Venue@DMU (a new performance and rehearsal space which will also host major university occasions including awards ceremonies, conferences, fashion shows and external events) and the recent refurbishment of the Kimberlin Library – to improve further our learning resources provision.

The DMU Student Charter was developed during 2011/12, in collaboration with our students. It signals the university's commitment to working effectively with the DSU in pursuit of an outstanding student experience. This has been enhanced in 2014/2015 by the achievements of the ever-improving students' union.

With a significant increase in its block grant, DSU recorded its highest turnout – almost 20 per cent of the on-campus electorate – at the annual officer elections. It also supported a record number of students engaged in societies, student media and volunteering, launched the innovative MyUniPal mentoring project, and continued to enjoy individual and team sporting success. The DSU Welfare Centre continued its pioneering work supporting international students, with 100 per cent acceptance for more than 400 visa applications checked and submitted. It also successfully challenged two out of three UK Visas and Immigration decisions through the administrative review process.

The year ended for DSU with a favourable score as part of the NSS survey, an increase of two per cent to 75 per cent against a sector average of 68 per cent. Furthermore the DSU maintained its Investors in People gold standard, demonstrating that a firm commitment to people pays dividends in the delivery of an exemplar student experience.

DSU has continued to work with the university in improving our academic offer, with a record number of course representatives registered (more than 600). Moreover, the role DSU played during the university's QAA Audit (including the well-received student-written submission) was recognised as an integral part of the assessment process. This year also saw the initial stages of the design process for new DSU facilities, as part of the wider campus transformation project. A five-year programme of investment is in progress to upgrade amenities, with the aim of providing a high-quality and distinctive environment that supports both academic and co-curricular student activities around the clock.

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

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

Helge Janicke, of DMU's School of Computer Science and Informatics, has launched a research programme with Airbus Group to develop a new digital forensic capability for the Supervisory Control and Data Acquisition (SCADA) industrial control systems that underpin the UK's critical national infrastructure. Given their frequent use in monitoring industrial processes – including oil and gas pipelines, transportation networks, power grids and water distribution – SCADA systems are prime targets for cyberattacks. Attacks on systems of this size and importance are categorised as a tier one threat to national security. However, current forensic technologies for SCADA systems do not provide investigators with scientific evidence about a cyberattack on these critical systems. This research programme, aimed at developing new methods and tools to support these investigations, will significantly improve the response from the UK's critical national infrastructure to cyberattacks and help bring cybercriminals to justice. The programme is an enhanced Knowledge Transfer Partnership (eKTP), supported by Innovate UK and the Welsh government, in which researchers work with businesses to solve strategic issues. As part of the programme, a postdoctoral research associate from DMU will work full-time for three years at Airbus Group's cybersecurity research facilities in south Wales.

Technology used in the UK's first solar house – which was developed with the help of DMU's expertise and went on to the market with a £1 million price tag – is now being used in a traditional terrace. The university's School of Energy and Sustainable Development (ESD) has once again teamed up with Caplin Homes to run the project at a house in Grasmere Street, just yards from campus. A team from ESD will monitor how successful it has been and use the house to showcase to social landlords in Leicester how energy-efficient measures can be achieved

in existing properties. Central to it all is an 'earth energy bank' – a way of using the earth under the house to store heat. Holes are drilled into the ground underneath the house and pipes inserted to carry the thermal energy from the roof into the ground. Electrical energy created by the panels is used to heat the hot water.

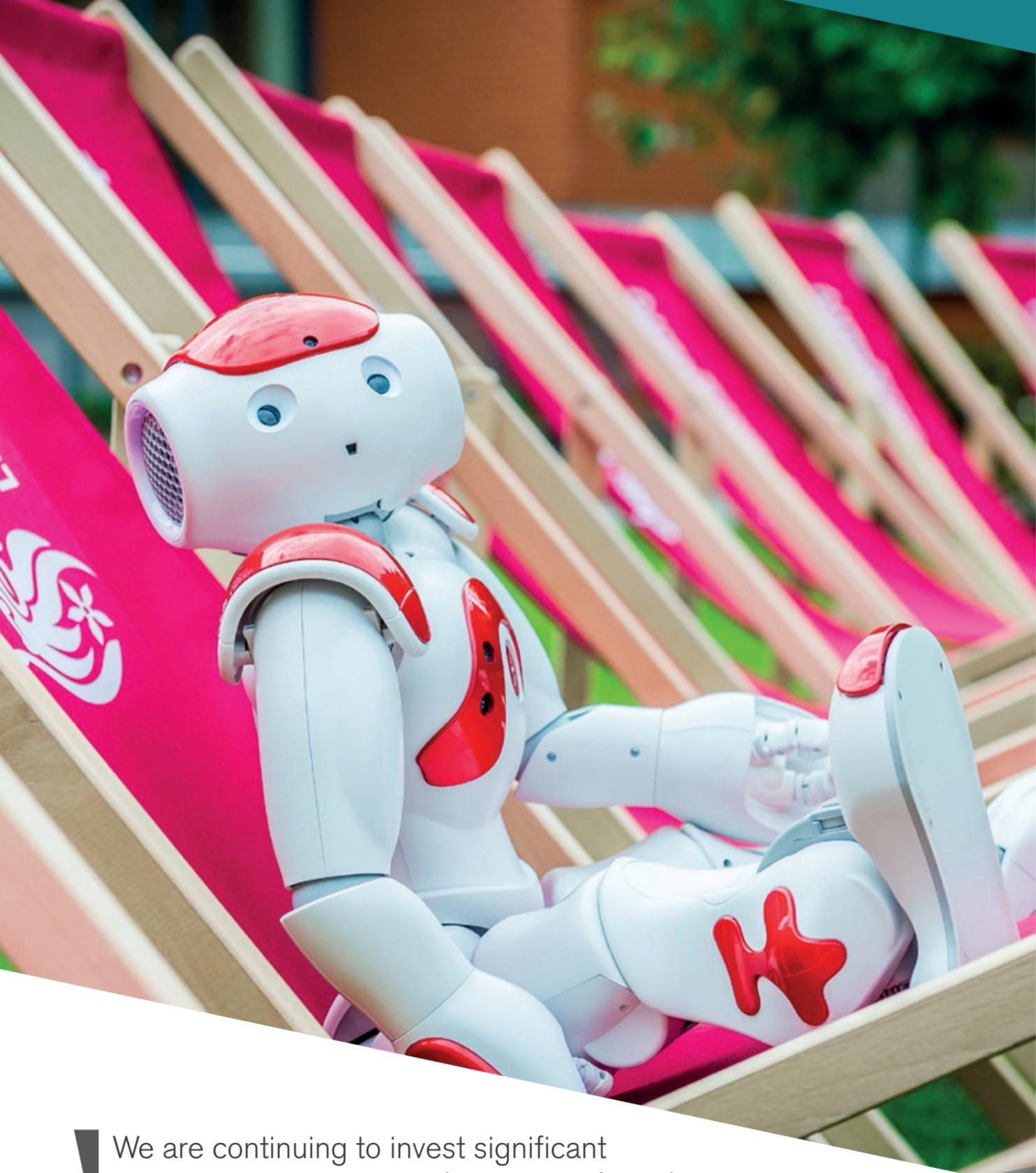
DMU researchers have recommended there should be national guidelines set for washing uniforms of nurses and other hospital staff after it was revealed that 49 per cent of those surveyed were washing uniforms at home using water that is not hot enough to kill certain bacteria. The ground-breaking research, carried out by DMU microbiologist Dr Katie Laird, PhD student Kate Riley (Faculty of Health and Life Sciences) and John Williams from the School of Design (Faculty of Art, Design and Humanities), surveyed 265 hospital staff anonymously at four unnamed hospitals in the East Midlands. They were asked how often they washed their uniforms, the temperatures they washed them at and whether uniforms were washed separately from other clothing. The results showed 49 per cent did not wash their uniforms at a recommended temperature of 60°C while 40 per cent also washed their uniforms with other clothing. A total of 74 per cent of respondents said they washed their uniforms after every shift, meaning more than a quarter were potentially carrying bacteria-contaminated clothing into another shift. The four hospitals surveyed offered different washing guidelines or, in some cases, no advice at all on specific aspects of uniform care. The report's authors have called for national guidelines to be introduced and have also recommended washing of hospital uniforms is moved back in-house. The research acknowledges that correct cleaning of uniforms is an important aspect of infection control as uniforms can carry hospital-acquired infections (HAIs) such as MRSA and *Clostridium difficile*. HAIs, caught by patients as a result of treatment by healthcare providers, cost the NHS more than £1 billion a year due to prolonged stays in hospitals while the infection is treated. Older people, the young and people with weakened immune systems



are particularly vulnerable to these infections, which can cause discomfort or pain and, in some cases, result in disability or even death.

Computer technology developed by DMU is helping to improve production for one of the world's largest steel companies. Our researchers have helped to develop Autoplan, an automatic scheduling system trialled by Tata Steel at its heat treatment facilities in Stocksbridge, Sheffield. The company was looking for a solution to the problem of ensuring that furnaces were kept at optimum temperature in order for batches to be processed energy efficiently, while still meeting delivery and furnace utilisation requirements. Dr Parminder Kang, Research Fellow in the Faculty of Technology, is working on the collaborative project, which has received funding from Innovate UK. Dr Kang and his research team applied advanced computer algorithms to optimise the commercial scheduling system to produce solutions balancing these objectives. Led by software

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



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

development company Preactor International, the project aimed to develop and test the ability of the autonomous scheduling system to help manufacturers. Companies Tata Steel, Plessey Semiconductors and TDK-Lambda were approached to evaluate the technology and progress has been monitored for the past two years.

