

ANNUAL ACCOUNTS

2016–2017



The pioneering DMU Square Mile programme is one of our key public-benefit activities

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Appointed October 2016

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Stepped down June 2017

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Stepped down July 2017

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Mr Oliver Mishcon LLB (Hons), Barrister

Ms Suzanne Overton-Edwards BSc, PGCE

Stepped down July 2017

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Professor Tony Payne MA (Cantab), PhD, FAcSS

Appointed July 2017

Ms Marcia Saunders BA, MA, MSc

Term ended July 2017

Mr Tony Stockdale ACA

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Appointed September 2016

Mr Mike Mayes BSc (Hons) (DSU Vice-President, Media & Communication)

Appointed June 2017

Mr Daniel Winney (DSU President)

Term ended June 2017

EX-OFFICIO GOVERNOR – CHIEF EXECUTIVE AND VICE-CHANCELLOR

Professor Dominic Shellard MA, DPhil

CLERK TO THE BOARD

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Stepped down October 2016

Mr Sam Weston BA (Hons)

Appointed April 2017

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Ms Sally Bowie

Mr Alan Charlton

Ms Marcia Saunders

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Dr Stephen Handsley

Mr Oliver Mishcon

Ms Marcia Saunders

Professor Dominic Shellard (Ex-officio)

Mr Daniel Winney

Remuneration Committee

Ms Marcia Saunders (Chair)

Mr Ian Blatchford

Dr Vijay Patel

Mr Tony Stockdale

Finance and Human Resources Committee

Mr Tony Stockdale (Chair)

Mr Simon Capper

Ms Ann Ewing

Ms Suzanne Overton-Edwards

Professor Dominic Shellard (Ex-officio)

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MA, DPhil

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Professor Jackie Labbe (Pro Vice-Chancellor (Academic)) FRSA

Mr Michael Marsden (Acting Pro Vice-Chancellor and Dean of Faculty of Arts, Design and Humanities)

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

Dr Warren Manning (Pro Vice-Chancellor and Dean of Faculty of Business and Law)

BEng, PhD

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

Dr Richard Bull (Acting Pro Vice-Chancellor for Technology) PhD MBA

MA BA (Hons)

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

BA (Hons)

Professor Nigel Wright (Pro Vice-Chancellor for Research) BSc, PhD, CEng,

FHEA, FICE

Professor Dana Brown (Pro Vice-Chancellor for Enterprise and Principal of Leicester Castle Business School) BA (Hons), MPhil, PhD

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

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

Ms Michèle Holden (Acting Executive Director of Finance) FCCA

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

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

Mrs Sarah Setchell (Executive Director of People and Organisational Development)

BA (Hons), PG Dip, FCIPD, LLM

Ms Mel Fowler (Associate Chief Operating Officer and Executive Director of Marketing and Communications) BSc (Hons), MA

Joined June 2017

Joined December 2016;

Left June 2017

Left November 2016

Joined August 2016

Joined February 2017;

Left July 2017

Joined May 2017

Left December 2016

Left March 2017

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, please contact the Clerk to the Board, Trinity House, De Montfort University, Leicester LE1 9BH.



Our award-winning Vijay Patel Building is the centrepiece of our campus transformation project

CHAIRMAN'S INTRODUCTION TO THE ANNUAL ACCOUNTS 2016/17

I am pleased to introduce the Annual Accounts for the financial year 2016/17. This has been a period of significant success at De Montfort University (DMU), and one on which, as Chairman, I believe we are well placed to build.

The financial year 2016/17 saw an unprecedented scale of change in the higher education sector, which has brought with it a new set of challenges and opportunities. The impact of the UK's vote to leave the European Union (EU), the passing of the Higher Education and Research Act and the introduction of the Government's Teaching Excellence Framework (TEF) have proved that a year is a very long time in higher education. These developments, among others, have necessitated DMU to continue to innovate, demonstrate leadership and engage more closely than ever before with local, national and international partners in furthering our strategic objectives.

Key financial results for the year

Surplus before other gains of £14.0m

Cash and investments of £70.9m

14.2 per cent rise in academic fees and education contracts to £172.2m

12.9 per cent rise in total income to £204.9m

Capital investment of £34.6m

This year saw the university achieve 'Gold', the highest possible award, in the TEF. This award is particularly meaningful for DMU as it is the only UK Government-endorsed measure of teaching quality in higher education. It is further recognition of the many years of hard work and commitment provided by staff and leaders across the university and we should be justly proud of this accomplishment.

Our 'Gold' award demonstrates that current and future students can be confident that the teaching on offer at DMU is of the highest calibre, delivering consistently outstanding teaching, learning and outcomes for its students. I share the Vice-Chancellor's view that the TEF 'Gold' award places DMU within a new university hierarchy. It should serve to strengthen our resolve, and our broader belief of universities as a force for public good, transforming the lives of their students and staff, while sharing their knowledge and discoveries for the wider benefit of society. As ever, we remain strongly committed to widening access to higher education and supporting students from diverse backgrounds to enable them to achieve their full potential. The TEF recognised DMU as the leading university in the country for the number of its black and minority ethnic students graduating into highly skilled employment, something of which we are immensely proud.

The reimagining of our campus has continued, with outstanding features including the Leicester Castle Business School and the Vijay Patel Building completed under the direction of the Vice-Chancellor and the Executive Board, with oversight from the Board of Governors. These transformational additions to our campus indicate a drive to raise expectation and provide our students with the facilities they deserve to enable them to achieve their ambitions.

Following the UK's vote in the summer of 2016 to leave the EU, it is more important than ever before that the university strengthens its global reach. Living, learning and working as part of an international community is integral to the DMU experience. With more than 140 nationalities represented in our staff and student body, we are proud to celebrate DMU's global community, and appreciate the considerable educational, professional and cultural contribution they make to our student community, our city and our country. This belief has fired our #LoveInternational campaign, taking us to more than a dozen countries over the last year, contributing to record numbers of EU students applying to DMU, despite a marked decline across the sector.

Likewise, our #DMUglobal programme shows our students the power and potential of an education that has diversity, inclusiveness and a truly global approach at its heart. In January, more than 1,000 students and staff, representing 46 different countries, travelled to New York to savour and learn from one of the world's most exciting cities. In June, another significant #DMUglobal contingent did the same in Berlin, a city that, like them, stands for openness, tolerance and creativity.

Notwithstanding the huge successes of 2016/17, uncertainties around the shape of the sector's funding model demand that our strong performance is built on and contributes to a solid financial foundation. I am delighted to report that the results for this year represent a record position, with a surplus of £14 million achieved by the year-end, enabling continued re-investment in teaching and learning and the transformation of our campus. Whilst this document reflects this extremely encouraging position, we must remain alert to the ever-changing environment within which we operate and the need for a continued focus on the cost and efficiency of all parts of our institution.

During the year, there have been a number of changes in the composition of the board. In the autumn, we welcomed a new independent governor, Simon Capper and our new academic representative, Dr Stephen Handsley. Summer 2017 saw the arrival of independent governor Professor Tony Payne, and our new student representative on the board, Mike Mayes. We also said farewell to Hilary Carty, Ann Ewing, Suzanne Overton-Edwards and Marcia Saunders, whose replacements would commence in the new academic year.

I would like to take this opportunity to extend my thanks, and those of the Board of Governors, to the Executive Board and university staff for what has proven to be a milestone year in DMU's history. My personal thanks also go to my fellow governors for their continued commitment, support and encouragement throughout this past year.

Mr Ian Blatchford

Chairman of the Board of Governors

OPERATING AND FINANCIAL REVIEW 2016/17

Our Strategic Framework 2015-2020, developed through discussion and engagement across the university, was approved by our Board of Governors in July 2015 and launched in October 2015.

Our mission:

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

Our vision:

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

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

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

Our Strategic Framework has underpinned a wide range of activities since its launch, as shown in this Operating and Financial Review, driving improvements and helping us to make progress towards achieving our ambitions.

Excellent teaching is at the core of a great student experience. Our Gold rating in the TEF, the only Government-endorsed measure of teaching quality in higher education, indicates the outstanding learning and teaching on offer at DMU.

We have successfully launched innovative programmes such as #DMUglobal and the Universal Design for Learning (UDL), which show our focus on providing international experiences and inclusive teaching for our students. We are now building on this excellence with programmes focusing on student placements and employability, and ways to support and retain students in inclusive ways. DMU Square Mile, #DMUlocal and DMU Square Mile India continue to provide volunteering opportunities for our students, giving them valuable experience and making a real difference in our city and further afield.

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

Activity to promote and improve our city continues to increase, with work being undertaken to look at a 'smart city' initiative with the local council and #DMUlocal teaming up with the local NHS hospitals' trust to tackle bowel cancer. This year record-breaking numbers of students and staff dedicated time to work with local people, showing our prodigious commitment to the public good. Our work focuses on the three key areas of

improving education, supporting wellbeing and boosting the local economy. The impact is seen across the community, benefiting everyone from children and adults at risk of diabetes, to local businesses.

Internationally our reach, impact and influence all continue to grow. DMU secured a prestigious Times Higher Education Leadership and Management Award (THELMA) in 2015/16 in recognition of the groundbreaking #DMUglobal student mobility programme, which has enabled thousands of students to enjoy international experiences. The influential *Times Higher Education* magazine has named DMU as one of the 150 best young universities in the world.

In light of the uncertainty brought about by the UK's vote to leave the EU, DMU took decisive and positive action by launching #LoveInternational, a campaign that has evolved and grown out of a desire to protect the residency rights of EU nationals living in the UK, reaffirming our status as a global university, open to the vital contributions made by our international staff, students and stakeholders.

We continue to focus on enhancing our welcoming and inclusive city centre campus, to provide the modern, inspiring environment our students and staff deserve.

In addition we are making considerable progress on our Core Systems Modernisation (CSM) programme, the largest technology-enabled transformation that the university has ever embarked upon. This is improving our ways of working by providing modern, fit-for-purpose systems.

These Annual Accounts show we continue to deliver a healthy surplus through a combination of income growth – generated from the successful recruitment and retention of students – alongside robust management of costs. This will enable further investment in our student experience and provides a firm foundation on which to pursue our strategic ambitions. The Director of Finance's commentary provides further detail.

THE UNIVERSITY'S STATEMENT OF PUBLIC BENEFIT

DMU is an exempt charity by virtue of Schedule 3 of the Charities Act 2011 and as such is regulated by the Higher Education Funding Council for England (HEFCE) on behalf of the Charity Commission for England and Wales.

The university's objectives, as defined in the Education Reform Act 1988, are to 'provide higher education', to 'provide further education' and to 'carry out research and to publish the results of that research' for the public benefit. The university's Board of Governors serves as its trustees and is responsible for determining the educational character and mission of the university, overseeing and scrutinising its activities.

When establishing the strategic direction of the university, the Board of Governors and the university's Executive Board give careful consideration to the Charity Commission's general and supplementary guidance on public benefit and also to the guidance issued by HEFCE in its capacity as principal regulator on behalf of the commission.

We consider the beneficiaries of our charitable status to be all students, both undergraduate and postgraduate, as well as members of the public in the UK and overseas. We believe universities are a public good and that DMU transforms lives by providing inspiring environments for its students and staff while sharing their discoveries to benefit the world.

Ours is a community in which everyone learns, develops and contributes for the good of all. Research is central to this ethos, enhancing our teaching and serving society's needs. It is also an international community, where those from diverse backgrounds and cultures learn from and enrich each other's experiences. We always seek to treat with dignity, respect and integrity all those with whom we come into contact.

Everyone at DMU contributes 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, understanding and responding to the needs of business and the professions.

This was recognised and rewarded when DMU was awarded Gold status in the Government's TEF, which focuses on three main measures – quality of teaching, learning environment and student outcomes – to ensure prospective students can make informed choices about where they study.

Our vision is promoted by engagement 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 an innovative and entrepreneurial attitude to learning, research and partnerships, which enrich us and those with whom we work.

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

Many of these projects are embedded into degree coursework, ensuring hundreds of participating students gain skills which make them stand out in an increasingly competitive jobs market, as well as demonstrating how the work of a university can sustainably support and develop communities.

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

Closer to home, the public continues to be able to enjoy the state-of-the-art facilities at our £8 million Queen Elizabeth II Diamond Jubilee Leisure Centre.

Our award-winning Vijay Patel Building – surrounded by parkland leading to the edge of the River Soar and centrepiece of our campus transformation project – has had a positive impact on the community by creating a gateway connecting the city's West End to the centre. They can also enjoy its Riverside Café, with a distinct and modern menu praised for its strong focus on vegetarian and vegan food.