Commercial property lending hit the highest level since the financial crisis in the first six months of 2014, according to research conducted in the Faculty of Business and Law. The half-yearly De Montfort Commercial Lending report has now become the most extensive analysis of the UK's commercial property lending market and is used by banks, law firms and lenders around the world. Bill Maxted, consultant and senior lecturer in Leicester Business School, has produced the report twice a year since 1997. It is compiled from data provided by around 65 major banks, building societies and insurance companies, as well as asset management firms. The reports are used by the Bank of England within its biannual Financial Stability Review, and are regularly referred to in the Financial Times and property publications such as the Estates Gazette and Property Week.

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

as web pages and phone apps as well as special NHS staff training and one-to-one consultations to parents. The second year will see how feasible it is to offer that level of support through the NHS.

We're all in this together, goes the austerity narrative – but does collaboration between government and its public continue in times of spending cuts? Academics from around the world are attempting to find out by scrutinising the way in which different countries have introduced austerity policies and, in particular, the extent to which the voices of citizens and voluntary groups are heard in shaping and contesting the outcomes of reduced public spending. Led by Professor Jonathan Davies, of DMU's Politics and Public Policy department, this major study is the first of its kind to focus comparatively on the voice of citizens in the governance of austerity. It will include analysing the creation of policies in eight cities around the world: Leicester, Montreal, Baltimore, Dublin, Melbourne, Nantes, Barcelona and Athens. Protest groups, collaborators, volunteers, public sector leaders and officials, and businesses will all be invited to participate in the research. Professor Davies will be working with 10 fellow researchers of international repute on this 30-month project, funded by the Economic and Social Research Council. They will examine issues such as:

- The effect of austerity on governmental decision-making
- Are different kinds of collaboration emerging?
- Is collaboration a way of subverting or resisting aspects of austerity?
- When collaboration serves the community, and when it does not
- Activists' strategies for speaking truth to power and challenging austerity

Lessons and insights from the research will be shared with participants and could prove a useful guide to policy makers.

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 has created many innovative employability support schemes for students and graduates in the past two years. This has significantly improved our Destinations of Leavers from Higher Education (DLHE) survey performance, and our employability league table position rose from 46th (out of 154) in 2012/13 to 25th (out of 160) in 2013/14, the most recent DLHE survey results available. If specialist institutions are excluded, DMU is actually in the top 15 of universities that offer broad-based curricula. DMU is also in the top 15 institutions for performance against our Higher Education Statistics Agency (HESA) benchmark, with employability performance being 4.3 per cent above HESA expectations. These results are also notable as they represent the first year of graduates who paid up to £9,000 for annual tuition fees.

DMU graduates continue to enter into a huge variety of occupations on leaving the university, going on to work for organisations such as PwC, Deutsche Bank, BBC, Warner Bros, Porsche, Sky TV, Dyson, Nike, GlaxoSmithKline and NASA, while others choose further study or set up their own businesses.

Since the launch of DMU's Graduate Champions internship scheme, more than 750 recent graduates have been placed with local, regional and international businesses, and gained vital paid work experience. Graduate Champions has made a valuable contribution to the local Leicestershire economy and continues to support small and medium-sized enterprises (SMEs) in the region. After positive feedback from all involved, the programme will continue into the 2015/16 academic year.

DMU recognises the importance of building networks as a way of improving employability for students. The Employability Mentoring project aims to recruit industry mentors to support students by offering practical advice

and guidance. Feedback is positive, especially around aspiration building and employability awareness. Since it first launched in summer 2014, more than 80 mentoring partnerships have been established, many with DMU alumni.

DMU's Frontrunners internship scheme has offered 765 opportunities to students since its launch in 2012. These paid internships are key to student retention, development and confidence-building, and give participants vital experience to include on their CVs as they enter the ferociously competitive graduate jobs market.

The university continues to operate its own recruitment agency, Unitemps, as a way of offering work experience and the opportunity to earn while studying, and its use internally and externally continues to grow. More than £2.1m was redirected by DMU departments to support students and graduates through Unitemps in 2014/15, a cost-saving of at least 20 per cent compared to using external agencies. Between August 2014 and the end of July 2015, Unitemps employees recorded 157,965 hours and processed 10,618 timesheets.

DMU continues to have an active student and graduate enterprise programme, with the Campus Enterprise Opportunities team running initiatives such as a start-up surgery, start-up sessions and the annual Business Venture Competition. Around 85 graduates successfully completed the Enterprise Inc scheme, which is backed by the European Regional Development Fund and has helped to kick-start and grow a variety of different business ideas.

#DMUglobal is DMU's exciting programme offering students the opportunity to gain a valuable international experience during their studies. DMU recognises graduates are entering a competitive marketplace and has responded to the UK government's challenge to UK



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



DSU supported a record number of students engaged in societies

higher education institutions (HEIs) to send more British students overseas as part of their studies. This initiative enables DMU students to strengthen their CV, stand out in a global employment market, broaden their cultural horizons and develop their personal resilience – all vital qualities for forward-thinking students.

#DMUglobal's opportunities are varied and take place on campus, in the UK and across the world – ranging from a three-day field trip linked to an academic module, to a whole year working abroad at a global company, learning the skills that modern business demands. Each experience aims to develop an individual in different ways, but every student will have the opportunity to gain skills and knowledge, including a global mindset, improved cultural awareness and language skills.

Since being launched in 2014, more than 3,000 students have participated in #DMUglobal, taking up opportunities in more than 60 countries. The initiative was praised in the 2015 QAA review and cited as an example of good practice for the enhancement of student learning opportunities.

September 2014 saw the launch of MyGateway, the university's new interactive platform for students, staff, graduates and employers. For the very first time at DMU, the portal brings together appointment bookings, events management, online resources and a jobs board in one system. It has been developed to enable multiple services to utilise the same platform and since its launch more than 31,000 students have activated

their MyGateway account – there were more than 72,000 logins, almost 11,000 appointments made, more than 4,000 jobs and almost 600 events advertised. The 2015/16 academic year will witness further development of MyGateway when all placements will be processed, monitored and tracked through this system, providing a true one-stop shop for students.

BusinessWorks – which sees students work with firms in Leicester to help boost business and seed new ideas – was shortlisted in the prestigious Guardian University Awards 2015. This is a DMU Square Mile project, which works to share the expertise of staff and students with the community. More than 100 students were matched with local businesses to provide consultancy support, allowing them to put academic theory into practice and giving them a distinct edge in the graduate jobs market.

The DSU Volunteering service has more than 2,000 students registered, and works with more than 300 local organisations and charities. This year students have been involved in more than 340 projects and events, ranging from mentoring young people in care and helping children to read, to supporting and building friendships with elderly people. Students have also taken part in an arts and crafts day with a local residential home, arranged workshops at a local hospital school, created artwork for a women and children's refuge, provided outreach services in partnership with homelessness charities and delivered sexual health education services.

DSU delivers a wide range of activities, providing students with opportunities to develop and demonstrate their employability skills, and hold leadership positions on committees. This improves the student experience, as well as developing DMU's reputation within the community. More than 2,000 students are members of a DSU society and almost 300 participated in Demon Media, gaining valuable newspaper, TV, radio and online experience. Almost 600 students were elected as representatives to put forward the views and interests of students to the university community, and almost 1,300 students participated in DSU sporting activities.

The quality of the Careers and Employability team was externally recognised in 2015, after it was successfully assessed against the Matrix Standard for information, advice and guidance services. During 2014/15, the Careers Advisory Team had more than 12,000 individual student interactions and more than 3,000 placements were secured by the Work-Based Learning Team.

Employability Weeks were held during 2014/15, in the autumn and spring terms, with full engagement by all four faculties and supported by the professional directorates. They were included in the students' official timetable and, as a result, engagement significantly increased. Following a review of and feedback from students and staff, the two weeks of the timetable will become Enhancement Weeks from 2015/16. This will enable programme leaders and tutors to offer a range of activities related not just to the development of employability skills but also academic skills, and to provide timetabled opportunities for students to meet with their personal tutors.

As a result of a DMU-wide employability audit conducted by an external consultancy during 2014, the university is undertaking an ambitious programme which aims to enhance students' employability competencies, skills and attributes, as well as improve student experience, retention and achievement, and will run from 2015 to 2017.

The Employability Programme will deliver five key projects over the next two years: embedding employability into the curriculum; increasing and accrediting placements; improving employer engagement; introducing personal development planning; and developing DMU's alumni network.

Governance structures have now been developed which provide an academic employability lead in the four faculties, academic employability co-ordinators in each of the 17 schools, and academic employability champions in each of the 51 subject areas. This will greatly improve staff communication and engagement in all faculties, and develop tailored solutions based on faculty or subject need.

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.

DMU was chosen to be the sole higher education representative at the UK government's GREAT Festivals of Creativity in Shanghai – which was spearheaded by HRH Prince William, the Duke of Cambridge – and Istanbul. These events celebrated innovative, creative work from the UK, and the talent of our Contour, Drama, Footwear and Game Art students was showcased alongside other internationally renowned UK brands including HSBC, British Airways, Jaguar Land Rover, BBC Worldwide and PwC.

Excellent progress has been made during the year on our new Art and Design Centre in the heart of the campus, with completion on track for summer 2016. Our newly enlarged School of Design (formed from the merger of the School of Fashion and Textiles and the School of Design) has been reviewing its curriculum in anticipation of the opportunities the facilities will offer, including the development of an MA in Bespoke and Biomechanical Footwear and completely reconceiving our BA in Interior Design.

It is important to us that our students are taught and inspired by excellent teachers, many of whom are successful practitioners in their own right. Academics across the university have gained recognition during the year in many creative fields, including: Annie Cattrell's commission for the John Henry Brookes Building in Oxford; Lala Meredith-Vula's exhibition of photography in London; Chris Boydell's curation of an exhibition on swimwear at the Fashion and Textile Museum; Leila Galloway's residency at the Extractor Space in Deptford; Ron Duncan's shortlisting for the Philip K Dick Award for his novel *The Bullet-Catcher's Daughter*; Ernest Edmonds's interactive installation for the Primary Codes exhibition in Rio de Janeiro; Kevin Holdaway's exhibition of prints at Stockport Art Gallery; and sculpture technician Geoff Trevor's reconstruction of King Richard III's spine for the visitor centre in Leicester.

Leigh Landy, of the Music, Technology and Innovation Centre, was commissioned by the Musicacoustica Festival in Beijing, John Richards' work featured at the Sonar Festival in Barcelona and Shanghai Electroacoustic Music Festival, and Simon Atkinson's commissioned piece was performed in the GRM series in Paris.

Professor Ian Hunter made world news with his work on the 40th anniversary of the blockbuster film *Jaws*, resulting in newspaper articles in the *Observer* (by critic and broadcaster Mark Kermode) and *Independent*, and an interview on BBC Radio 3 with author and journalist Will Self.

The Centre for Cinema and Television History (CATH) gained the collection of actor and comedian Sir Norman Wisdom and the archive of the radical filmmaker Peter Whitehead, while top British screenwriter Andrew Davies entrusted his archive of television and cinema scripts to the Centre for Adaptations.

Interior Design students were invited to submit ideas for our new Heritage Centre, located in the Hawthorn Building. This magnificent space, built around the medieval arches of the Church of the Annunciation, opened in March. In addition to telling the story of DMU and its campus, it showcases pieces from the university's Christopherson Collection of past students' work. Photography and Video students worked on briefs for Leicester Print Workshop and the Leicester Museums Service, and Dance students had the opportunity to work with the Akram Khan Company – one of the foremost innovative dance companies in the world – on the creation of a new work. Curve theatre's new artistic director, Nikolai Foster, chose a collaboration with DMU to be his first production for the venue, directing drama students in Timberlake Wertenbaker's *Our Country's Good*.



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

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

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

Students from more than 130 nations come to DMU and our staff members are from 75 nations. Our vision centres on being a 21st-century global university which exposes students, staff and partners to the many benefits our worldwide perspective brings. International student recruitment, excellence in research and greater experience and opportunities for students and staff are key objectives.

The university's international recruitment strategy is founded on the principle of forging long-term, mutually beneficial partnerships with high-quality institutions. The partnerships forged with Chinese universities and organisations make China the most significant market for the university. In 2015/16, as in previous years, the university is expecting to enrol more than 500 Chinese students. DMU has regional offices in Beijing, Nanjing and Guangzhou to support local engagement with students, universities, government departments and educational partners.

In a significant partnership with the Oxford International Education Group, the Leicester International Pathway College (LIPC) on the DMU campus provides alternative routes into higher education for international students who need additional academic or English language support. LIPC has attracted more than 130 students since opening and the majority are expected to progress to DMU programmes in the following cycle.

Another major international venture launched in 2013/14 was #DMUglobal, which aims to offer 11,000 of our students a valuable international experience over the next five years. The programme aims to enrich students'

studies and expand their cultural horizons – helping them to become global graduates, equipped to meet the needs of employers across the world.

Since 2013 more than 3,000 participants have benefitted from a wide range of opportunities including on-campus and UK activities, overseas study, internships, faculty-led field trips and volunteering, as well as Erasmus+ and international exchanges.

As part of DMU's dedication to providing an unrivalled student experience and excellent employability, #DMUglobal is set to become the most comprehensive international experience programme available at any UK university. From 2016/17 every undergraduate programme will have an embedded international experience at every level.

In October 2015, DMU will launch its new international strategy, which will articulate a five-year road map to significantly increase international income through student recruitment and partnerships. By 2020, DMU aims to have a 20 per cent international student population and a globally minded student and staff population.



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

DMU continues to address sustainability issues through its teaching and research, and the management of its estate and operations. This commitment and performance was recognised in the People and Planet University League 2015, where DMU was placed eighth in England and 11th in the UK for its environmental and sustainability performance.

The People and Planet University League is the only comprehensive independent table of UK universities ranked by environmental and ethical performance. It is compiled annually by the UK's largest student campaigning network, People and Planet. Assessors asked more than 100 questions covering 13 sustainability topics, including carbon reduction, student and staff engagement, sustainable food, workers' rights, ethical investment and education for sustainability. The answers were scored and universities ranked depending on their overall total.

The university has also gained external recognition for its work on environmental management through the Acorn standard, awarded to organisations which can demonstrate, through an external audit process, they are managing and reducing their environmental impacts through the implementation of an environmental management system.

The university continues to look for opportunities to expand the range and number of renewable energy technologies on campus. The recent installation of 502 photovoltaic panels on three DMU buildings is delivering low carbon energy for use on campus and this will increase through the new Fletcher development, which will have further renewable energy installations.

DMU has used its research as a way of progressing sustainability through projects such as OASYS (Off-grid Access Systems) South Asia. This is a collaborative research project led by DMU which looked into decentralised off-grid electrification from solar power

in areas where many people do not have access to electricity from the grid. The OASYS project empowered people, improved their quality of life and livelihoods, and reduced environmental effects.

The project demonstrated off-grid options using solar PV-based mini/micro grid systems at four locations in India, providing access to basic lighting and mobile phone charging facilities as well as supporting the use of electricity for productive, educational and social purposes.

These pilot projects have directly helped around 5,000 households and reduced their dependence on kerosene, cutting the environmental impacts and accident risks. They also offered opportunities to study at night, created a better sense of protection at night where street lights have been placed, and empowered the communities through better information flow and newer opportunities for income generation.

The university also took part in the EU-funded SmartSpaces project, designed to reduce energy consumption in public buildings in 11 cities in 11 countries across Europe. The Leicester pilot was a partnership between DMU and Leicester City Council. As part of the project, our researchers designed a system of smiley and not-so-smiley faces which were frequently updated so staff, students and visitors could see the current energy use in buildings across the city. The project was a finalist in the 2014 Green Gown Awards, run by the Environmental Association for Universities and Colleges to recognise the excellent sustainability initiatives run by higher education institutions around the UK.

The university has also provided opportunities for students to develop new skills through its sustainability projects. Through the Green Impact initiative, student volunteers have been able to support staff teams in completing a series of environmental activities.



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

These focused on waste reduction, recycling, saving energy, greener travel and raising awareness of related issues. Student volunteers have also been trained as Green Impact environmental auditors to check that staff teams have completed the activities to the required standard. They were also able to build on these experiences by working with external organisations involved in the Green Impact project. This included environmental auditing at Leicestershire County Council and Charnwood Borough Council.

3. CONCLUSION: LOOKING AHEAD – OPPORTUNITIES AND RISKS

The university is well positioned to take advantage of any opportunities and to manage the risks of the current higher education environment, and those that may arise in future years. We proactively monitor and review a corporate risk register to provide alignment with the six strategic aims outlined above and their associated key performance indicators. There are risk registers at a faculty and directorate level, which form an integral component of the annual planning exercise. As part of this work, four key opportunities and risks were identified:

- **Forecast recruitment of overseas students:** The financial forecast reflects the work undertaken to date on our International Strategy, with forecast growth in student numbers from 2014/15 to 2018/19 with help from our partnership agreements. The university's student population from outside the UK is currently just less than 13 per cent, an increase of 0.7 per cent from the previous year. This is a challenging strategy with risks, particularly noting likely changes to national UK border policy following a change in government in 2015. It will be important to review the strategy in the context of the size of the market, judged by sector performance in recruiting students from outside of the UK (the current sector average is just less than 19 per cent). We must also take into account market intelligence available about the ambitions and targets set by competitor institutions for international recruitment.
- **Increased competition in the sector:** Current recruitment is buoyant with 2015/16 applications 11 per cent up from the previous year. However, with the marketisation of the sector it is critical that our current dynamic approach to recruitment is maintained, recognising that the sector has become more fiercely competitive. The inevitable consequence is that there will be winners and losers, with the likelihood of organisational consolidation and new entrants to the market.

- **Further reductions in government funding:** Following recent budget announcements of cuts of £450 million to the Department for Business, Innovation and Skills (BIS), the current financial forecast anticipated the impact to the university's HEFCE grant funding in 2015/16 and includes future anticipated cuts. There remains a risk that cuts in government funding could be deeper following the Comprehensive Spending Review (CSR) Green Paper into how the HE Sector can become more financially sustainable. This identifies the need to seek further and faster improvements, and it is therefore vital that we continue to drive efficiencies in our cost base.
- **Impact of the current funding regime on the full-time postgraduate student body:** Full-time postgraduate taught (PGT) forecasts for home/EU students are essentially at a steady state during the planning period, at about £2 million income per annum. It is important to acknowledge the potential impact of the new funding regime on future recruitment levels, as existing undergraduates complete their studies with significant levels of debt. The ongoing review of our PGT portfolio and the impact of scholarship awards for finalists and alumni (the Vice-Chancellor's 2020 Scholarship) will be critical to sustaining our position in this market.