In addition the building hosts The Gallery, the largest space of its kind in Leicester, which is also open to the public. Displaying student and staff work, plus exhibitions by exciting creatives from across the world, first to show there in September 2016 were internationally-respected artists and twins Simon and Tom Bloor. It has also featured the work of influential contemporary artist Jonathan Monk – who studied at DMU – in his first exhibition in his home city, and Turner Prize winner and social commentator Grayson Perry.

On the edge of campus, the lovingly restored Great Hall of Leicester Castle – which dates back to the 12th century and has played a key role in British history – has been brought back to life by DMU after lying empty for more than two decades. Home to our Leicester Castle Business School, members of the public can now explore the sympathetically refurbished building on special open

days. When it opened following the renovation there were more than 200 visitors in just four hours, who enjoyed a sold-out guided tour.

DMU Music has also been launched to cultivate a fresh programme of extra-curricular opportunities and high-quality experiences, which fundamentally reflect core DMU values. Central to this is our ground-breaking five-year partnership with the Philharmonia Orchestra – one of the world's greatest symphony orchestras which has been resident in Leicester for more than 20 years – and the creation of a DMU Orchestra, which brings together a unique mix of musicians that mirrors the university, the city and our partnerships. As well as performing concerts, they have received coaching from Philharmonia musicians, worked with internationally renowned soloists and even presented the first-ever classical performance at HM Prison Leicester.

TRANSFORM OUR STUDENTS BY DELIVERING AN INDIVIDUAL STUDENT EXPERIENCE

Central to this theme is a focus on teaching excellence. In June 2017, DMU was recognised as a Gold-ranked university under the TEF. The award is acknowledgment of the consistently outstanding teaching and learning on offer at DMU and the extraordinary impact that has on our students. Our commitment to achieving positive outcomes for all students was praised, with the TEF panel judging that DMU delivers “consistently outstanding teaching, learning and outcomes for its students. It is of the highest quality found in the UK”.

The TEF statement of findings is summarised below and highlights key dimensions of the excellent teaching practice at DMU. Learning is student-focused, founded on the research and professional practice activities of our staff.

- Employability is embedded in the curriculum in every faculty and our extensive offer of student placements
- DMU Square Mile makes a significant contribution to the social and economic development of Leicester
- Real-world research feeds into students' learning
- We provide excellent support for students throughout their time at DMU
- We create outstanding personalised provision for all our students
- Our excellent physical and digital resources enhance learning, retention and employability
- We have a culture that encourages, recognises and rewards excellent teaching

Alongside our TEF recognition, our UDL is an innovative framework underpinning all of our teaching, learning and assessment as part of the Disability Enhancement Programme. This ambitious curriculum development aims to ensure that all programmes provide equal learning opportunities for every DMU student. We have encouraged our staff to engage with UDL changes via a series of learning and development courses, and in 2016/17, 1,500 staff members took up this opportunity.

UDL has also led to the technology enhancement we call DMU Replay. This system provides students with anytime access to audio and/or visual material provided before, during or after a lecture or other taught session. The availability of, and easy access to, DMU Replay means that all students are able to review the content of sessions at their own convenience. This benefits all students but especially those with learning differences, international students and those on placement experience.

In light of our developments in this area, DMU has been commended by Georgina Watts, leader of the Disabled Students' Allowance team at the Department for Education (DfE), who said: “I was impressed with the proactive approach DMU is taking in response to the Disability Support Act changes and the embedding of inclusive practice. As a result, the department has invited the university to be involved in developing approaches to engage the sector in implementing similar changes.” A significant part of the subsequent DfE guidance *Inclusive Teaching and Learning in Higher Education as a route to excellence* was then written by our Head of Student Welfare and DMU was included as the largest case study.

Moreover, the university has been approached by HEFCE to be one of the case studies in a review of models of support for disabled students. Grace Simpson, Higher Education Policy Advisor at HEFCE, said: “It has been great to hear about all the work that DMU has done to embed inclusivity across teaching and learning practices. The UDL approach has clearly been far-reaching and will have a positive impact for a wide range of students studying at the university.”

Students' feedback on their teaching and learning experience, measured by the National Student Survey (NSS), is now above sector average, with 85 per cent of students either strongly agreeing or agreeing that they are satisfied with their overall course experience against a sector satisfaction rate of 84 per cent. DMU engages with the student community by asking for ongoing feedback on their course and university experience throughout their years of study. In 2016/17, our Course Level Feedback survey gained more than 3,000 first and second-year student responses. These results feed into



DMU delivers “consistently outstanding teaching, learning and outcomes for its students. It is of the highest quality found in the UK”.



Our award-winning international experience programme #DMUglobal has sent more than 6,800 students abroad since 2014

curriculum enhancements via the Programme Appraisal and Enhancement process.

DMU continues to build on its 2015 commendations from the Quality Assurance Agency (QAA) Higher Education Review for its wide-ranging work to enhance student learning opportunities. In 2016/17, DMU Square Mile delivered more than 100 #DMUlocal activities and projects in Leicester, with more than 2,700 student volunteers. Through these programmes, students and staff work with local and national partners to make a significant contribution to the social and economic development of Leicester. They bring positive change to the city in three core areas – education, health and regeneration – and some of our projects require students to undertake specialised training. Volunteering hours are submitted for inclusion in students' Higher Education Achievement Reports (HEAR), ensuring they are fully recognised for their work and 87 per cent of volunteers surveyed believe they have new skills that employers will value.

Our award-winning international experience programme #DMUglobal has offered more than 6,800 opportunities abroad since 2014 and 3,500 in 2016/17. A key factor in its success is that opportunities are linked to undergraduate academic programmes and curricula. We see this as a major step towards internationalising all undergraduate programmes and ensuring that there is at least one international-assessed component with a range of learning outcomes in every programme of study. #DMUglobal's aims include enriching studies, broadening cultural horizons, increasing awareness and understanding of global citizenship, and helping participants to develop key skills that will be valued by employers. Evaluation of our #DMUglobal trips shows that participation in the experiences has a positive effect on both our student retention rates and their success.

Launched in January 2016, DMU Square Mile India draws on our research and academic excellence to transform the livelihoods of people living in poverty. This initiative continues to offer our students an unforgettable and potentially life-changing experience that gives them the chance to put their skills and learning into practice in a new and challenging environment. Evaluation shows that students taking part in this project have developed both personally and professionally and 100 per cent felt their communication skills had improved, their confidence in their own abilities had increased and their ability to work as part of a team had increased.

Alongside these co-curricular opportunities, we ensure our courses are taught by dedicated lecturers who are recognised and rewarded for their excellent teaching. Our Vice-Chancellor's Distinguished Teaching Awards celebrate those who inspire, both inside and outside the classroom and in 2016/17 students nominated 638 colleagues.

In addition to recognition from students, our academic staff are recognised and rewarded for their teaching excellence both internally and externally through our DMU Teacher Fellowships, Higher Education Academy (HEA) accreditation recognition, and HEA National Teaching Fellowships (NTFs). We are particularly proud that 19 NTFs have been awarded to academic staff at the university since the scheme began in 2000, including three new awards in 2016/17. We continuously invest in teaching and learning, including appointing faculty-based Associate Deans to work closely with the Pro Vice-Chancellor (Academic) to drive continuous improvement and enhancement.

DMU's learning environment is enriched by research and our academics champion research-informed teaching. Our VC2020 lectureship programme underlines this emphasis, recruiting excellent researchers with a passion for innovative teaching. These lectureships integrate research and teaching equally, providing opportunities to create new modules which, in turn, mean that teaching on students' degree courses is underpinned by the latest research. The VC2020 scheme is complemented by the Early Career Academic Fellows scheme, which recruited 32 new colleagues in 2016/17 to work alongside our 108 VC2020 lecturers.

We are also proud of the excellent work we do with our partners, such as the Oxford International Education Group, with whom we partner in running the Leicester International Partner College (LIPC). Further, DMU has appointed a Pro Vice-Chancellor (Enterprise) to oversee the development of new partnerships, and in particular apprenticeships, which meet the changing needs of employability in today's society. They will work closely with the Pro Vice-Chancellor (Academic) in these endeavours. To support this, we have established a new Employer Advisory Board which brings together national and regional employer partners to refine joint approaches to placement and graduate recruitment.

Our emphasis on creating highly employable graduates continues to bear fruit. The latest Destination of Leavers

from Higher Education (DLHE) survey places DMU 20th in the UK for graduate employment rates, with 96.7 per cent of our 2016 graduates in work or further study six months after graduating, well above the national average. DMU is also the equal seventh best institution in the UK for performance against our Higher Education Statistics Agency (HESA) benchmark, with employability performance 3.8 per cent above HESA expectations, further highlighting our strength in this area.

To continue building on this success, we are delivering even more student development opportunities – including skills workshops and increased placements – in partnership with businesses and other employers. These include Next, Enterprise Rent-A-Car, Airbus, GCHQ, Emerson, IBM, Pfizer, Vauxhall, GE, Timberland, O'Neill, Leicester City Council and Leicestershire Police. In 2016/17, we tripled the number of students on international 12-month placements, extending our reach to Germany, the Netherlands, Nigeria, Bangladesh and China.

Alongside our academic and faculty-based activities, the Student and Academic Services (SAAS) team plays a vital role in transforming our students by offering a wide range of services to enhance and improve their experience. Comprised of six divisions, Admissions, Student Welfare, Academic Services, Academic Quality, Careers and the Academic Support Office, SAAS is heavily involved in all parts of the student life cycle. It is one of the largest directorates and works closely with faculties, academics and De Montfort Students' Union (DSU) in all of the work it undertakes.

The DMU Careers and Employability Team delivers in excess of 12,000 one-to-one student advice appointments every year, helping to plan careers, write applications and practise interviews. To strengthen its impact, we have significantly increased the delivery of employability support within the curriculum, reaching all subject areas by establishing an 'employability family tree' of academic staff to support colleagues with employability initiatives. The annual Great Ideas for Student Employability conference, delivered by and for academic staff, celebrates successes.

In 2016/17, SAAS developed the Student Experience Strategy, designed to transform our students and help them embrace opportunities, build confidence and realise ambitions. Three key elements – create, transform and

resilience – provide the backbone to the strategy. The plan is ambitious, seeking to fundamentally change and enhance our practices to work with students in the most effective ways possible, which will also be its most rewarding aspect.

We are proud of the excellent and innovative work SAAS does to champion initiatives and opportunities. In the past year these have included the Macmillan Volunteering Project, Graduate Champions and Employability Mentoring Project.

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

The DMU Graduate Champions scheme has had an extremely successful year. It provides recent graduates with the opportunity to undertake a paid, six-week internship with a leading UK business to enhance their CV and graduate employment prospects. In the summer of 2016, 127 graduates took up this opportunity and this rose to 327 in January 2017.

The Employability Mentoring Project allows the Careers and Employability Team to use the skills, knowledge and experience of industry professionals to aid the transition from DMU student to successful employee. By providing a platform to develop supportive relationships, it matches students to those in employment who can share their expertise, improving students' awareness of industry work requirements and their competitive advantage in the recruitment process. One of the greatest achievements of the project has been its strong focus on student engagement in its core activity, not only as service recipients but also in its design and governance.

In November 2016, the Careers and Employability team launched the new Employer Engagement Strategy, which focuses activity on contributing to the key strategic aims and objectives of the university. This new sector-leading model for effective employer engagement is already fostering mutually beneficial outcomes for our students and graduates, and our partners who recruit them on placements.



DMU Square Mile India draws on our research and academic excellence to transform the livelihoods of people living in poverty

SAAS and in particular Student Welfare also support the Course Specific Interventions project. This initiative, part of the Enhancing Student Retention project, piloted working with four courses across DMU where there were issues in relation to the non-continuation of students. This embedded approach timetabled integrated sessions relating to student wellbeing issues which were of relevance to academic progression. Final analysis is still to be completed, however, preliminary figures indicate a positive impact on each piloted course, with significant improvements in student retention.

Universities UK (UUK) is advocating a joined up, university-wide approach to mental health. The introduction of our Single Point of Access initiative, which provides a common referral route to our disability, mental health and counselling services, is in keeping with this philosophy. In 2016/17, its first year of operation, DMU saw a 22 per cent decrease in students requiring individual counselling. It has also resulted in an increase of 45 per cent in declaration of mental health conditions, which facilitates our efforts to offer students personally-tailored support packages.

In 2017 SAAS has started to sponsor the Healthy DMU programme, which can be considered a universal design for student wellbeing and, as such, a natural

development alongside UDL. The two-year programme will focus on developing preventative and consistent approaches across DMU, with a particular focus on the impact on non-continuation and student attainment.

In 2016/17, SAAS also received one year of matched funding from HEFCE to further develop our approach to tackling sexual and domestic violence. The focus of this work is on developing a sustainable model, including approaches to training and appropriate governance of our interventions.