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

4. FINANCIAL PERFORMANCE IN 2014/15

The university's financial performance for 2014/15 delivers a significant surplus following sustained cost controls and successful income growth, despite the challenges faced by the higher education sector in respect of reduced government funding and an increasingly competitive market.

Results for the year

The university's income and expenditure results for the year ended 31 July 2015 are summarised as follows:

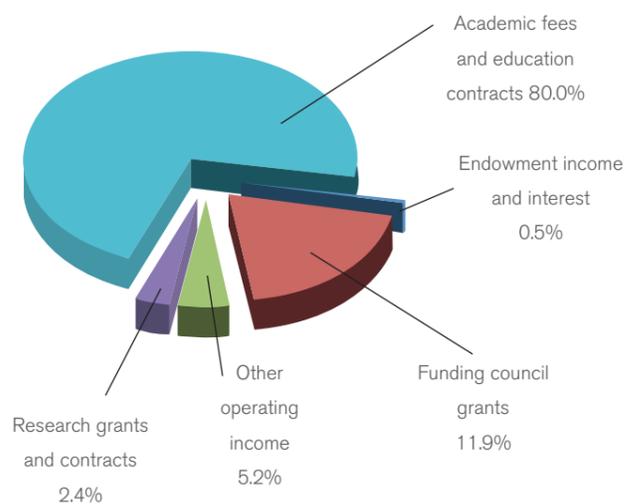
	2014/15 £'000	2013/14 £'000
Income	168,025	160,786
Expenditure	159,173	151,695
Surplus on continuing operations	8,852	9,091
Taxation	(98)	(90)
Surplus after taxation	8,754	9,001
Surplus/(loss) on disposal of tangible fixed assets	36	(5)
Surplus on continuing operations after exceptional items	8,790	8,996
Transfer from endowments	211	196
Difference between historical cost depreciation and actual depreciation charge	3,703	4,254
Historical cost surplus for the year after transfers from endowments	12,704	13,446

The university has achieved a surplus on continuing operations of £8.9m in the financial year 2014/15. This healthy surplus enables the university to continue to make vital capital investments and invest in the student experience and our staff.

Income analysis

Total income of £168m increased by £7.2m (4.5%) from 2013/14.

Income analysis 2014/15

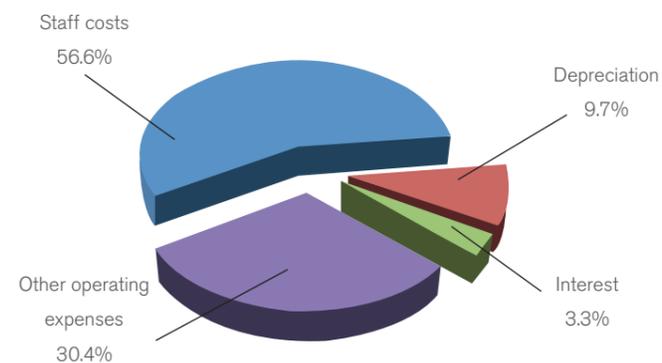


There were significant movements within the individual income categories due to the further reduction in funding council grants of £11.3m (36.2%) and the increase in academic fees and education contracts of £19.1m (16.6%) as a direct result of the third year of reduced government funding and increase in student fees in the higher education sector.

Expenditure analysis

Total expenditure of £159.2m increased by £7.5m (4.9%) from 2013/14.

Expenditure analysis 2014/15



- Staff costs increased by £2.9m, reflecting the impact of workforce investments, pay inflation and pension costs.
- Depreciation charges of £15.5m increased by £0.7m, reflecting the university's continued investment in technology assets.
- Other operating expenses increased by £4.3m, reflecting increased #DMUglobal activities, campus infrastructure expenditure, De Montfort Students' Union activities, marketing campaign expenditure and the commencement of the project to modernise the university's core operating systems.

Balance sheet

The university's consolidated group Balance Sheet at 31 July 2015 reports total net assets of £207.8m, an increase of £14.8m from 2013/14. This reflects the following items:

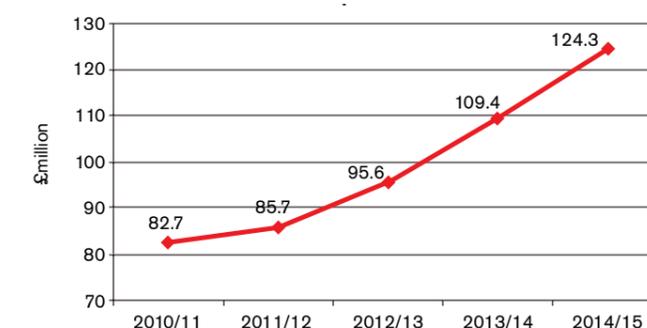
- Fixed assets of £295.6m increased by £22.4m (2013/14: £273.2m). The university invested £37.8m in new fixed assets during 2014/15, of which £31.9m was for buildings and major works, including the Fletcher building, and £5.9m for IT and equipment. This was offset by the depreciation charge of £15.5m.
- A decrease in current assets of £8.4m due to investment in major capital projects.
- An increase in creditors of £3.4m, due to the timing of capital projects.

Liquidity and reserves

The level of income and expenditure reserves has increased by £14.9m to £124.3m, continuing a positive trend as a result of the favourable operating position.

Cash and investments of £82m at the year-end ensure that the university has a strong liquidity position to enrich the student experience, with campus infrastructure renewal, technology modernisation and programmes such as #DMUglobal and DMU Graduate Champions.

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

Summary of the university's structure of corporate governance

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

It is a requirement of the Instrument of Government of the Corporation that there should be a majority of board members who are non-executive and independent, and that the board should comprise no fewer than 12 and no more than 24 members (including the Vice-Chancellor ex-officio). Currently the board has a total of 15 members (including the Vice-Chancellor ex-officio), 12 of whom are independent governors as defined by the Instrument and Articles. The remaining two members of the Board of Governors include representatives of the academic staff

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

The principal officer is the Vice-Chancellor, who has responsibility to the Board of Governors for the organisation, direction and management of the university. He is also the designated Accountable Officer for the purposes of the Financial Memorandum with the Higher Education Funding Council for England. The Vice-Chancellor is supported by an Executive Board, comprising the Deputy Vice-Chancellor, the Chief Operating Officer, the Vice-Chancellor's Chief of Staff, the Pro Vice-Chancellor for Teaching and Learning, the Pro Vice-Chancellor/Deans for Strategic and International Partnerships, four Pro Vice-Chancellors/Deans of the academic faculties and a number of executive directors. A Pro Vice-Chancellor for Research and Innovation is currently being recruited.

Conduct of business

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

In the conduct of its formal business, and in addition to an annual strategic away day, the board meets four times a year. It has a number of formally-constituted committees – Audit, Nominations, Remuneration, and Finance and Human Resources – each of which has clearly defined, delegated responsibilities.

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

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

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

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

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

The Board of Governors periodically reviews its own effectiveness in accordance with good practice/CUC guidance, with a review being undertaken in summer 2015. Newly appointed governors are encouraged to participate in an individual induction programme, tailored to their specific needs and experience. Additionally, all governors are provided with the details of seminars and conferences offered by organisations such as the Leadership Foundation and are encouraged to be proactive in identifying opportunities for other training or support. In relation to the conduct of board business,

there is considerable opportunity for governors to request additional information through board committees, through the board itself and via the Clerk to the Board.

Financial responsibilities of the university's Board of Governors

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

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

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

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

The Board of Governors has also taken reasonable steps to:

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

Internal control

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

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

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

Risk management

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

The university's risk management approach complies with the HEFCE Accounts Direction and also reflects the guidelines provided by the Turnbull Committee.

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

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

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

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

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

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

Going concern statement

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

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

We have audited the group and university financial statements (the 'financial statements') of DMU for the year ended 31 July 2015 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Board of Governors, 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 on Corporate Governance set out on page 34, the Board of Governors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and university as at 31 July 2015 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 with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education
- meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2014-15 financial statements

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the university for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation
- income has been applied in accordance with the university's statutes

- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them
- the corporate governance and internal control requirements of HEFCE's Accounts Direction to higher education institutions for 2014-15 financial statements have been met



Andrew Bush

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

1. ACCOUNTING CONVENTION

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

2. TANGIBLE FIXED ASSETS

i) Capitalisation

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

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

ii) Valuation

Land and buildings are included in tangible fixed assets and are recognised at current market cost. Innes England, an independent firm of commercial property consultants, valued the land and buildings as at 30 May 2012 for inclusion in the Balance Sheet at 31 July 2012; the basis of valuation being depreciated replacement cost.

All other tangible fixed assets are stated at cost.

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

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

iii) Depreciation

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

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

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

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

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

Depreciation on disposals is as follows:

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

iv) Funded tangible fixed assets

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

v) Tangible donated fixed assets

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

vi) IT equipment and software licences

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

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

vii) Heritage assets

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

Heritage assets were recognised for the first time in the university's financial statements in 2011/12. Adam N Schoon, 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.

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 of the 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 of the Corporation Tax Act 2009, and sections 471, 478-488 of the Corporation Tax Act 2010 (formerly s505 of the Income and Corporation Taxes Act 1988) 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 schemes 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 tuition fees represents student fees received and receivable which are attributable to the studies undertaken in the current accounting period.