DMU, along with DSU, continues to strengthen student representation across the institution with the recruitment of more than 40 School Representative Coordinators in 2016/17. Students apply and go through a selection procedure to secure positions as vital 'critical friends'. They represent the wider student voice and both DMU and DSU provide mutual support to those participating in this programme. This has been one of the best expressions of partnership working between the university and DSU, and helps to create a constructive community of practice within our shared learning environment.



DMU Music has been launched to cultivate a fresh programme of extra-curricular opportunities and high-quality experiences which fundamentally reflect core DMU values

CREATE AND APPLY KNOWLEDGE THAT FURTHERS GLOBAL SOCIETAL AND ECONOMIC DEVELOPMENT

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

Arts, Design and Humanities

Professor Gabriel Egan, director of the Centre for Textual Studies (CTS), and his fellow general editors published Oxford University Press's first new edition of William Shakespeare's complete works in 30 years. The ground-breaking edition of the *New Oxford Shakespeare* made headlines across the world in October 2016 by showing that all three of the literary giant's plays about King Henry VI were written in collaboration with fellow playwright and poet Christopher Marlowe.

The CTS's £312,012 Arts and Humanities Research Council (AHRC) funded project Shakespeare's Early Editions began in October 2016 and will run for 20 months. Dr Mike Stout, a post-doctoral research associate, joined the CTS for a year to undertake the computational side of this project. Also a book on 19th-century British periodicals, to which CTS member Dr Deborah Mutch contributed, won the Colby Scholarly Book prize for 2017, awarded by the Research Society for Victorian Periodicals.

The Centre for Adaptations welcomed more than 100 delegates from all over the world to DMU in September at the 12th Annual Association of Adaptation Studies Conference.

Kenneth Morrison, of the History Research Group, had his acclaimed book *Sarajevo's Holiday Inn: On the Frontline of Politics and War* published in the summer of 2016. The rights have been purchased by Corona TV (a subsidiary of Freemantle Media) and Dr Morrison is working as a script and content consultant on the development of a drama series based on his book. He guided scriptwriter Tom Williams round Bosnia in September 2016.

Business and Law

Professor Colin Copus, as academic advisor to the District Council All Party Parliamentary Group (APPG), and members of DMU's Local Governance Research Unit (LGRU) worked with the group's chairman Mark Pawsey

MP to scope, plan, research and draft the final report of the APPG's first inquiry, *District council collaboration and devolution*. There were more than 70 written submissions and, in parliamentary select committee-style hearings, oral evidence was taken from 21 witnesses. All the evidence was analysed for the final report, which set out a series of recommendations for policy and practice change. It was launched at the House of Commons by Local Government Minister Marcus Jones, who referred to the report as 'informative and detailed' and agreed to take on one of the recommendations straight away – to act as a champion responsible for encouraging and supporting council collaboration. The project has placed DMU at the centre of important national debates about the changing role of local government and provided access to national policy-makers.

In July 2017, the LGRU and *Municipal Journal* published the final report of the Councillor Commission, which was a major piece of research for the Communities and Local Government Committee of the House of Commons. Clive Betts MP, chairman of the committee, asked Professor Copus and the LGRU to conduct independent investigations into the changing role and work of councillors. The year-long project heard from councillors across England about their work and the pressures they face governing their communities. The commission did not work to a set of pre-designed questions it wanted to explore, but instead listened to councillors about the issues that were of concern to them, to inform national and local policy debate and practice to strengthen the office. The findings of the report have been submitted to chair of the Communities and Local Government Committee and will be discussed with the committee in the next session of parliament.

Health and Life Sciences

Donated eggs are now used in more than 25,000 IVF treatment cycles in Europe, creating more than 7,000 babies per year, yet little is known about the motivations, decision-making and experiences of women who provide their eggs for use in infertility treatment, particularly in the European context. Professor Nicky Hudson, from the Centre for Reproduction Research at DMU, is leading a comparative study across the UK, Belgium and Spain to explore the growing use of egg donation treatment within

Europe. The aim of this study, funded by the Economic and Social Research Council, is to provide a more holistic understanding of the way in which the practice of egg donation is organised, regulated and experienced. It will contribute to the development of theory about assisted reproductive technologies and will provide evidence on which to base guidance for practice professionals and policy makers.

DMU is one of the partners in a prestigious EU FP7 project concerning the wellbeing of elderly citizens. This is referred to as the 'DOREMI project' (Decrease of cognitive decline, malnutrition and sedentariness by elderly empowerment in lifestyle Management and social Inclusion). The rationale for the project is the concern that malnutrition, sedentariness and cognitive decline are major causes of morbidity and premature mortality. The DOREMI project aims to target these three impairments to develop a systemic solution for older people, to prolong their functional and cognitive capacity by empowering, stimulating and unobtrusively monitoring their daily activities. The goal of the project is to produce software to be used on a tablet computer to encourage older people to keep their brains active, take exercise, interact socially and eat well. DMU's role is to help design applications to keep brains active and to implement psychological strategies to encourage people not to give up. The Faculty of Health and Life Science's Dr Mark Scase was involved in a pilot study taking place in retirement villages in Milton Keynes, Northampton and Wolverhampton, which enabled researchers and practitioners to evaluate the software's effectiveness. The DOREMI project was highlighted at an UUK 'Universities for Europe' event and successfully concluded this year, after a public conference in Brussels to discuss the findings and a presentation to the EU reviewers in Genoa.

Researchers in the School of Allied Health Sciences are investigating the complex relationship between diet, physical activity, ethnicity and disease, with an aim to not only understand the molecular basis of disease processes but also to find solutions. For example, a particular focus of research led by Professor Parvez Haris is how diet can be modified to reduce the risk of human exposure to toxic elements such as arsenic in Bangladesh. The exposure to arsenic from drinking water has been identified as the worst case of mass poisoning in human history. This problem is exacerbated by the high consumption of rice, which is a staple in the diet of Bangladeshis. Professor Haris is investigating with a view to find solutions that can protect the health of some of the poorest people in

the world. His research has led to the identification of rice varieties, especially aromatic rice from the Sylhet region of Bangladesh, that are not only low in arsenic but contain higher concentrations of essential elements, such as zinc, that are deficient in the Bangladeshi diet. This work has attracted national and international interest since it can address both exposure to toxic chemicals from rice and at the same time improve the nutrition of the public. Professor Haris is now engaging with farmers, nutritionists and the general public in Bangladesh to highlight the findings of his research.



Example of research with impact aimed at protecting human health and the environment globally. Professor Parvez Haris engaging with farmers in Bangladesh regarding the potential of indigenous aromatic rice as a low arsenic, more nutritious, alternative to non-aromatic rice.

Technology

Professor Steve Chibnall, who directs the work of the Cinema and Television History (CATH) Research Centre, is closely associated with the receipt and maintenance of a number of important archives, ranging from the Sir Norman Wisdom Collection to a collection of scripts and memorabilia for Hammer Films. His most recent acquisition is the Peter Whitehead archive, a set of materials assembled by one of the UK's most original and unusual filmmakers. CATH holds British Academy, AHRC and Leverhulme grants. Recent CATH Centre events have included two large-scale, immersive theatre performances, based on the findings of Matthew Jones' research into memories of 1960s cinema-going. The CATH Centre is particularly well-placed to initiate cross-faculty collaborations, which often generate extensive media coverage through the production of podcasts and blogs, as well as receiving positive reviews in the mainstream press. The third bi-annual international conference of the Women's Film and Television History Network was hosted by the CATH Centre's Vicky Ball and Laraine Porter at Leicester's Phoenix Cinema.



The lovingly restored Leicester Castle has been brought back to life by DMU after lying empty for more than two decades



DMU was awarded Gold status in the Government's TEF, which focuses on three main measures – quality of teaching, learning environment and student outcomes

The Imaging and Displays Research Group (IDRG) is a group of multidisciplinary academics with an international reputation for excellence in the design, development and evaluation of next-generation 3D displays and holography for consumer and industrial use. Professor Martin Richardson, head of the IDRG, is a pioneer in the field of holographic representation, and has produced holograms of many renowned individuals, including film directors Martin Scorsese and Alan Parker, as well as the fine artist Sir Peter Blake and writer Will Self. His work with rock star David Bowie, for a project using 3D promotional material for the album 'Hours', is well known and has been documented in his first published book *Spacebomb: Holograms and Lenticular 1984–2004*. His recent work includes studies of the use of synthetic full-parallax holography to share information.

The Institute of Creative Technology (IOCT) is a unique research institute which sits at the intersection of science and technology, the arts and humanities. The IOCT functions as a cross-institutional hub for research across many academic disciplines, focusing on three main areas: computing, interactive arts and media, and networks and collaboration. The Institute is led by Professor Ernest Edmonds, well-known for his work in digital art and innovation, Professor Sophy Smith, a composer and performer on professional collaborative arts projects, and Dr Tracy Harwood, whose wide range of recent activities includes work on consumer behaviour, technology in emerging contexts (such as smart cities and the internet of things) and work in virtual commerce.

In 2017, DMU was also listed among the top 200 universities in the world for Computer Science by the Shanghai Rankings, which are based on research productivity, quality and impact, international collaboration, global influence and academic awards.

Faculty of Technology

Professor Shashi Paul, of the School of Engineering and Sustainable Development (IESD), has become a part of the International Roadmap for Devices and Systems' Beyond CMOS team (other members are from Sandia National Labs, Mitre Corporation, IBM, Samsung and North Carolina State University). He will contribute to the Emerging Electronic Memory Devices section of the roadmap. The team will survey emerging research devices for information processing and storage applications, identify promising device technologies, map a variety of

device options with emerging architectures, and define research needs. Professor Paul has also given a talk on nano-composite memory at one of the world's most prestigious conferences (Materials Research Society, USA, 2016) attended by more than 5,000 researchers from all over the world. In order to achieve such structures at low temperatures, Professor Paul has pioneered a deposition method (referred to as the RA process – after the ancient Egyptian sun god Ra) for making silicon. RAing is a 'green' process capable of reducing the carbon footprint of producing crystalline silicon nano-structures and the economics of device manufacture also improves under this process. The process is being further exploited through two externally funded projects, by Innovative UK and EPSRC HVM fellowship, into photovoltaics solar cells and li-ion batteries. The paper published by Professor Paul in *Nature* was selected by the *Materials Research Society Bulletin*, one of the most widely recognised and highly respected publications in advanced materials research, as a news item. In April 2017 he gave a public lecture, *In Search of Immortal Electronic Memory – Possible or Not?*, organised by London Materials Society and in September 2016 he published a feature in *Materials World Magazine*.

Under the ESCoBox project, funded by the Department for International Development, IESD's Rupert Gammon and Peter Boait created and published open source software to help small-scale entrepreneurs in the developing world successfully design and operate solar-powered electricity mini-grids. This innovation, drawing on a collaboration with development non-governmental organisations and the universities of Nairobi and Newcastle, is now in practical use in Gambia, Nigeria and Myanmar, helping to bring electricity and opportunities to rural communities.

Professor Bogumil Ulanicki and Anna Strzelecka have contributed to the EU's *Urban Water Atlas for Europe*. The publication – the first of its kind – shows how different water management choices, as well as other factors such as waste management, climate change and even our food preferences, affect the long-term sustainability of water use in our cities. Professor Ulanicki was selected as one of only 47 researchers worldwide who were judged to have made the most significant contributions to the development of Water Distribution Systems Analysis.

PROMOTE AND IMPROVE OUR CITY

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

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

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

We enjoyed a record-breaking year of activities in 2016/17, with more than 2,796 students and more than 286 staff dedicating their time to work in partnership with more than 18,000 local people.

Highlights of #DMUlocal activity in 2016/17 include:

Education: #DMUlocal has continued to work both inside and outside the classroom to improve the education of children in the city. Regular sessions in paired reading, EAL (English as Additional Language) support, achievement mentoring, behaviour mentoring and subject-specific support have continued in more than 25 schools in the city. After-school clubs that allow children to build on what they learn in the classroom have also continued, a good example being our Coding Clubs, which have engaged more than 1,200 children across 17 schools and two libraries. Outside of the classroom, #DMUlocal has ensured children can continue their learning by providing STEM (science, technology, engineering and mathematics) days throughout the year via our LibraryLabs, based in six local libraries, and attracting more than 250 children throughout the year.

Single-day events, such as our Creat-a-con STEM event, have continued to grow in popularity, with February's event attracting 985 people, compared to 511 the previous year.

Health and wellbeing: 2016/17 has seen the improvement of existing projects, as well as the development of new initiatives. Major projects such as our work with national charity Diabetes UK continued, with more than 100 students being trained as 'community champions' – more than double the amount trained in 2015/16. As a result more people than ever have had the chance to benefit from free risk assessments and information about type 2 diabetes. As well as working with major partners, #DMUlocal has continued to develop relationships with community groups in the city. Existing events such as our annual Christmas dinner were held again in 2016 and attracted 150 people. New projects have also arisen, such as our C Word project, which has seen more than a dozen students spend time each week with a Belgrave cancer support group, engaging in activities such as knitting and crafts to reduce social isolation.

City regeneration: There has been much development in this area in 2016/17, with new projects such as the DMU Legal Advice Centre already having a major impact. Since its launch in November 2016 the centre has already had 85 third-year students volunteer, with a further 70 second and third years currently undergoing training with the Citizens Advice Bureau. Along with providing a unique student experience, the centre has had a real impact on more than 70 clients, providing free legal advice on a variety of areas. Another major city regeneration development can be seen in the variety of activities #DMUlocal is undertaking in HMP Leicester. Notably, #DMUlocal teamed up with Interior Design students to redevelop the prison's visitors' room, to provide a more harmonious area for families to meet in a bid to help reduce the risk of reoffending. Other city regeneration projects and events have focused on providing opportunities for communities to come together, exemplified by free film screenings of Bollywood films.

In total, more than 125 #DMUlocal projects and events have taken place in Leicester in the 2016/17 academic year.



DMU continues to strengthen student representation across the institution

Projects have not just taken place in Leicester, though, with the launch of DMU Square Mile India taking DMU staff and student expertise truly global with regular volunteering trips to India. Launched in February 2016, DMU Square Mile India celebrated its first birthday this academic year and has already seen an overwhelming demand from students and academics. Originally anticipated to run 12 trips in its first year, the initiative saw 17 trips improve the education and health of hundreds in that time. Highlights from 2016/17 include:

- Students from all courses had the chance to take part in the washroom project, during which they built a toilet at an underprivileged school in Indore where girls regularly drop out due to a lack of facilities. By building a new washroom, DMU students were able to give hundreds of girls the chance to continue their studies in the years to come and reach their potential

- In December 2016, around 350 people received free hearing tests at a hospital in Wankaner and in Ahmedabad's largest slum Ramapir No Tekro, helping to raise awareness about ear health and identifying nearly 100 ear infections in children so they can receive medical treatment. As well as identifying hearing issues, Audiology students were able to have a life-changing impact by fitting 150 free hearing aids, allowing people who hadn't been able to hear clearly for decades the opportunity to reconnect with their community

Alongside these trips, DMU Square Mile India continues to ensure the health and wellbeing of 120 children from the poorest communities in India through our support of Ahmedabad's Gandhi Ashram. As a result, these children are provided free education and healthcare that ensures they have a brighter future.

STRENGTHEN OUR GLOBAL REACH AND INFLUENCE 2016/17

DMU has significantly increased its global reach, influence and reputation during the academic year 2016/17 through the implementation of its Global Instinct international strategy. After three years of overseas student recruitment growth, 2016/17 has seen DMU further increase its popularity among international students leading to the university's highest-ever number of overseas enrolments. For the second year running DMU has been named in Times Higher Education's World's Top 150 Universities under 50, strengthening its global reputation.

At a time of uncertainty caused by Brexit, DMU launched #LoveInternational within 24 hours of the referendum result being announced. The flagship initiative celebrates the significant contribution of international staff and students living and working across the country and seeks to reassure prospective students that DMU is open and welcoming. #LoveInternational overseas trips included Cyprus, Poland, Sweden, Lithuania, India, Germany, China and the USA. The success of the campaign is evident in DMU's 29 per cent increase in applications from EU students, set against a national decline in applications.

#DMUglobal, the university's pioneering internationalisation programme, continues to be a tremendous success. Eighteen per cent of new students in 2016–17 cited #DMUglobal as a primary reason they chose to study at DMU and, with more than 7,000 participants since its launch, #DMUglobal is now thought to offer the UK's largest outward student mobility programme. This year marked the introduction of #DMUglobal mass participation trips, with high-profile visits to the USA and Germany. In January 1,000 students travelled to New York, undertaking 17 unique academic programmes designed to enrich their cultural learning. This was followed up in May when more than 800 students and staff from 35 different courses took part in a trip to Berlin culminating in 97 per cent of participants feeling pride in DMU's approach to diversity.

#DMUglobal played a central role in helping DMU to secure the prestigious THELMA for Outstanding International Strategy of the Year in 2016 after "displaying a really strong commitment to providing students from

a broad range of backgrounds access to a range of meaningful and life-changing experiences as part of its outward mobility strategy".

DMU's LIPC, which provides routes into higher education for international students who require additional academic or English language support, continues to thrive and succeed. This year the college achieved the highest possible ratings in each of the three categories measured by the QAA as part of its educational oversight visit. The report highlighted good practice for its comprehensive approach to staff training and the strength of the partnership between the provider Oxford International Education Group and DMU. The popularity of the college continues to grow and the high progression rates onto DMU programmes provide strong evidence that international students enjoy studying at the LIPC.

Since its launch in 2016, the Square Mile India project has provided an opportunity for more than 250 students from all four faculties to take part in 25 different experiences ranging from dance workshops to training 22 English teachers. Our engagement in India doesn't stop there; multiple fundraising events have taken place on campus throughout the year where staff and students have come together to raise tens of thousands of pounds towards improving the lives of the local children in Ahmedabad.

The Leicester Castle Business School opened its doors this year and aims to take an innovative approach to learning by giving high-calibre students from around the world the skills needed to succeed in the 21st century. Courses are designed with employability in mind and students will experience high levels of support and preparation for careers, challenging them to become leaders in global business. One student from China commented: "It's such an inspiring place to study."

As we look to the future, DMU will continue to strengthen our relationships across Europe in order to mitigate any potential risks that Brexit may cause. We will continue to be a world-leading global university recognising the vital contributions made by our international staff, students and stakeholders.



Courses are designed with employability in mind and students will experience high levels of support and preparation for careers



We have launched our equality charter, DMUfreedom, reaffirming our unwavering commitment to diversity and equality

ENHANCE OUR EFFECTIVENESS THROUGH OUR DIVERSE AND VIBRANT SCHOLARLY COMMUNITY

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

We have made considerable progress with our CSM programme, which is the largest technology-enabled transformation that the university has ever embarked upon. Using the SAP business management system as the foundation, we are improving the way we work – both in terms of freeing up resources to enhance the frontline academic and student experience, and also by offering a step change in the way we manage our organisational performance by providing us with modern, fit-for-purpose systems. In August 2016 we implemented the first phase covering finance and procurement. Core human resource (HR) functionality and payroll was launched in April 2017 with remaining HR modules being delivered by the end of the year. These are transforming the day-to-day operations of the university providing enhanced functionality and self-service. The pace of change continues with the third phase, covering the student lifecycle, planned to go live in 2018.

We continue to drive towards our 2020 strategic vision. We have launched our equality charter, DMUfreedom, reaffirming our unwavering commitment to diversity and equality. This was complemented by DMU's outstanding achievement of being one of only eight universities to be awarded the prestigious Race Equality Charter Mark. During 2016/17 we have delivered improvements to the management and allocation of academic workloads, as well as implementing projects covering areas such as refreshing our academic staff development, including training leading to HEA accreditation.

Our latest staff survey, undertaken by Capita, demonstrated an impressively engaged and satisfied staff community, especially when compared to other UK Higher Education Institutes. The positive response to the critical question about whether staff are happy working at DMU was up 10 per cent to 65 per cent. We exceeded the sector benchmark scores in 14 out of 19 core questions in the survey and were at, or higher than, sector benchmark in all 19 areas. Also 88 per cent of our staff rated the university as being a 'good place to work', compared to 73 per cent for all Capita's clients. The university is due to complete a further survey later this year.

We continue to invest in our welcoming and inclusive city centre campus in order to provide the modern, inspiring environment our students and staff deserve. Our £136m transformation programme has brought improvements to teaching rooms and catering areas, given students extra breakout areas and provided state-of-the-art sports facilities. The centerpiece, the Vijay Patel Building, is an impressive new base for the Faculty of Arts, Design and Humanities, and houses sector-leading teaching facilities for art and design subjects that will help us continue to be one of the foremost providers of creative higher education in the UK. By creating a green space through the centre of our campus we are enhancing the environment for our local community as well as staff and students.

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.

The university proactively reviews the content of the strategic risk register, which is aligned to the five strategic themes outlined in our Strategic Framework, and their associated key performance targets. The annual planning exercise enables monitoring of the strategic risk registers at faculty and directorate level. This integral and important component of the integrated planning exercise provides an assurance framework, and robust review of the overall university strategic risk register. Key risks that are being managed are as follows:

Failure to meet targets for increased numbers of international students both in terms of FTEs and income.

The financial forecast reflects the work undertaken to date on our International Strategy, with forecast growth in student numbers from 2017/18 to 2021/22 supported by our partnership agreements. The university's student population from outside the UK is currently just less than 15 per cent, increasing from the previous year. This is a challenging strategy with risks, particularly noting the outcome of the EU referendum and national sentiment on immigration and potential policy changes. It will be important to review the strategy in the context of the size of the market, judged by sector performance in recruiting students from outside of the UK (the current sector average is just less than 19 per cent). The university will also consider market intelligence available about the ambitions and targets set by competitor institutions for international recruitment.

Failure to achieve our Home/EU undergraduate recruitment targets which encompass number and quality.

Current recruitment is strong with applications for 2017/18 up from the previous year by three per cent for home and 26 per cent for EU students. However, with the marketisation of the sector it is critical that our current

dynamic approach to recruitment is maintained. The inevitable consequence is that there will be 'winners' and 'losers', with the likelihood of organisational consolidation, and new entrants to the market. The university is actively engaged in regular events across Europe to ensure that we mitigate the risk to EU recruitment as much as possible.

Failure to achieve growth.

There is a risk of growth being partially mitigated by declines in both our home/EU and international postgraduate taught markets. We are addressing this risk by closely examining our postgraduate programme portfolio to ensure that it is market leading. Alumni scholarships will also help to increase the conversion rate from our undergraduate programmes to our postgraduate programmes.

Major failure of financial control and sustainability.

Following the Higher Education and Research Bill, and the outcome of the General Election, we are aware that further changes to fees and funding arrangements for universities are likely. We continue to model reductions in HEFCE grant funding and lower tuition fee income than forecast. There remains the risk that further changes in higher education funding could occur in a changing political horizon. We continue to be cautious in our forecasting. It is therefore also vital that we continue to drive efficiencies in our cost base.

Failure to maintain appropriate standards of corporate governance.

The university continues to be proactive and ensure compliance with changes in legislation including its duty under Prevent (under the Counter Terrorism and Security Act 2015 relevant higher education bodies must have due regard to the need to prevent people from being drawn into terrorism) as well as ensuring compliance with the Consumer Rights Bill. Institutional projects for these areas are in place and are providing governance and wide reaching commitment to ensure confidence. These projects have seen updated processes, training and staff resources being implemented.



The university is actively engaged in regular events across Europe to ensure that we mitigate the risk to EU recruitment as much as possible

FINANCIAL PERFORMANCE IN 2016/17

The university's financial performance for 2016/17 delivers a £0.7m increase in operating surplus to £14.0m due to income growth from successful student recruitment and retention alongside well managed costs. This healthy surplus enables the university to continue to make vital capital and programme investments improving the campus estate and enhancing the student experience.

Results for the year

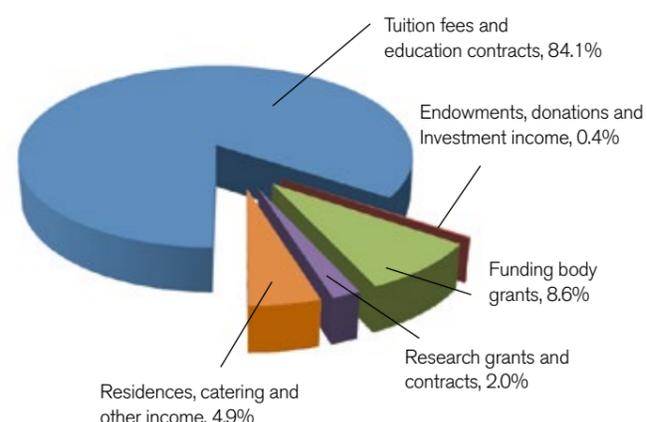
The university's income and expenditure results for the year ended 31 July 2017 are summarised as follows:

| | 2016/17 £'000 | 2015/16 £'000 |
|-----------------------------------|------------------|------------------|
| Income | 204,873 | 181,427 |
| Expenditure | 190,923 | 168,187 |
| Surplus before other gains | 13,950 | 13,240 |
| Other gains | 72 | 53 |
| Surplus before taxation | 14,022 | 13,293 |
| Taxation | (72) | 314 |
| Surplus after taxation | 13,950 | 13,607 |

Income analysis

Total income of £204.9m increased by £23.4m (12.9%) from 2015/16.