Income from 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.

11. CONSOLIDATION

The 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 9 to the accounts. The Annual Accounts have been consolidated under the acquisition method of accounting.

The consolidated financial statements do not include those of De Montfort University Students' Union Limited, as it is a separate limited company in which the university has no financial interest. In 2014/15, the university made the recurrent grant to De Montfort University Students' Union Limited of £1.25m (2013/14: £1m).

12. FINANCIAL INSTRUMENTS

i) Cash

In accordance with FRS 1, cash includes short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an immaterial risk of changes in value i.e. price risk. Cash consists of cash on hand, demand deposits and short-term deposits/highly liquid investments. Short-term deposits and investments are those with an outstanding maturity of three months or less.

ii) Interest-bearing borrowing

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

iii) Investments in debt and equity securities

Other investments in debt and equity securities held by the university are classified as being available-for-sale and are stated at fair value, with any resultant gain or

loss being recognised directly in equity (in the fair value reserve), except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

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

13. MAINTENANCE OF PREMISES

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

14. STAFF RESTRUCTURING COSTS

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

15. PROVISIONS

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

16. FOREIGN CURRENCIES

The consolidated financial statements are presented in pounds sterling, which is the group's functional and presentation currency. The group does not include any

foreign entity. In line with FRS 23 (IAS 21), transactions denominated in foreign currencies are recorded at the exchange rate on the transaction date, while assets and liabilities are translated at exchange rates at the Balance Sheet date. The resulting exchange rate differences are recognised in the Income and Expenditure Account.

17. ACCOUNTING FOR CHARITABLE DONATIONS

i) Unrestricted donations

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

ii) Endowment funds

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

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

iii) Donations for fixed assets

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

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

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 2015

	Note	2015 £'000 Total	2014 £'000 Total
Income			
Academic fees and education contracts	1a	134,519	115,422
Funding council grants	1b	19,977	31,305
Research grants and contracts	1c	4,046	5,287
Other operating income	1d	8,687	7,980
Endowment income and interest receivable	1e	796	792
Total income		168,025	160,786
Expenditure			
Staff costs	2	89,684	85,091
Staff restructuring costs		322	2,038
Other operating expenses	3	48,426	44,112
Interest payable	4	5,230	5,669
Depreciation	8	15,511	14,785
Total expenditure	5	159,173	151,695
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax			
		8,852	9,091
Taxation	6	(98)	(90)
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and tax and before exceptional items			
		8,754	9,001
Exceptional items: continuing operations			
Surplus/(deficit) on disposal of tangible fixed assets	8	36	(5)
Surplus on continuing operations after depreciation of tangible fixed assets at valuation, taxation and disposal of assets			
		8,790	8,996
Transfer from accumulated income within endowments	10	211	196
Surplus for the year retained within general reserves			
		9,001	9,192

The consolidated surplus for the year includes a surplus of £9,001k (2013/14: surplus of £9,192k) attributable to the operations of the university, excluding activities of the subsidiary.

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

For the year ended 31 July 2015

	Note	2015 £'000 Total	2014 £'000 Total
Surplus on continuing operations after depreciation of tangible fixed assets at valuation, taxation and disposal of assets		8,790	8,996
Difference between historical cost depreciation charge and actual depreciation charge for the year	19	3,703	4,254
Historical cost surplus for the year		12,493	13,250
Historical cost surplus for the year retained after transfers in respect of endowments		12,704	13,446

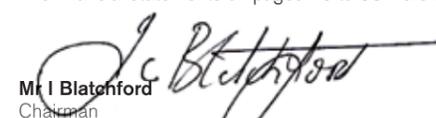
This statement should be read in conjunction with the report of the Chairman, the Operating and Financial Review and Notes to the Accounts.

BALANCE SHEET

As at 31 July 2015

	Note	Group 2015 £'000	Group 2014 £'000	Corporation 2015 £'000	Corporation 2014 £'000
Fixed assets					
Intangible assets	7	163	-	163	-
Tangible assets	8	295,213	273,014	295,213	273,014
Investments	9	195	186	505	496
		295,571	273,200	295,881	273,510
Endowment asset investments	10	1,171	1,220	1,171	1,220
Current assets					
Stocks	11	111	102	111	102
Debtors — amounts falling due within one year	12	7,982	7,176	8,680	7,911
Short-term deposits	13	39,074	42,010	38,068	40,675
Cash at bank and in hand		42,894	49,148	42,889	49,112
Total current assets		90,061	98,436	89,748	97,800
Creditors: amounts falling due within one year	14	(25,749)	(22,330)	(26,003)	(22,261)
Net current assets		64,312	76,106	63,745	75,539
Total assets less current liabilities					
		361,054	350,526	360,797	350,269
Creditors: amounts falling due after more than one year	15	(86,407)	(86,279)	(86,407)	(86,279)
Provisions for liabilities and charges	16	(1,625)	(2,571)	(1,625)	(2,571)
		(88,032)	(88,850)	(88,032)	(88,850)
Total net assets excluding pension deficit					
		273,022	261,676	272,765	261,419
Pension deficit	28d	(65,224)	(68,715)	(65,224)	(68,715)
Total net assets including pension deficit					
		207,798	192,961	207,541	192,704
Represented by:					
Deferred capital grants	17	36,983	36,760	36,983	36,760
Endowments					
Expendable		679	729	679	729
Permanent		492	491	492	491
Total endowments	18	1,171	1,220	1,171	1,220
Reserves					
Revaluation reserve	19	110,592	114,286	110,592	114,286
Income and Expenditure Account	19	124,276	109,410	124,019	109,153
Pension reserve	19	(65,224)	(68,715)	(65,224)	(68,715)
Total reserves		169,644	154,981	169,387	154,724
Total reserves and endowments					
		170,815	156,201	170,558	155,944
Total funds					
		207,798	192,961	207,541	192,704

The financial statements on pages 46 to 68 were approved by the Board of Governors on 19 November 2015 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 2015

	Note	2015 £'000	2014 £'000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets		8,790	8,996
Increase in value of fixed asset investment	19	9	44
New endowed funds	18	173	151
Disposal of endowed funds	18	(25)	-
Appreciation of endowed funds	18	14	6
FRS 17 actuarial gain/(loss)	28d	5,653	(29,276)
Total recognised gain/(losses) relating to the year		14,614	(20,079)
Opening reserves and endowments		156,201	176,280
Total recognised gains/(losses)		14,614	(20,079)
Closing reserves and endowments		170,815	156,201

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 2015

	Note	2015 £'000	2014 £'000
Net cash inflow from operating activities	21	26,194	28,828
Returns on investments and servicing of finance			
Interest received	22	874	772
Interest paid	22	(4,838)	(4,838)
Total returns on investment and servicing of finance		(3,964)	(4,066)
Net cash inflow after returns on investments and servicing of finance		22,230	24,762
Capital expenditure			
Payments to acquire tangible assets		(33,133)	(18,517)
Payments to acquire intangible assets		(196)	-
Deferred capital grants received		1,923	1,483
Net cash outflow from capital expenditure		(31,406)	(17,034)
Net cash (outflow)/inflow before management of liquid resources		(9,176)	7,728
Management of liquid resources			
Cash transferred from term deposits	23	2,936	17,955
Financing			
Loan repayment in year		(14)	(23)
Net cash outflow from financing		(14)	(23)
(Decrease)/increase in cash	23	(6,254)	25,660

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Note	2015 £'000	2014 £'000
(Decrease)/increase in cash in the year	23	(6,254)	25,660
Cash outflow from liquid resources	23	(2,936)	(17,955)
Loan repayment in year		14	23
Change in net funds		(9,176)	7,728
Net funds/(debt) at 1 August		1,136	(6,592)
Net (debt)/funds at 31 July		(8,040)	1,136

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	2014/2015 £'000	2013/2014 £'000
a) Academic fees and education contracts		
Home and EU students	100,838	83,784
Overseas students	20,209	17,611
Education contracts	12,058	12,539
Other contracts	1,414	1,488
Total	134,519	115,422
b) Funding council grants		
Recurrent grants		
Higher Education Funding Council for England	16,157	26,464
Learning and Skills Council	706	797
Specific grants		
Higher Education Innovation Fund	926	1,155
National Scholarship Programme	626	1,203
Employer engagement	2	1
Releases of deferred capital grants		
Buildings	763	738
Equipment	797	947
Total	19,977	31,305
c) Research grants and contracts		
Research councils	1,175	1,559
UK-based charities	574	434
European commission	321	752
Other grants and contracts	1,976	2,542
Total	4,046	5,287
d) Other operating income		
Residences and catering	3,096	2,869
Other services rendered	3,759	3,507
Other income	1,680	1,389
Releases of deferred capital grants (note 17)	140	202
Donations	12	13
Total	8,687	7,980
e) Endowment income and interest receivable		
Income from expendable endowments (note 18)	7	7
Income from permanent endowments (note 18)	14	11
Interest on short-term investments	775	774
Total	796	792