Income analysis 2016/17

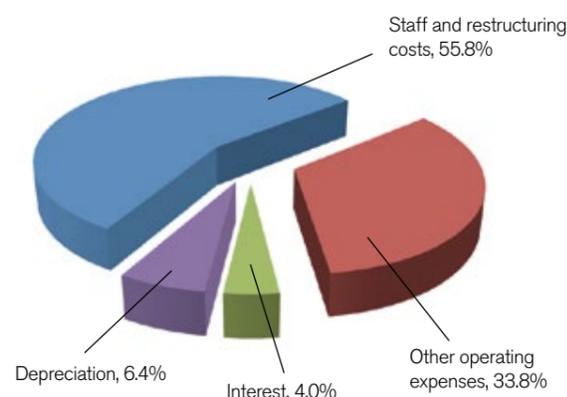


Tuition fees and education contracts increased by £21.4m (14.2%) as a direct result of positive recruitment and retention of students. There was also an increase in research, grants and contracts by £0.7m (19.5%) and residences, catering and other income £1.4m (16.4%).

Expenditure analysis

Total expenditure of £190.9m increased by £22.7m (13.5%) from 2015/16.

Expenditure analysis 2016/17



- Staff costs before restructuring increased by £10.3m, reflecting the impact of workforce investments, pay inflation and pension costs. This is a reduction by 1.0% to 51.8% as a percentage of income compared to prior year
- Depreciation charges of £11.7m decreased by £0.6m reflecting the short life of computer assets. The university has made a significant investment into core systems modernisation of which finance, procurement and human resources systems have been replaced and implemented in the year
- Other operating expenses increased by £12.4m, reflecting innovative global mobility for students through the #DMUglobal activities, campus pedestrianisation, the start-up costs of the Leicester Castle Business School, marketing campaign expenditure, student support services and sports

Balance sheet

The university's consolidated group Balance Sheet at 31 July 2017 reports total net assets of £139.4m, an increase of £39.9m from 2015/16. This reflects the following items:

- Fixed tangible and intangible assets of £303.5m increased by £18.6m (2015/16: £284.8m). The university invested £34.6m in new fixed assets during 2016/17, of which £15.5m was for core systems modernisation and a periodic refresh of technology assets. The other major capital spend included completion of the Vijay Patel Building, Campus Centre Refurbishment, Leicester Castle Business School and additional classroom space. This was offset by the depreciation and amortisation charges of £12.2m
- A decrease in current assets of £2.6m due to investment in capital projects and timing of prepayments
- An increase in creditors of £2.0m, due to the scale and timing of capital projects
- A reduction in provisions as a result of completing a prior year restructuring programme and due to the £19.0m reduction in pension liability

Liquidity and reserves

The level of income and expenditure reserves has increased by £39.9m to £139.4m, reflecting the ability of the university to generate sufficient operating cash to fund increased investment in the campus asset infrastructure and due to the reduction in pension liability.

Cash and investments of £70.9m at the year-end ensure that the university has a strong liquidity position to continue to enrich the student experience, with campus infrastructure renewal, technology modernisation, employability programmes and student enrichment programmes such as #DMUglobal.

Student numbers

Student numbers increased to 23,203 full person equivalents (FPEs) in the year (20,907 2015/16) of whom 82.4% were undergraduates (82.0% 2015/16).

83.8% were full time (81.7% 2015/16), 15.0% part-time (17.0% 2015/16) and 1.2% sandwich courses (1.3% 2015/16).

50.5% of students were from a Black, Asian or Minority Ethnic (BAME) background (48.0% 2015/16), 56.1% were female (56.9% 2015/16) and 16.6% had disabilities (16.0% 2015/16).

Mr J Blatchford
Chairman

Professor D Sheppard
Chief Executive and Vice-Chancellor

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 16 members (including the Vice-Chancellor ex-officio), 14 of whom are independent governors as defined by the Instrument and Articles. The remaining two members of the Board of Governors include representatives of the academic staff and the student body. Membership is actively considered at the Nominations Committee each year.

The principal officer is the Vice-Chancellor, who has responsibility to the Board of Governors for the organisation, direction and management of the university. He is also the designated Accountable Officer for the purposes of the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England. The Vice-Chancellor is supported by an Executive Board, which is comprised of: the Vice-Chancellor; the Deputy Vice-Chancellor; four Faculty Pro Vice-Chancellor/Deans; the Pro Vice-Chancellors for Research, Strategic and International Partnerships, Enterprise and Academic; the Chief Operating Officer; the Associate Chief Operating Officers; the Acting Executive Director of Finance; the Executive Director of People and Organisational Development; the Executive Director of Marketing and Communications; and the Vice-Chancellor's Chief of Staff.

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 the challenge 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 sub-committees: Audit; Nominations; Remuneration; and Finance and Human Resources. It is proposed that a reconstituted Ethics Sub-committee will begin meeting during the next academic year. Each sub-committee has clearly defined and delegated responsibilities.

The Audit Committee regularly meets with 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 that affect university business from the HEFCE, 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 independently.

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 of the board that is required by the board to fulfil its responsibilities. It considers the nomination of new governors, making recommendations to the Board of Governors, as appropriate.

The Remuneration Committee determines the annual remuneration of the Vice-Chancellor and senior post holders, and receives a report on the annual review of other senior academic and professional services staff.

All committees of the board are required to report to the board regularly. They do so 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 discussion. In addition, the Audit Committee produces an annual report, which is 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. As appropriate, members of the Executive Board are present at meetings of the board to expand, where necessary, on reports and answer questions as they arise.

The Board of Governors periodically reviews its own effectiveness in accordance with good practice/ CUC guidance, with the most recent review having been 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 for Higher Education, 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, 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 that 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.

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 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 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 as a result 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 a thorough review of the university's financial forecast and cash position, 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.


Mr. J. Blatchford
Chairman


Professor D. Shellar
Chief Executive and Vice-Chancellor

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Our opinion is unmodified

We have audited the financial statements of De Montfort University ('the University') for the year ended 31 July 2017 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Balance Sheet, the Consolidated and University Statement of Changes in Reserves and the Consolidated Cash Flow and the related notes, including the accounting policies on pages 42 to 49.

In our opinion, the financial statements:

- Give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2017, of the Group's and University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows for the year then ended
 - Have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education
- and
- Meet the requirements of HEFCE's Accounts direction to higher education institutions for 2016-17 financial statements

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the Board of Governors in 2010. The period of total uninterrupted engagement is 7 years ended 31 July 2017. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

| Overview | |
|---------------------------------------|---|
| Materiality: | £2m |
| group financial statements as a whole | 1% of total income |
| Coverage | 100% of group total income |
| Risks of material misstatement | |
| Recurring risks | Fraud risk from revenue recognition |
| New Risks | Finance and Payroll System Replacements |

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

| The risk | Our response |
|---|--|
| <p>Group and university income: tuition fee and education contracts</p> <p>£172.2m Refer to page 45 (accounting policy) and page 54 (financial disclosures).</p> | <p>Recognition of tuition fee and education contracts income</p> <p>In line with auditing standards we consider that there may be a significant risk of fraud and error associated with the recognition of tuition fee and education contracts income, which represents approximately 50% of total income. In particular, this includes income and cash recognition for flexible provision (for example online/distance learning courses), and courses that run across the year end. This can lead to complex accounting practices and key areas of judgement by management as to what income should be recognised in the financial year.</p> |
| | <p>Our procedures included:</p> <ul style="list-style-type: none"> — System reconciliation: assessed the completeness and accuracy of data through the testing of reconciliations between the university's financial, student and planning systems and testing of general IT controls — Information assessment: tested the completeness, accuracy and timeliness of drop-out and tuition fee data and information to assess whether it has been accurately recorded, in line with accounting standards, within the financial statements — Student Loan Company reconciliation: tested key elements of the Student Loan Company income to the university's student system reconciliation and back to source documentation to confirm the completeness, timeliness and accuracy of the information held and recorded in the financial statements — Policy compliance assessment: assessed the recognition of bursary, scholarship and fee waiver recognition through comparison to relevant schemes and policies to assess whether they have been accurately recorded, in line with accounting standards, within the financial statements — Cut off testing: assessed the completeness and accuracy of data and information, in relation to the programmes crossing the year end and other flexible provision, to confirm that it had been accurately recorded, in the correct period, within the financial statements — Overseas contract income: considered the income recognition for overseas contract income through comparison to the contract clauses, to assess whether it has been accurately recorded, in line with accounting standards, within the financial statements — Procedures over disclosures: considered disclosures, including Note 1a, to check that they meet the requirements of the 2015 Statement of Recommended Practice –Accounting for Further and Higher Education — Sample testing: we selected a sample of individual students that made up the tuition fee balance to assess whether their tuition fee income had been accurately recognised in the student ledger <p>Our results: We have not identified any issues as a result of these procedures.</p> |

| The risk | Our response |
|---|--|
| <p>Finance and payroll system replacement</p> <p>Refer to page 9 (Operating and Financial Review).</p> | <p>Finance and payroll system replacement</p> <p>The university has implemented a new Finance system and Payroll system during the year.</p> <p>The Finance ledger was operational on 1 August 2016, so has been in operation throughout the entire period, and the Payroll system went live on 1 April 2017, in line with the tax year.</p> <p>Payroll costs of £95.8m in 2015/16 represent over 56% of the university's expenditure and therefore the robustness and integrity of both the system transition and ongoing control arrangements are considered a significant risk for the external audit.</p> |

Our procedures included:

- **Migration testing:** tested the migration of 'standing' data from the university's legacy Finance Ledger (QLX) and the university's legacy payroll system (Northgate) to the new Finance and Payroll system (SAP)
- **Parallel running:** tested the output of the parallel running exercise, including assessing the appropriateness of actions taken by management over identified exceptions
- **General IT controls:** considered how the university had implemented general IT controls over the new Finance and Payroll systems, including a review of access arrangements, review of security arrangements, and review of the processes and controls around system patches and upgrades

Our results:

In respect of migration testing and parallel running we did not identify any significant issues. In relation to General IT Controls we identified a number of significant issues, particularly relating to access rights. As a result of this we had to amend and modify our audit approach to gain assurance over the information produced from the newly implemented system. We did not identify any adjustments from this work.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £2m, determined with reference to a benchmark of group total income of £204.8m, of which it represents 0.98%.

Materiality for the university financial statements was set at £2m, determined with reference to a benchmark of university total income of £204.4m, of which it represents 0.98%.

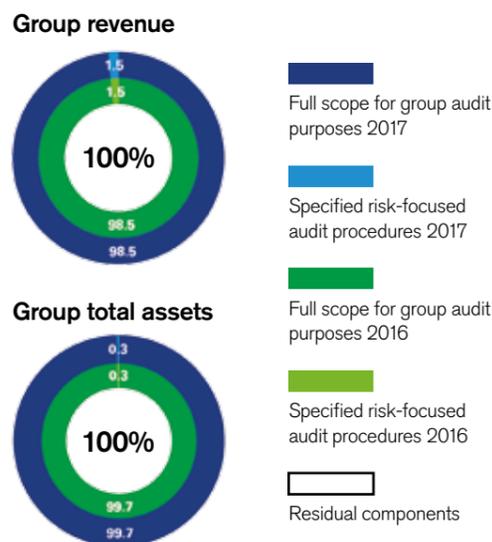
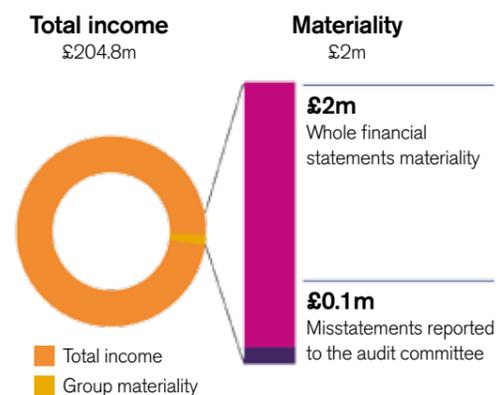
We consider total income, rather than a surplus related benchmark, to be the appropriate benchmark as the university is a not for profit organisation.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.1m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

We subjected the university's one reporting component to audit for group reporting purposes.

The components within the scope of our work accounted for the following percentages of the group's results: 0.22% of Group total income, and 0.18% of Group total assets.

The Group team instructed component auditors as to the significant areas to be covered. The Group audit team approved the component materiality of £0.06m. The work on the component was performed by a component audit team.



4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least 12 months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on other information in the Financial Statements to 31 July 2017

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

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

6. Respective responsibilities

Board of Governors' Responsibilities

As described more fully in their statement set out on pages 35–37, the Board of Governors is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and university's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the University or to cease operations, or have no realistic alternative but to do so.

Auditor Responsibilities

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

expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

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

REPORT ON OTHER LEGAL AND REGULARITY REQUIREMENTS

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- Funds from whatever source administered by the group and the university for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation
- Income has been applied in accordance with the university's statutes and
- Funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them

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

This report is made solely to the Board of the University, as a body, in accordance with the Charters and Statutes of the institution. Our audit work has been undertaken so that we might state to the board, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the university and the Board of Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Bush 30/11/17

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

1. ACCOUNTING CONVENTION

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

2. ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing these financial statements, management have made the following judgements:

i) To determine whether there are indicators of impairment of the group's tangible assets

Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

ii) Tangible fixed assets

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

iii) Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note (25d) in the Annual Accounts, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

iv) Bad and doubtful debts

A provision for bad and doubtful debts is calculated using a formula based on the age of the overdue debt. The formula is applied consistently from year to year but necessarily requires a degree of estimation. Specific provision is made for individual debts where recovery is deemed to be uncertain and this requires an element of judgement.

3. TANGIBLE FIXED ASSETS

i) Measurement at initial recognition

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

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

ii) Measurement after initial recognition

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

All other tangible fixed assets are stated at cost.

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

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

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

iii) Depreciation

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

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

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

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

New buildings and major refurbishments to buildings are depreciated from the month in which they are put into service. All other assets are depreciated from the month after they are put into service.

Depreciation on disposals is provided up to the month before the asset is taken out of use.

iv) Funded tangible fixed assets

Where assets are acquired with the aid of specific grants or donations they are capitalised and depreciated as above.

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

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

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

v) Tangible donated fixed assets

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

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

vi) IT equipment and software licences

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

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

IT software development is treated as an intangible asset.

vii) Maintenance of premises

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

viii) Heritage assets

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

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

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

4. INTANGIBLE ASSETS

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

5. LEASES

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

Rental costs under operating leases are charged to the Consolidated Statement of Comprehensive Income in equal amounts over the periods of the leases.

6. REVENUE

i) Tuition fees

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

ii) Funding body grants

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

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

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

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

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

iii) Research grants and contracts

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

iv) Commercial research and consultancy revenue

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

v) Investment Income

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

vi) Donations and Endowments

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

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

i) Donations with no restrictions

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

ii) Donations and endowments with restrictions

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

There are four main types:

Unrestricted permanent endowments

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

Restricted expendable endowments

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

Donations with restrictions

The donation doesn't meet the expendable endowment criteria where the general use of the funds is specified by the donor. These are recorded in the Consolidated Statement of Comprehensive Income on entitlement and retained within a restricted reserve until such time that expenditure is incurred in line with the restriction.

Restricted permanent endowments

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

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

iii) Donations for fixed assets

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

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

iv) Gifts in kind, including donated tangible fixed assets

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

7. BAD DEBTS

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

8. STOCK

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

9. INCOME TAX

Taxation status

The institution is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and does pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the

institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

10. DEFERRED TAXATION

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

11. EMPLOYEE BENEFITS

i) Short-term employee benefits

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

ii) Post-employment benefits

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

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

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

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

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

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

12. INVESTMENTS IN SUBSIDIARIES

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

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

13. FINANCIAL INSTRUMENTS

Cash and cash equivalents

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

Interest-bearing borrowing

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

Investments in debt and equity securities

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

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

14. INTEREST PAYABLE

Interest is capitalised on borrowings to finance major property development to the extent that it accrues in respect of the period of development. Such costs are capitalised as part of the specific asset.

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

15. STAFF RESTRUCTURING COSTS

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

16. PROVISIONS

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

17. FOREIGN CURRENCIES

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

18. SERVICE CONCESSIONS

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

19. INVESTMENT PROPERTIES

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

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

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

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

20. EMBEDDED DERIVATIVES

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 JULY 2017

| | Notes | Group 2017 £'000 | Group 2016 £'000 | Corporation 2017 £'000 | Corporation 2016 £'000 |
|---|----------|------------------------|------------------------|------------------------------|------------------------------|
| Income | | | | | |
| Tuition fees and education contracts | 1a | 172,224 | 150,781 | 171,837 | 150,781 |
| Funding body grants | 1b | 17,619 | 17,528 | 17,619 | 17,528 |
| Research grants and contracts | 1c | 4,025 | 3,368 | 3,882 | 3,256 |
| Other income | 1d | 10,054 | 8,638 | 10,145 | 8,380 |
| Investment income | 1e | 465 | 640 | 460 | 628 |
| Total income before endowments and donations | | 204,387 | 180,955 | 203,943 | 180,573 |
| Donations and endowments | 1f | 486 | 472 | 486 | 472 |
| Total income | | 204,873 | 181,427 | 204,429 | 181,045 |
| Expenditure | | | | | |
| Staff costs | 2 | 106,059 | 95,806 | 105,638 | 95,695 |
| Staff restructuring costs | | 586 | 3,200 | 586 | 3,200 |
| Other operating expenses | 3 | 64,484 | 52,075 | 64,461 | 51,804 |
| Interest and other finance costs | 4 | 7,598 | 4,738 | 7,598 | 4,738 |
| Intangible amortisation | 7 | 523 | 90 | 523 | 90 |
| Depreciation | 8 | 11,673 | 12,278 | 11,673 | 12,278 |
| Total expenditure | 5 | 190,923 | 168,187 | 190,479 | 167,805 |
| Surplus before other gains/(losses) | | 13,950 | 13,240 | 13,950 | 13,240 |
| Gain on investments | | 72 | 53 | 72 | 53 |
| Surplus before tax | | 14,022 | 13,293 | 14,022 | 13,293 |
| Taxation | 6 | (72) | 314 | (72) | 314 |
| Surplus for the year | | 13,950 | 13,607 | 13,950 | 13,607 |
| Unrealised surplus on revaluation of land and buildings | | 130 | 244 | 130 | 244 |
| Actuarial gain/(loss) in respect of pension schemes | 25d | 25,799 | (37,830) | 25,799 | (37,830) |
| Total comprehensive income for the year | | 39,879 | (23,979) | 39,879 | (23,979) |
| Represented by: | | | | | |
| Endowment comprehensive income for the year | | 481 | 221 | 481 | 221 |
| Restricted comprehensive income for the year | | (1) | 3 | (1) | 3 |
| Unrestricted comprehensive income for the year | | 39,399 | (24,203) | 39,399 | (24,203) |
| | | 39,879 | (23,979) | 39,879 | (23,979) |

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2017

| Group | Income and expenditure account | | | | Total £'000 |
|--|--------------------------------|---------------------|-----------------------|---------------------------------|----------------|
| | Endowment £'000 | Restricted £'000 | Unrestricted £'000 | Revaluation reserve £'000 | |
| Balance at 1 August 2016 | 1,375 | 20 | 97,044 | 1,063 | 99,502 |
| Surplus from the income and expenditure statement | 481 | (1) | 13,470 | - | 13,950 |
| Other comprehensive income | - | - | 25,929 | - | 25,929 |
| Transfers between revaluation and income and expenditure reserve | - | - | (130) | 130 | - |
| Total comprehensive income for the year | 481 | (1) | 39,269 | 130 | 39,879 |
| Balance at 31 July 2017 | 1,856 | 19 | 136,313 | 1,193 | 139,381 |

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

| Corporation | Income and expenditure account | | | | Total £'000 |
|--|--------------------------------|---------------------|-----------------------|---------------------------------|----------------|
| | Endowment £'000 | Restricted £'000 | Unrestricted £'000 | Revaluation reserve £'000 | |
| Balance at 1 August 2016 | 1,375 | 20 | 96,787 | 1,063 | 99,245 |
| Surplus from the income and expenditure statement | 481 | (1) | 13,470 | - | 13,950 |
| Other comprehensive income | - | - | 25,929 | - | 25,929 |
| Transfers between revaluation and income and expenditure reserve | - | - | (130) | 130 | - |
| Total comprehensive income for the year | 481 | (1) | 39,269 | 130 | 39,879 |
| Balance at 31 July 2017 | 1,856 | 19 | 136,056 | 1,193 | 139,124 |

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

CONSOLIDATED BALANCE SHEET

AS AT 31 JULY 2017

| | Notes | Group 2017 £'000 | Group 2016 £'000 | Corporation 2017 £'000 | Corporation 2016 £'000 |
|---|-------|------------------------|------------------------|------------------------------|------------------------------|
| Non-current assets | | | | | |
| Intangible assets | 7 | 18,625 | 7,684 | 18,625 | 7,684 |
| Tangible fixed assets | 8 | 284,864 | 277,179 | 284,864 | 277,179 |
| Heritage assets | 9 | 1,073 | 943 | 1,073 | 943 |
| Investment properties | 10 | 3,794 | - | 3,794 | - |
| Investments | 11 | 1,069 | 997 | 1,379 | 1,307 |
| Total non-current assets | | 309,425 | 286,803 | 309,735 | 287,113 |
| Current assets | | | | | |
| Stocks | 12 | 71 | 91 | 71 | 91 |
| Trade and other receivables | 13 | 8,224 | 9,955 | 8,797 | 10,821 |
| Investments | 14 | 25,000 | 25,000 | 23,916 | 23,672 |
| Cash and cash equivalents | 21 | 44,812 | 45,617 | 44,807 | 45,609 |
| Total current assets | | 78,107 | 80,663 | 77,591 | 80,193 |
| Less: Creditors: amounts falling due within one year | 15 | (36,272) | (35,000) | (36,323) | (35,097) |
| Net current assets | | 41,835 | 45,663 | 41,268 | 45,096 |
| Total assets less current liabilities | | | | | |
| | | 351,260 | 332,466 | 351,003 | 332,209 |
| Creditors: amounts falling due after more than one year | 16 | (121,825) | (121,055) | (121,825) | (121,055) |
| Provisions | | | | | |
| Pension provisions | 25d | (88,000) | (106,991) | (88,000) | (106,991) |
| Other provisions | 17 | (2,054) | (4,918) | (2,054) | (4,918) |
| Total net assets | | 139,381 | 99,502 | 139,124 | 99,245 |
| Restricted reserves | | | | | |
| Income and expenditure reserve – endowment fund | 18 | 1,856 | 1,375 | 1,856 | 1,375 |
| Income and expenditure reserve – restricted reserve | 19 | 19 | 20 | 19 | 20 |
| Unrestricted reserves | | | | | |
| Income and expenditure reserve - unrestricted | | 136,313 | 97,044 | 136,056 | 96,787 |
| Revaluation reserve | | 1,193 | 1,063 | 1,193 | 1,063 |
| Total unrestricted reserves | | 137,506 | 98,107 | 137,249 | 97,850 |
| Total reserves | | 139,381 | 99,502 | 139,124 | 99,245 |

The financial statements on pages 50 to 69 were approved by the Board of Governors on 23 November 2017 and were signed on its behalf by


Mr J Blatchford
Chairman


Professor D Sheilard
Chief Executive and Vice-Chancellor

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|-------|-----------------|-----------------|
| Cash flow from operating activities | | | |
| Surplus for the year | | 13,950 | 13,607 |
| Adjustment for non-cash items | | | |
| Depreciation | 8 | 11,673 | 12,278 |
| Amortisation of intangible assets | 7 | 523 | 90 |
| Gain on investments | | (72) | (53) |
| Decrease in stock | | 20 | 20 |
| Decrease/(increase) in debtors | | 1,731 | (1,817) |
| Increase in creditors | | 1,912 | 1,047 |
| (Decrease)/increase in provisions | | (2,877) | 2,451 |
| Pension costs less contributions payable | 25 | 4,193 | 1,562 |
| Adjustment for investing or financing activities | | | |
| Investment income | 1e | (465) | (640) |
| Interest payable | 4 | 7,598 | 4,738 |
| Endowments received | 18 | (484) | (411) |
| Net cash inflow from operating activities | | 37,702 | 32,872 |
| Cash flows from investing activities | | | |
| Withdrawal from deposits | | - | 15,000 |
| Income from endowments | | 36 | 24 |
| Other interest received | | 429 | 460 |
| Payments made to acquire fixed assets | | (19,358) | (36,859) |
| Payments made to acquire intangible assets | | (11,464) | (6,460) |
| Payments made to acquire investment properties | | (3,794) | - |
| Payments made to acquire non-current investments | | - | (504) |
| | | (34,151) | (28,339) |
| Cash flows from financing activities | | | |
| Interest paid | | (4,837) | (2,216) |
| Endowments cash received | | 484 | 411 |
| Repayments of amounts borrowed | | (3) | (5) |
| | | (4,356) | (1,810) |
| (Decrease)/increase in cash and cash equivalents in the year | | | |
| | | (805) | 2,723 |
| Cash and cash equivalents at the beginning of the year | | 45,617 | 42,894 |
| Cash and cash equivalents at the end of the year | | 44,812 | 45,617 |
| | | (805) | 2,723 |