2. Staff costs and other details	2014/2015 £'000	2013/2014 £'000
a) Staff costs		
Wages and salaries	71,980	70,248
Social security costs	6,021	5,856
Other pension costs	9,781	9,324
The financial effects of the adoption of FRS 17	1,902	(337)
Total	89,684	85,091
b) Employee numbers	2014/2015	2013/2014
The average number of persons employed during the year, expressed as full-time equivalents, are disclosed below.		
Academic		
Full-time	625	643
Part-time	239	232
Support	1,029	1,021
Total	1,893	1,896
c) Vice-Chancellor emoluments		
Salary	280	235
Bonus relating to prior year	30	45
Health insurance	1	1
	311	281
Pension contributions	-	8
Total	311	289
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.		
Employer's pension contributions in respect of the Vice-Chancellor were made for three months of the year up until October 2013 at a rate of 16%.		
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:		
	2014/2015	2013/2014
£100,000 - £109,999	4	-
£110,000 - £119,999	5	4
£120,000 - £129,999	-	-
£130,000 - £139,999	2	3
£140,000 - £149,999	1	1
£150,000 - £159,999	-	-
£160,000 - £169,999	-	1
£170,000 - £179,999	1	1

3. Other operating expenses		2014/2015 £'000	2013/2014 £'000
External Auditor's remuneration	Group audit	55	54
The above remuneration includes £43,000 in respect of the audit of the university (2014: £43,000)			
Auditor's fees for non-audit services	Other services supplied pursuant to such legislation	10	-
	Other services relating to taxation	13	32
	Other	2	1
Internal audit services		103	83
Residences and catering		1,872	1,463
Rent, rates and insurance		1,336	1,040
Repairs and general maintenance		4,005	3,781
Energy		2,492	2,417
Administrative expenses		6,135	5,620
Research grants and contracts		1,313	1,766
Legal, professional and consultancy fees		9,078	6,510
General education expenses		3,818	5,699
Student bursaries		4,679	5,177
Publicity		4,781	3,090
Staff development		515	488
Travel and subsistence		2,572	1,987
Grant to De Montfort University Students' Union Limited		1,250	1,000
Consumables		3,569	3,005
Other		828	899
Total		48,426	44,112

Other operating expenses include:

Operating leases – buildings	548	374
Operating leases – equipment	151	147

Governors

No governor has received any remuneration/waived payments for the group during the year (2014: none).

The total expenses paid to or on behalf of 17 governors was £33,548 (2014: £20,506 to 17 governors).

This represents travel and subsistence incurred in attending board and committee meetings in their official capacity.

4. Interest payable	2014/2015 £'000	2013/2014 £'000
Net financing costs in Pension Scheme Liabilities (under FRS 17)	260	699
Interest on bond	4,837	4,837
Bond transaction costs	133	133
Total	5,230	5,669

5. Analysis of 2014/2015 expenditure by activity	Staff costs £'000	Other operating expenses £'000	Interest £'000	Depreciation £'000	Total £'000	2013/2014 Total £'000
Academic departments	49,693	9,489	-	2,163	61,345	60,602
Academic services	13,168	5,858	-	4,644	23,670	21,606
Admin and central services	7,438	3,586	-	619	11,643	9,236
General education expenditure	2,915	13,339	-	107	16,361	15,089
Staff and student facilities	6,434	4,804	-	136	11,374	10,315
Premises	5,045	7,548	-	7,590	20,183	19,953
Residences and catering	385	1,872	-	252	2,509	2,034
Research grants and contracts	2,404	1,306	-	-	3,710	4,388
Other expenditure	300	615	4,970	-	5,885	6,060
Provision for restructuring	322	9	-	-	331	2,050
FRS 17 adjustment	1,902	-	260	-	2,162	362
Total	90,006	48,426	5,230	15,511	159,173	151,695

The depreciation charge has been funded by:

	£'000
Deferred capital grants released (note 17)	1,700
Revaluation reserves released (note 19)	3,703
General income	10,108
Total	15,511

6. Taxation

Taxation is payable to Chinese tax authorities on activity in respect of joint education programmes with partner universities in China.

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

The estimated amount due for 2014/15 is £98,402, being tax on the income for the current year and a late payment surcharge for tax owed on prior years' activity.

The total accrued for tax in China is the maximum estimate of £484,000 and will be finalised once negotiations have concluded.

7. Intangible fixed assets	2014/2015 £'000	2013/2014 £'000
Group and corporation		
Cost or valuation		
At 1 August 2014	-	-
Additions at cost	196	-
As at 31 July 2015	196	-
Amortisation		
At 1 August 2014	-	-
Charge for the year	33	-
As at 31 July 2015	33	-
Net book value:		
At 31 July 2015	163	-

8. Tangible fixed assets and depreciation	Land and buildings £'000	Buildings under construction £'000	Furniture and equipment £'000	Computer equipment £'000	Heritage assets £'000	Total £'000
Group and corporation						
Cost or valuation						
At 1 August 2014	272,728	2,978	15,366	26,482	700	318,254
Additions at cost	2,460	29,458	829	4,894	-	37,641
Disposals	-	-	(3,890)	(3,961)	-	(7,851)
At 31 July 2015	275,188	32,436	12,305	27,415	700	348,044
Depreciation						
At 1 August 2014	17,043	-	13,721	14,476	-	45,240
Charge for the year	7,754	-	818	6,906	-	15,478
Depreciation charge for the year	7,754	-	818	6,906	-	15,478
Disposals	-	-	(3,891)	(3,996)	-	(7,887)
At 31 July 2015	24,797	-	10,648	17,386	-	52,831
Net book value:						
At 31 July 2015	250,391	32,436	1,657	10,029	700	295,213
At 31 July 2014	255,685	2,978	1,645	12,006	700	273,014

The net book value of tangible fixed assets held under finance leases at 31 July 2015 was nil (31 July 2014: nil). Of the net book value of land and including buildings under construction – £281,963,000 as at 31 July 2015 – £11,490,000 is held at cost and £270,473,000 is held at the 2012 valuation. The historical cost equivalent of the re-valued land and buildings is £132,964,000 as at 31 July 2015.

Internal staff capitalised within computer equipment additions at 31 July 2015 was £69,000 (31 July 2014: nil).

Land and buildings includes £12m (2014: £12m) of university-owned land that is not depreciated.

	Group and corporation	
	2014/2015 £'000	2013/2014 £'000
The net book value of land and buildings is comprised as follows:		
Freehold	282,024	258,247
Long lease	305	416
Total	282,329	258,663

9. Investments	Group 2014/2015 £'000	Group 2013/2014 £'000	Corporation 2014/2015 £'000	Corporation 2013/2014 £'000
Movement in the year				
Balance at beginning of year	186	142	496	452
Appreciation of investments	9	44	9	44
Balance at year end	195	186	505	496
Analysis of closing balance				
Shareholding in subsidiary undertakings	-	-	310	310
Other investments	157	148	157	148
Shareholding in CVCP Properties PLC	38	38	38	38
Total	195	186	505	496

a) Shareholdings in subsidiary undertakings

At year end, investments in subsidiary undertakings comprise:

	Group holding %	Corporation 2014/2015 £	Corporation 2013/2014 £	Description of activities
Directly owned by the university:				
De Montfort Expertise Ltd	100	310,000	310,000	Provision of commercial contract work
Leicester Business School Ltd	100	1	1	Dormant company
Leicestershire Business School Ltd	100	1	1	Dormant company
Total		310,002	310,002	

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

b) Other investments	Holding %	Corporation 2014/2015 £	Corporation 2013/2014 £	Description of activities
Spear Therapeutics Ltd	11.06	234	234	Drug development and research
BTG PLC	<0.01	129,793	120,267	Drug development and research
CYPS Ltd	100.00	100	100	Dormant company
In Smart Ltd	100.00	100	100	Dormant company
Morvus Technology Ltd	<0.40	589	589	Drug development and research
Abeona Therapeutics	<0.70	818	2,044	Drug development and research, incorporated in USA. See notes
Mediatag Ltd	32.47	150	150	Software development
Venuesim Ltd	33.00	300	300	Software development
WZVI Ltd	10.00	100	100	Science and engineering research
IP By Design Ltd	10.00	25,000	25,000	Intellectual property management consultancy
CYP Design Ltd	20.00	2	2	Drug development and research
Total		157,186	148,886	

Notes

Access Pharmaceuticals Inc became PlasmaTech Biopharmaceuticals on 24 October 2014. On 22 June 2015, the name changed again and the company is now called Abeona Therapeutics ABEO.

10. Endowment asset investments – group and corporation	2014/2015 £'000	2013/2014 £'000
Balance at 1 August	1,220	1,259
New endowments invested	173	151
Disposals	(25)	-
Increase in market value of investments	14	6
Decrease in cash balances held for endowment funds	(211)	(196)
Balance as at 31 July	1,171	1,220

Represented by:		
Securities and fixed interest stock	245	230
Bank balances	926	990
Total endowment assets	1,171	1,220

11. Stocks – group and corporation	2014/2015 £'000	2013/2014 £'000
Goods for resale	2	3
Art and design supplies	81	62
Computer supplies	28	37
Total	111	102

12. Debtors falling due within one year	Group 2014/2015 £'000	Group 2013/2014 £'000	Corporation 2014/2015 £'000	Corporation 2013/2014 £'000
Student debtors	932	932	932	932
Other debtors	2,534	1,770	2,156	1,339
Research	814	1,009	814	1,009
Prepayments and accrued income	3,702	3,465	3,529	3,356
Subsidiary undertakings	-	-	1,249	1,275
Total	7,982	7,176	8,680	7,911

13. 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 2015:

£39,074,000 of group funds were on deposit (31 July 2014: £42,010,000).

£38,068,000 of corporation funds were on deposit (31 July 2014: £40,675,000).