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2017

| 1. Analysis of income | Group 2016/17 £'000 | Group 2015/16 £'000 | Corporation 2016/17 £'000 | Corporation 2015/16 £'000 |
|--|---------------------------|---------------------------|---------------------------------|---------------------------------|
| a) Tuition fees and education contracts | | | | |
| Home and EU students | 131,187 | 116,419 | 130,835 | 116,419 |
| Overseas students | 26,792 | 20,191 | 26,792 | 20,191 |
| Education contracts | 12,207 | 12,410 | 12,207 | 12,410 |
| Other contracts | 2,038 | 1,761 | 2,003 | 1,761 |
| Total | 172,224 | 150,781 | 171,837 | 150,781 |
| b) Funding body grants | | | | |
| Recurrent grants | | | | |
| Higher Education Funding Council for England | 15,147 | 14,710 | 15,147 | 14,710 |
| Learning and Skills Council | 639 | 474 | 639 | 474 |
| Specific grants | | | | |
| Higher Education Innovation Fund | 386 | 637 | 386 | 637 |
| Graduate internship project | - | 130 | - | 130 |
| Collaborative outreach programme | 78 | 67 | 78 | 67 |
| Release of capital grants | | | | |
| Buildings | 833 | 795 | 833 | 795 |
| Equipment | 536 | 715 | 536 | 715 |
| Total | 17,619 | 17,528 | 17,619 | 17,528 |
| c) Research grants and contracts | | | | |
| Research councils | 339 | 939 | 339 | 939 |
| UK-based charities | 598 | 293 | 548 | 293 |
| European Commission | 1,827 | 540 | 1,827 | 540 |
| Other grants and contracts | 1,261 | 1,596 | 1,168 | 1,484 |
| Total | 4,025 | 3,368 | 3,882 | 3,256 |
| d) Other income | | | | |
| Residences and catering | 4,656 | 3,878 | 4,563 | 3,850 |
| Other services rendered | 2,076 | 2,431 | 1,542 | 1,566 |
| Other income | 3,225 | 2,159 | 3,943 | 2,794 |
| Other capital grants | 97 | 170 | 97 | 170 |
| Total | 10,054 | 8,638 | 10,145 | 8,380 |
| e) Investment income | | | | |
| Interest from short-term investments | 429 | 617 | 424 | 605 |
| Income from restricted expendable endowments | 6 | 6 | 6 | 6 |
| Income from restricted permanent endowments | 30 | 17 | 30 | 17 |
| Total | 465 | 640 | 460 | 628 |
| f) Donations and endowments | | | | |
| New endowments | 478 | 410 | 478 | 410 |
| Donations with restrictions | 6 | 10 | 6 | 10 |
| Unrestricted donations | 2 | 52 | 2 | 52 |
| Total | 486 | 472 | 486 | 472 |
| Total income | 204,873 | 181,427 | 204,429 | 181,045 |

| 2. Staff costs | Group 2016/17 £'000 | Group 2015/16 £'000 | Corporation 2016/17 £'000 | Corporation 2015/16 £'000 |
|--|---------------------------|---------------------------|---------------------------------|---------------------------------|
| a) Staff costs | | | | |
| Wages and salaries | 80,588 | 76,161 | 80,167 | 76,050 |
| Social security costs | 8,594 | 6,897 | 8,594 | 6,897 |
| Other pension costs | 12,751 | 11,247 | 12,751 | 11,247 |
| Movement on USS pension provision | (67) | (61) | (67) | (61) |
| The financial effects of LGPS pension scheme | 4,193 | 1,562 | 4,193 | 1,562 |

| | | | | |
|--------------|----------------|---------------|----------------|---------------|
| Total | 106,059 | 95,806 | 105,638 | 95,695 |
|--------------|----------------|---------------|----------------|---------------|

b) Employee numbers

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

| | | |
|-----------|-------|-------|
| Academic | | |
| Full-time | 714 | 654 |
| Part-time | 276 | 247 |
| Support | 1,149 | 1,103 |

| | | |
|--------------|--------------|--------------|
| Total | 2,139 | 2,004 |
|--------------|--------------|--------------|

c) Vice-Chancellor emoluments

| | £'000 | £'000 |
|------------------------------|-------|-------|
| Salary | 286 | 283 |
| Pension contributions to USS | 6 | 2 |
| Bonus relating to prior year | 38 | 40 |
| Health insurance | 1 | 1 |

| | | |
|--------------|------------|------------|
| Total | 331 | 326 |
|--------------|------------|------------|

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

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

d) Remuneration of other higher paid staff

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

| | 2016/17 | 2015/16 |
|-------------------|---------|---------|
| £100,000-£109,999 | - | 3 |
| £110,000-£119,999 | 5 | 5 |
| £120,000-£129,999 | 1 | 2 |
| £130,000-£139,999 | 3 | 2 |
| £140,000-£149,999 | 1 | - |
| £150,000-£159,999 | - | - |
| £160,000-£169,999 | 1 | 1 |
| £170,000-£179,999 | - | - |
| £180,000-£189,999 | 1 | 1 |

Compensation for loss of office payable to higher paid staff

| | 2016/17 £'000 | 2015/16 £'000 |
|-------------------|------------------|------------------|
| Compensation paid | 35 | - |
| Individuals | 1 | - |

Key management personnel

The university executive board are classed as key management personnel whom have authority and responsibility for planning, directing and controlling the activities of the institution. This includes compensation paid to key management personnel.

| | 2016/17 £'000 | 2015/16 £'000 |
|---------------------------------|------------------|------------------|
| Key management personnel | 1,689 | 1,576 |

| 3. Other operating expenses | Group 2016/17 £'000 | Group 2015/16 £'000 | Corporation 2016/17 £'000 | Corporation 2015/16 £'000 |
|---|---------------------------|---------------------------|---------------------------------|---------------------------------|
| External auditor's remuneration | 79 | 68 | 71 | 60 |
| Auditor's fees for non-audit services | 3 | 13 | 3 | 13 |
| Other services supplied pursuant to such legislation | | | | |
| Other services relating to taxation | 14 | 36 | 14 | 36 |
| Other projects | 61 | 63 | 61 | 63 |
| Internal audit services | 132 | 127 | 132 | 127 |
| Legal, professional and consultancy fees | 16,913 | 10,291 | 17,225 | 10,165 |
| Administrative expenses | 7,205 | 7,015 | 7,146 | 7,010 |
| Publicity | 5,646 | 6,117 | 5,628 | 6,098 |
| General education expenses | 4,709 | 4,298 | 4,637 | 4,298 |
| Consumables | 6,047 | 4,233 | 6,020 | 4,209 |
| Repairs and general maintenance | 5,076 | 3,877 | 5,076 | 3,877 |
| Student bursaries | 2,580 | 3,805 | 2,580 | 3,805 |
| Travel and subsistence | 4,641 | 3,147 | 4,574 | 3,118 |
| Energy | 2,879 | 2,459 | 2,879 | 2,459 |
| Residences and catering | 3,204 | 1,441 | 3,203 | 1,437 |
| Rent, rates and insurance | 1,865 | 1,431 | 1,831 | 1,431 |
| Grant to De Montfort University Students' Union Limited | 1,045 | 1,261 | 1,045 | 1,261 |
| Research grants and contracts | 1,174 | 1,164 | 1,139 | 1,147 |
| Staff development | 413 | 631 | 411 | 631 |
| Other | 798 | 598 | 786 | 559 |
| Total | 64,484 | 52,075 | 64,461 | 51,804 |

| | Group 2016/17 £'000 | Group 2015/16 £'000 | Corporation 2016/17 £'000 | Corporation 2015/16 £'000 |
|-----------------------------------|---------------------------|---------------------------|---------------------------------|---------------------------------|
| Other operating expenses include: | | | | |
| Operating leases – buildings | 750 | 548 | 750 | 548 |
| Operating leases – equipment | 186 | 141 | 186 | 141 |

Governors

In 2016/17 three governors (Mr Blatchford, Mr Kapur and Mr Stockdale) were remunerated in their role as Chairs of Committees, total £37,500 (2016: £50,000). Mr Blatchford waived part of his payment.

The total expenses paid to or on behalf of 17 governors was £6,264 (2016: £4,486 to 19 governors). This represents travel and subsistence incurred in attending board and committee meetings in their official capacity.

| 4. Interest payable – group and corporation | 2016/17 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| Net financing costs in pension scheme liabilities | 2,615 | 2,375 |
| Interest on USS | 13 | 14 |
| Interest on bond | 4,837 | 2,216 |
| Bond transaction costs | 133 | 133 |
| Total | 7,598 | 4,738 |

2015/16 interest on bond is reported net of the interest incurred on the financing of the Vijay Patel and The Venue buildings which has been capitalised to those assets. This amounted to £2,622k. In 2016/17 there was no further capitalisation of interest.

| 5. Analysis of 2016/17 expenditure by activity – group and corporation | Staff costs £'000 | Other operating expenses £'000 | Depreciation £'000 | Interest £'000 | 2016/17 Total £'000 | 2015/16 Total £'000 |
|--|----------------------|-----------------------------------|-----------------------|-------------------|------------------------|------------------------|
| Academic departments | 58,468 | 14,032 | 1,822 | - | 74,322 | 66,166 |
| Academic services | 12,915 | 8,621 | 3,271 | - | 24,807 | 23,764 |
| Admin and central services | 8,233 | 5,547 | 370 | - | 14,150 | 15,272 |
| General education expenditure | 3,834 | 15,042 | 170 | - | 19,046 | 16,176 |
| Staff and student facilities | 8,818 | 8,541 | 150 | - | 17,509 | 12,869 |
| Premises | 5,744 | 10,889 | 5,790 | - | 22,423 | 17,689 |
| Residences and catering | 494 | 1,013 | 100 | - | 1,607 | 2,170 |
| Research grants and contracts | 2,191 | 1,274 | - | - | 3,465 | 3,208 |
| Other expenditure | 1,169 | 18 | - | 4,970 | 6,157 | 3,756 |
| Provision for restructuring | 586 | 30 | - | - | 616 | 3,227 |
| Pension scheme's adjustment | 4,193 | - | - | 2,628 | 6,821 | 3,890 |
| Total | 106,645 | 65,007 | 11,673 | 7,598 | 190,923 | 168,187 |

Other operating expenses includes amortisation.

The depreciation charge has been funded by:

| | £'000 |
|----------------------------------|---------------|
| Deferred capital grants released | 1,410 |
| General income | 10,786 |
| Total | 12,196 |

6. Taxation – group and corporation

| | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Corporate Income Tax (CIT) paid/(refunded) – Liaoning University (LNU) Joint Educational Programme (JEP) | 10 | (314) |
| Provision for CIT for Jinling Institute of Technology (JIT) JEP | 13 | - |
| Provision for individual income tax (IIT) due in Shenyang Huanggu region | 49 | - |
| Total | 72 | (314) |

Tax is payable to Chinese Tax Authorities on activity relating to JEPs with partner universities in China.

A tax payment is made each year in relation to income from the LNU JEP.

Provisions have increased by £62,882, this relates to estimated CIT for the JIT JEP and an estimate of income tax due on staff teaching on the LNU JEP on a fly-in fly-out basis.

| 7. Intangible fixed assets | 2016/17 £'000 | 2015/16 £'000 |
|------------------------------|------------------|------------------|
| Group and corporation | | |
| Cost or valuation | | |
| At 1 August 2016 | 7,807 | 196 |
| Additions at cost | 11,464 | 7,611 |
| As at 31 July 2017 | 19,271 | 7,807 |
| Amortisation | | |
| At 1 August 2016 | 123 | 33 |
| Charge for the year | 523 | 90 |
| As at 31 July 2017 | 646 | 123 |
| Net book value: | | |
| At 31 July 2017 | 18,625 | 7,684 |

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

Internal staff capitalised within intangible additions at 31 July 2017 was £1,987,000 (31 July 2016: £1,151,000)

| 8. Tangible fixed assets | Land and buildings £'000 | Assets under construction £'000 | Furniture and equipment £'000 | Computer equipment £'000 | Total £'000 |
|--|-----------------------------|------------------------------------|----------------------------------|-----------------------------|----------------|
| Group and corporation | | | | | |
| Cost or valuation | | | | | |
| At 1 August 2016 | 234,285 | 56,233 | 14,217 | 30,282 | 335,017 |
| Additions at cost | 10,230 | 3,455 | 1,635 | 4,038 | 19,358 |
| Transfers from assets under construction | 56,025 | (56,025) | - | - | - |
| Disposals | - | - | (4,122) | (3,789) | (7,911) |
| At 31 July 2017 | 300,540 | 3,663 | 11,730 | 30,531 | 346,464 |
| Depreciation | | | | | |
| At 1 August 2016 | 23,006 | - | 11,425 | 23,407 | 57,838 |
| Charge for the year | 5,754 | - | 954 | 4,965 | 11,673 |
| Depreciation charge for the year | 5,754 | - | 954 | 4,965 | 11,673 |
| Disposals | - | - | (4,122) | (3,789) | (7,911) |
| At 31 July 2017 | 28,760 | - | 8,257 | 24,583 | 61,600 |
| Net book value: | | | | | |
| At 31 July 2017 | 271,780 | 3,663 | 3,473 | 5,948 | 284,864 |
| At 31 July 2016 | 211,279 | 56,233 | 2,792 | 6,875 | 277,179 |

The net book value of tangible fixed assets held under finance leases at 31 July 2017 was nil (31 July 2016: nil).