14. Creditors falling due within one year	Group 2014/2015 £'000	Group 2013/2014 £'000	Corporation 2014/2015 £'000	Corporation 2013/2014 £'000
Payments received in advance	8,115	7,748	8,022	7,608
Trade creditors	2,554	3,926	2,464	3,840
Other creditors	3,486	4,088	3,486	4,088
Taxation	900	926	900	926
Social security	984	904	984	904
Accruals	9,251	4,231	9,191	4,093
Loans	5	14	5	14
Student caution deposits	454	366	454	366
Access funds (note 27)	-	127	-	127
Subsidiary undertakings	-	-	497	295
Total	25,749	22,330	26,003	22,261

15. Creditors falling due after more than one year – group and corporation	2014/2015 £'000	2013/2014 £'000
Bond (note 20a)	90,000	90,000
Bond transaction costs	(3,596)	(3,729)
Bond total	86,404	86,271
Other loans	3	8
Total	86,407	86,279

16. Provisions for liabilities and charges – group and corporation	Taxation £'000	Future pensions £'000	Staff restructuring £'000	Total £'000
At 1 August 2014	386	1,753	432	2,571
Utilised in year	-	(729)	(432)	(1,161)
Transfer to Income and Expenditure Account	98	90	27	215
At 31 July 2015	484	1,114	27	1,625

The provision for future pensions represents the estimated outstanding cost to the university in respect of enhanced pension entitlements not accounted for under FRS 17 and is reviewed at each financial year end. The provision for staff restructuring relates to agreements that have been reached for early retirement and severance as at the Balance Sheet date.

17. Deferred capital grants – group and corporation	Funding council grants £'000	Other grants £'000	Total grants £'000
Balance at 1 August 2014			
Buildings	34,017	923	34,940
Equipment	1,500	320	1,820
Total	35,517	1,243	36,760
Cash receivable			
Buildings	936	-	936
Equipment	936	51	987
Total	1,872	51	1,923
Released to Income and Expenditure Account			
Buildings	(763)	(63)	(826)
Equipment	(797)	(77)	(874)
Total	(1,560)	(140)	(1,700)
To fund depreciation (note 5)			(1,700)
Total			(1,700)

Balance at 31 July 2015			
Buildings	34,190	860	35,050
Equipment	1,639	294	1,933
Total	35,829	1,154	36,983

18. Endowments — group and corporation	Unrestricted permanent £'000	Restricted permanent £'000	Total permanent £'000	Restricted expendable £'000	2014/2015 Total £'000	2013/2014 Total £'000
Capital	1	419	420	726	1,146	1,182
Accumulated income	-	71	71	3	74	77
Total	1	490	491	729	1,220	1,259
Investment income	-	14	14	7	21	18
Expenditure	-	(3)	(3)	(229)	(232)	(214)
Total	-	11	11	(222)	(211)	(196)
New endowments	-	1	1	172	173	151
Disposals	-	(25)	(25)	-	(25)	-
Appreciation in market value of investments	-	14	14	-	14	6
At 31 July 2015	1	491	492	679	1,171	1,220
Represented by:						
Capital value	1	413	414	675	1,089	1,146
Accumulated income	-	78	78	4	82	74
Total	1	491	492	679	1,171	1,220
19. Reserves			Group 2014/2015 £'000	Group 2013/2014 £'000	Corporation 2014/2015 £'000	Corporation 2013/2014 £'000
Income and expenditure reserve						
At 1 August			109,410	95,602	109,153	95,345
Surplus retained in the year			9,001	9,192	9,001	9,192
Transfer from revaluation reserve			3,703	4,254	3,703	4,254
Add back pension deficit			2,162	362	2,162	362
At 31 July			124,276	109,410	124,019	109,153
Pension reserve						
At 1 August			(68,715)	(39,077)	(68,715)	(39,077)
Actuarial gain/(loss) on pension scheme			5,653	(29,276)	5,653	(29,276)
Deficit retained within reserves			(2,162)	(362)	(2,162)	(362)
At 31 July			(65,224)	(68,715)	(65,224)	(68,715)
Revaluation reserve						
At 1 August			114,286	118,496	114,286	118,496
Increase in value of fixed asset investments			9	44	9	44
Contribution to depreciation			(3,703)	(4,254)	(3,703)	(4,254)
At 31 July			110,592	114,286	110,592	114,286
Total reserves			169,644	154,981	169,387	154,724

20. Borrowings and lease obligations — group and corporation	2014/2015 £'000	2013/2014 £'000
a) Borrowings		
Borrowings in respect of bond issue, bank loans, overdrafts and other loans are repayable as follows:		
In one year or less	5	14
Between one and two years	3	5
Between two and five years	-	3
In five years or more	90,000	90,000
Total	90,008	90,022
Bond		
An unsecured fixed rate public bond was issued in July 2012 in the sum of £110m over a 30-year term with a coupon rate of 5.375%. £20m are reserve bonds held without coupon by the trustee for a five-year period to July 2017. If the reserve bonds are not sold in this time they will be withdrawn. There are no capital payments to be made over the term with the bond maturing in 2042.		
DMU may, at its option, redeem all, or from time to time any part of, the bonds at the higher of the principal amount of the bonds and the sum of the gross redemption yield of the benchmark gilt (4.5% Treasury Gilt 2042) and 0.40%, plus accrued interest.		
The bond transactions costs of £4m are amortised over the life of the bond of 30 years to interest payable, with effect from financial year 2012/13.		
b) Operating leases		
At 31 July 2015, the university had annual commitment under operating leases as follows:		
Land and buildings	2014/2015 £'000	2013/2014 £'000
Leases expiring within two-five years	245	82
Leases expiring thereafter	304	306
Total lease payments due	549	388
Other		
Leases expiring within one year	20	-
Leases expiring within two-five years	67	118
Total lease payments due	87	118

21. Net cash flow from operating activities — group	2014/2015 £'000	2013/2014 £'000
Income and Expenditure Account before taxation	8,852	9,091
FRS 17 impact on Income and Expenditure Account (including interest)	2,162	362
Endowment income adjustment	211	196
Interest receivable (excluding FRS 17 interest)	(796)	(792)
Surplus before interest receivable	10,429	8,857
Add back interest payable (excluding FRS 17 interest):		
Interest on bond	4,837	4,837
Bond costs	133	133
Total interest payable	4,970	4,970
Surplus from operating activities	15,399	13,827
Release of capital grant	(1,700)	(1,887)
Increase in value of fixed asset investments	9	44
Depreciation	15,511	14,785
Increase in stock	(9)	(11)
(Increase)/decrease in debtors	(884)	357
(Decrease)/increase in creditors	(1,088)	1,789
Decrease in provisions	(1,044)	(76)
Net cash inflow from ordinary operating activities	26,194	28,828
22. Returns on investments and servicing of finance — group	2014/2015 £'000	2013/2014 £'000
Income from short term investments	874	772
Interest paid	(4,838)	(4,838)
Total	(3,964)	(4,066)

23. Analysis of net funds — group	At 1 August 2014 £'000	Non cash changes £'000	Cash flow £'000	At 31 July 2015 £'000
Net cash				
Cash at bank and in hand	49,148	-	(6,254)	42,894
Bank overdrafts	-	-	-	-
Total net cash	49,148	-	(6,254)	42,894
Liquid resources				
Current asset investments	42,010	-	(2,936)	39,074
Debt				
Debts falling due within one year	(14)	(5)	14	(5)
Debts falling due after one year	(90,008)	5	-	(90,003)
Total debt	(90,022)	-	14	(90,008)
Net funds	1,136	-	(9,176)	(8,040)

24. Financial commitments – group and corporation	2014/2015 £'000	2013/2014 £'000
Provision has not been made for the following capital commitments at 31 July 2015.		
Commitments contracted for	23,614	52,610
Authorised but not contracted for	73,701	20,178
Total	97,315	72,788

25. Contingent liabilities
There are no material contingent liabilities.

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

Mr Mike Kapur, Independent Governor, held a position of Board Advisor to Leicestershire County Cricket Club. The value of services provided to the university during 2014/15 was £77,000. Mr Alan Charlton, Independent Governor, provided consultancy services to the university. The value of services provided to the university during 2014/15 was £18,750. Mr Ian Blatchford, Independent Governor, provided consultancy services to the university. The value of services provided to the university during 2014/15 was £10,000.

It is a requirement of HEFCE that transactions during the year between institutions and the autonomous, non-consolidated students' unions are reported as a related party transaction. Mr Adil Waraich, President of De Montfort Students' Union sits on the university board. The grant paid to the students' union during the year was £1,250,000.

27. Access funds	2014/2015 £'000	2013/2014 £'000
Balance unspent at 1 August	127	163
Funding council grants	-	369
Interest earned	-	3
Balance before disbursement	127	535
Disbursed to students	(127)	(408)
Balance as at 31 July	-	127

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

28. Pension schemes

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

Total pension cost for the year	2014/15 £'000	2013/2014 £'000
Teachers' Pension Scheme: contributions paid	4,534	4,564
Universities Superannuation Scheme: contributions paid	390	349
Local Government Pension Scheme: contributions paid	4,857	4,411
Total other pension costs	9,781	9,324
The financial effects of the adoption of FRS 17	1,902	(337)
Total	11,683	8,987

The pension charge for the year includes an amount in respect of enhanced pension entitlements of staff taking early retirement that are not accounted for under FRS 17. The calculation of the cost of early retirement provisions charged to the Income and Expenditure Account in the year of retirement is based on the total capital cost of providing enhanced pensions.

An amount of £1,072k (2014: £1,753k), not accounted for under FRS 17, is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the university of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

b) Teachers' Pension Scheme

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

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

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

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

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

Under the definitions set out in FRS 17, Retirement Benefits, the TPS is a multi-employer pension scheme. The university is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the university has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

c) Universities Superannuation Scheme

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

The institution is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the institution's employees. In 2015, the percentage was 16% (2014: 16%). The institution 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.

The total cost charged to the Income and Expenditure Account is £390,274 (2014: £348,490) as shown in note 28a. There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions. The disclosures below represent the position from the scheme's financial statements.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method. Employer contributions will increase to 18% from 1 April 2016.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, that requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £49.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

FRS 17 liability numbers have been produced using the following assumptions:

	2015	2014
Discount rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	S1NA (light) YoB tables - No age rating
Female members' mortality	S1NA (light) YoB tables - rated down one year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS 17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2015	2014
Males currently aged 65 (years)	24.2	23.7
Females currently aged 65 (years)	26.3	25.6
Males currently aged 45 (years)	26.2	25.5
Females currently aged 45 (years)	28.6	27.6

Existing benefits

	2015	2014
Scheme assets	£49.0bn	£41.6bn
FRS 17 liabilities	£67.6bn	£55.5bn
FRS 17 deficit	£18.6bn	£13.9bn
FRS 17 funding level	72%	75%

d) Local Government Pension Scheme

The university participates in a defined benefit scheme in the UK, the Leicestershire County Council Pension Fund. A full actuarial valuation of the fund was carried out at 31 March 2013 by a qualified independent actuary. This was updated to 31 July 2015 for FRS 17 purposes by a qualified independent actuary. The major assumptions used by the actuary were as follows.

	2015	2014
Rate of increase in salaries	2.9%	3.0%
Rate of increase in pensions	2.2%	2.7%
Discount rate for liabilities	3.6%	4.0%
Inflation assumption	2.2%	2.7%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	2015	2014
Retiring today		
Males	22.2 years	22.2 years
Females	24.3 years	24.2 years
Retiring in 20 years		
Males	24.2 years	24.3 years
Females	26.6 years	26.6 years

Scheme assets

The assets in the scheme and the expected rate of return at 31 July 2015 were:

	Long term return	Value at 31 July 2015	Long term return	Value at 31 July 2014
	%	£'000	%	£'000
Equities	3.6%	103,802	6.6%	95,783
Bonds	3.6%	30,530	3.7%	21,893
Property	3.6%	15,265	4.7%	13,683
Cash	3.6%	3,053	3.6%	5,473
Total		152,650		136,832

The following amounts at 31 July were measured in accordance with the requirements of FRS 17:

Analysis of the amounts shown in the Balance Sheet

	2015	2014
	£'000	£'000
Fair value of employer assets	152,650	136,832
Present value of scheme liabilities	(217,874)	(205,547)
Deficit in the scheme — net pension liability	(65,224)	(68,715)

Analysis of amounts charged to Income and Expenditure Account

	2015	2014
	£'000	£'000
Charged to staff costs		
Current service cost	(7,004)	(4,040)
Past service cost	-	-
Curtailement and settlements	(160)	(211)
Employer contributions	5,262	4,588
	(1,902)	337

Financing

Expected return on pension scheme assets	8,038	6,657
Interest on scheme liabilities	(8,298)	(7,356)

Net charge (260) (699)

Net Income and Expenditure Account cost (2,162) (362)

2015 **2014**
£'000 **£'000**

Amounts recognised in the statement of total recognised gains and losses

Actual return less expected return on pension scheme assets	5,653	(29,276)
Actuarial gains/(losses) in pension plan recognised	5,653	(29,276)

Cumulative actuarial losses (38,610) (44,263)

Movement in deficit during the year **2015** **2014**
£'000 **£'000**

Deficit on scheme at 1 August (68,715) (39,077)

Movements in year:

- Current service cost	(7,004)	(4,040)
- Employer contributions	5,262	4,588
- Impact of settlements and curtailments	(160)	(211)
- Net return on assets	(260)	(699)

Total impact on Income and Expenditure Account (see note 19) **(2,162)** **(362)**

- Actuarial gains/(losses) 5,653 (29,276)

Total movement in the year **3,491** **(29,638)**

Deficit on scheme at 31 July **(65,224)** **(68,715)**

Analysis of the movement in the market value of the scheme liabilities

Movement in deficit during the year

	2015 £'000	2014 £'000
Liabilities at 1 August	205,547	159,514
Service cost	7,004	4,040
Interest cost	8,298	7,356
Employee contributions	2,070	1,844
Actuarial (gains)/losses	(98)	37,627
Curtailments and settlements	160	211
Benefits paid	(5,107)	(5,045)
Closing defined benefit obligation	217,874	205,547

Analysis of the movement in the market value of scheme assets

	2015 £'000	2014 £'000
Opening fair value of asset plans	136,832	120,437
Expected return on assets	8,038	6,657
Contributions by members	2,070	1,844
Contributions by employer	5,262	4,588
Actuarial gains	5,555	8,351
Estimated benefits paid	(5,107)	(5,045)
Total	152,650	136,832

History of experience gains and losses

The experience gains and losses for the year ended 31 July 2015 were as follows:

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Difference between the expected and actual return on scheme assets	5,555	8,351	11,045	(5,737)	1,255
Percentage of scheme assets	3.6%	6.1%	9.2%	(5.6%)	1.3%
Experience gains/(losses) on liabilities	1,676	(5,811)	(131)	(1,586)	5,282
Percentage of the total present value of scheme liabilities	0.8%	(2.8%)	(0.1%)	(1.2%)	4.0%
Total actuarial (gains)/losses	(5,653)	29,276	4,042	1,890	(20,515)
Percentage of the present value of scheme liabilities	(2.6%)	14.2%	2.5%	1.4%	(15.6%)

Sensitivity analysis

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

Change in assumptions at 31 July 2015	Approximate % increase to employer liability	Approximate monetary amount £'000
0.5% decrease in real discount rate	12%	25,554
One-year increase in member life expectancy	3%	6,536
0.5% increase in the salary increase rate	4%	8,890
0.5% increase in the pension increase rate	7%	16,298

29. Financial instruments

Risk management

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

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

Credit risk

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

The group's credit risk arises from bank balances, investments, student debtors and government and commercial organisations as customers. Management of credit risk is a prime objective of Treasury Management Policy. At 31 July 2015, the maximum exposure is represented by the carrying value of each financial asset in the Balance Sheet.

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

Liquidity risk

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

Formal cash flow forecasts are developed, monitored and updated to ensure that adequate working capital is available and excess funds are invested to reduce the carrying cost of funds. The group policy is to maintain a minimum liquidity of one month's expenditure plus 20% reserve and invest excess funds for maturity of no more than three years. At 31 July 2015, the group is holding cash deposits and investments of various maturities, none of which is greater than 12 months. The average maturity of all deposits and investments is 50 days. The group's £1m overdraft facility with National Westminster Bank remained undrawn at the Balance Sheet date.

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

- the principal amount of the bonds to be redeemed
- the sum of the Gross Redemption Yield of the benchmark gilt (4.50% Treasury Gilt 2042) and 0.40% plus accrued interest

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

NOTES

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

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

For the financial year ending on 31 July 2015, the ratio was 3.1% (2013/14 2.8%). The bonds may be redeemed at the option of the holder, subject to the occurrence of certain events mentioned in the bond trust deed. Moody's reviewed the credit rating of the bonds in August 2015, which remained unchanged at Aa2 stable. Please see Note 20(a) for the maturity profile of all borrowings.

Foreign currency risk

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

The group's principal foreign currency exposures generally arise from research-related receipts and payments denominated in euros. There are ring-fenced euro bank accounts, set up especially for research projects funded in euros. All other receipts in foreign currencies are converted into pound sterling unless required for immediate foreign currency payments. Overall foreign currency exposure is immaterial, being an insignificant portion of the total income and expenditure. At 31 July 2015, the sterling equivalent of all euro bank balances was £0.5m (2013/14: £0.5m).

Interest rate risk

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

The group's main financing relates to 30-year £110m bonds. At 31 July 2015, Balance Sheet values of deposits and investments are not exposed to changes in interest rates. However, the group's interest and investment income is exposed to changes in interest rates i.e. reinvestment rate risk. The group is prepared to accept re-investment risk to exploit opportunities where yield can be maximised without compromising the capital base of the investment. The group has no outstanding derivative instruments as at 31 July 2015.

Financial instruments — fair values

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

	Carrying value	2014/15 Fair value	Carrying value	2013/14 Fair value
	£m	£m	£m	£m
5.375%, unsecured bonds due 2042	86.4	120.6	86.3	108.9

The bond is listed on the London Stock Exchange, therefore categorised as Level 1 under the requirements of FRS 29 (IFRS 7) and valued using quoted ask price as at 31 July 2015 in compliance with FRS 26 (IAS 39). The fair value of the bond is its market value at the Balance Sheet date. Market value includes accrued interest and changes in credit risk and interest rate risk, and is therefore different to the reported carrying amounts.

HEFCE requires the university to provide for the repayment of the bond in the form of a bond redemption fund of £15m every five years. The current value of this notional reserve is £9m held within short term deposits (note 13).



De Montfort University
The Gateway
Leicester
LE1 9BH, UK

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