Internal staff capitalised within computer equipment additions at 31 July 2017 was nil (31 July 2016: £2,000)

Land and buildings includes £8.9m (2016: £8.9m) of university-owned land that is not depreciated.

| | Group and corporation | |
|---|------------------------------|------------------|
| | 2016/17 £'000 | 2015/16 £'000 |
| The net book value of land and buildings is comprised as follows: | | |
| Freehold | 268,582 | 264,481 |
| Long lease | 6,861 | 3,031 |
| Total | 275,443 | 267,512 |

| 9. Heritage assets | 2016/17 £'000 | 2015/16 £'000 |
|------------------------------|------------------|------------------|
| Group and corporation | | |
| Cost or valuation | | |
| At 1 August 2016 | 943 | 700 |
| Additions at cost | 130 | 30 |
| Revaluations | - | 213 |
| At 31 July 2017 | 1,073 | 943 |

The university holds a number of pieces of artwork, these were re-valued in 2016 in accordance with the university's accounting policies.

| 10. Investment properties | 2016/17 £'000 | 2015/16 £'000 |
|---------------------------------------|------------------|------------------|
| Group and corporation | | |
| Cost or valuation | | |
| At 1 August 2016 | - | - |
| Additions at cost | 3,794 | - |
| Net book value at 31 July 2017 | 3,794 | - |

| 11. Investments | Group 2016/17 £'000 | Group 2015/16 £'000 | Corporation 2016/17 £'000 | Corporation 2015/16 £'000 |
|--|---------------------------|---------------------------|---------------------------------|---------------------------------|
| Movement in the year | | | | |
| Balance at beginning of year | 997 | 440 | 1,307 | 750 |
| Additions | - | 504 | - | 504 |
| Appreciation of investments | 72 | 53 | 72 | 53 |
| Balance at year end | 1,069 | 997 | 1,379 | 1,307 |
| Analysis of closing balance | | | | |
| Shareholding in subsidiary undertakings | - | - | 310 | 310 |
| Other investments | 158 | 159 | 158 | 159 |
| Shareholding in CVCP Properties PLC | 38 | 38 | 38 | 38 |
| Securities and fixed interest stock for endowments | 873 | 800 | 873 | 800 |
| Total | 1,069 | 997 | 1,379 | 1,307 |

a) Shareholdings in subsidiary undertakings

At year end, investments in subsidiary undertakings comprise:

| | Group holding % | Corporation 2016/17 £ | Corporation 2015/16 £ | Description of activities |
|------------------------------------|--------------------|-----------------------------|-----------------------------|--|
| Directly owned by the university: | | | | |
| De Montfort Expertise Ltd | 100 | 310,000 | 310,000 | Provision of contract research and development |
| Leicester Business School Ltd | 100 | 1 | 1 | Dormant company |
| Leicestershire Business School Ltd | 100 | 1 | 1 | Dormant company |
| Total | | 310,002 | 310,002 | |

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

| b) Other investments | Holding % | Corporation 2016/17 £ | Corporation 2015/16 £ | Description of activities |
|------------------------|-----------|-----------------------------|-----------------------------|--|
| Spear Therapeutics Ltd | 11.06 | 234 | 234 | Drug development and research |
| BTG PLC | <0.01 | 130,785 | 132,373 | 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 | 1,271 | 403 | Drug development and research, incorporated in USA |
| Mediatag Ltd | 32.47 | 150 | 150 | Software development |
| Venuesim Ltd | 33.00 | 300 | 300 | Software development |
| WZVI Ltd | 10.00 | 100 | 100 | Science and engineering research |
| IP By Design Ltd | 10.00 | 25,000 | 25,000 | Intellectual property management consultancy |
| CYP Design Ltd | 20.00 | 2 | 2 | Drug development and research |
| Total | | 158,631 | 159,351 | |

| 12. Stocks – group and corporation | 2016/17 £'000 | 2015/16 £'000 |
|------------------------------------|------------------|------------------|
| Goods for resale | 2 | 2 |
| Art and design supplies | 69 | 87 |
| Computer supplies | - | 2 |
| Total | 71 | 91 |

| 13. Trade and other receivables | Group 2016/17 £'000 | Group 2015/16 £'000 | Corporation 2016/17 £'000 | Corporation 2015/16 £'000 |
|---------------------------------|---------------------------|---------------------------|---------------------------------|---------------------------------|
| Student receivables | 1,387 | 1,276 | 1,379 | 1,276 |
| Other receivables | 3,900 | 3,931 | 3,793 | 3,672 |
| Research grants receivables | 963 | 1,141 | 748 | 1,141 |
| Prepayments and accrued income | 1,974 | 3,607 | 1,902 | 3,494 |
| Subsidiary undertakings | - | - | 975 | 1,238 |
| Total | 8,224 | 9,955 | 8,797 | 10,821 |

14. Investments

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

At 31 July 2017:

£25,000,000 of Group Funds was on deposit (31 July 2016: £25,000,000).
£23,916,000 of Corporation Funds was on deposit (31 July 2016: £23,672,000).

| 15. Creditors: amounts falling due within one year | Group 2016/17 £'000 | Group 2015/16 £'000 | Corporation 2016/17 £'000 | Corporation 2015/16 £'000 |
|--|---------------------------|---------------------------|---------------------------------|---------------------------------|
| Payments received in advance | 13,336 | 14,168 | 13,197 | 13,962 |
| Trade creditors | 4,527 | 1,489 | 4,361 | 1,388 |
| Other creditors | 2,139 | 2,550 | 2,068 | 2,550 |
| Taxation | 1,152 | 965 | 1,152 | 965 |
| Social security | 1,259 | 1,188 | 1,259 | 1,188 |
| Accruals | 13,248 | 14,106 | 12,924 | 14,016 |
| Loans | - | 3 | - | 3 |
| Student caution deposits | 611 | 531 | 611 | 531 |
| Subsidiary undertakings | - | - | 751 | 494 |
| Total | 36,272 | 35,000 | 36,323 | 35,097 |

Payments received in advance

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

| | Group 2016/17 £'000 | Group 2015/16 £'000 | Corporation 2016/17 £'000 | Corporation 2015/16 £'000 |
|-------------------------------------|---------------------------|---------------------------|---------------------------------|---------------------------------|
| Research grants received on account | 4,759 | 4,234 | 4,636 | 4,234 |
| Capital grant income | 1,554 | 2,029 | 1,554 | 2,029 |
| Other income | 7,023 | 7,905 | 7,007 | 7,699 |
| Total | 13,336 | 14,168 | 13,197 | 13,962 |

| 16. Creditors: amounts falling due after more than one year – group and corporation | 2016/17 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| Bond | 90,000 | 90,000 |
| Bond transaction costs | (3,330) | (3,463) |
| Bond total | 86,670 | 86,537 |
| Deferred income | 35,155 | 34,518 |
| Total | 121,825 | 121,055 |

17. Provisions for liabilities

| | Taxation £'000 | Future pensions £'000 | Staff restructuring £'000 | Obligation to fund deficit on USS pension £'000 | Total £'000 |
|------------------------|-------------------|-----------------------------|---------------------------------|---|----------------|
| At 1 August 2016 | 50 | 1,126 | 2,961 | 781 | 4,918 |
| Net movement in year | 62 | 12 | (2,884) | (54) | (2,864) |
| At 31 July 2017 | 112 | 1,138 | 77 | 727 | 2,054 |

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

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

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

| 18. Endowment reserves – group and corporation | Unrestricted permanent £'000 | Restricted permanent £'000 | Restricted expendable £'000 | 2016/17 Total £'000 | 2015/16 Total £'000 |
|--|------------------------------------|----------------------------------|-----------------------------------|---------------------------|---------------------------|
| Capital | 1 | 713 | 565 | 1,279 | 1,072 |
| Accumulated income | - | 92 | 4 | 96 | 82 |
| Total | 1 | 805 | 569 | 1,375 | 1,154 |
| Investment income | - | 29 | 6 | 35 | 23 |
| Expenditure | - | (6) | (98) | (104) | (263) |
| Total | - | 23 | (92) | (69) | (240) |
| New endowments | - | - | 477 | 477 | 411 |
| Appreciation in market value of investments | - | 73 | - | 73 | 50 |
| At 31 July 2017 | 1 | 901 | 954 | 1,856 | 1,375 |

Represented by:

| | | | | | |
|--------------------|----------|------------|------------|--------------|--------------|
| Capital value | 1 | 786 | 946 | 1,733 | 1,279 |
| Accumulated income | - | 115 | 8 | 123 | 96 |
| Total | 1 | 901 | 954 | 1,856 | 1,375 |

Analysis by type of purpose:

| | | | | | |
|----------------------------|--|--|--|--------------|--------------|
| Scholarships and bursaries | | | | 1,280 | 863 |
| Research support | | | | 61 | 58 |
| Prize funds | | | | 482 | 442 |
| General | | | | 33 | 12 |
| Total | | | | 1,856 | 1,375 |

Analysis by asset:

| | | | | | |
|---|--|--|--|--------------|--------------|
| Current and non-current asset investments | | | | 873 | 800 |
| Cash and cash equivalents | | | | 983 | 575 |
| Total | | | | 1,856 | 1,375 |

19. Restricted reserves – group and corporation

Reserves with restrictions are as follows:

| | Donations | |
|---------------------------------|------------------|------------------|
| | 2016/17 £'000 | 2015/16 £'000 |
| Balance at 1 August 2016 | 20 | 17 |
| New donations | 6 | 10 |
| Expenditure | (7) | (7) |
| At 31 July 2017 | 19 | 20 |

20. Borrowings and lease obligations

a) Borrowings

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

| | 2016/17 £'000 | 2015/16 £'000 |
|-----------------------|------------------|------------------|
| In one year or less | - | 3 |
| In five years or more | 90,000 | 90,000 |
| Total | 90,000 | 90,003 |

b) Operating leases

At 31 July 2017, the university had annual commitment under operating leases as follows:

| | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Land and buildings | | |
| Leases expiring within two to five years | 184 | 245 |
| Leases expiring thereafter | 304 | 304 |
| Total lease payments due | 488 | 549 |
| Other | | |
| Leases expiring within one year | 83 | - |
| Leases expiring within two to five years | 37 | 23 |
| Total lease payments due | 120 | 23 |

21. Cash and cash equivalents

| | At 1 August 2016 £'000 | Cash flows £'000 | At 31 July 2017 £'000 |
|---------------------------|---------------------------------|------------------------|--------------------------------|
| Consolidated | | | |
| Cash and cash equivalents | 45,617 | (805) | 44,812 |
| Total | 45,617 | (805) | 44,812 |

22. Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2017.

| | 2016/17 £'000 | 2015/16 £'000 |
|-----------------------------------|------------------|------------------|
| Commitments contracted for | 7,729 | 11,286 |
| Authorised but not contracted for | 28,689 | 55,123 |
| Total | 36,418 | 66,409 |

23. Contingent liabilities

There are no material contingent liabilities.

24. Related party transactions

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

Mr Tony Stockdale, Independent Governor, provided consultancy services to the university. The value of services provided to the university during 2015/16 was £12,500. Mr Alan Charlton, Independent Governor, provided consultancy services to the university. The value of services provided to the university during 2015/16 was £12,500. Dr Vijay Patel, Independent Governor, made a donation to the university during 2015/16, to a value of £307,000.

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 Daniel Winney, President of De Montfort Students' Union sat on the university's board, until June 2017. Mr Mike Mayes joined the Board in June 2017. The grant paid to the students' union during the year was £1,045,000.

Mr. Simon Capper, Independent Governor, serves as the Finance Director at Leicester City Football Club (LCFC) with whom the University is party to a Sponsorship Agreement. Leicester City Football Club also buys services from De Montfort Expertise Limited, a company wholly owned by De Montfort University. A standing declaration of interest, which is actively considered when appropriate, operates for Mr. Capper with respect to any Board of Governors' business linked to the university's partnership with Leicester City Football Club.

25. 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 | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Teachers' Pension Scheme: contributions paid | 6,021 | 5,448 |
| Universities Superannuation Scheme: contributions paid | 476 | 419 |
| Local Government Pension Scheme (LGPS) | 6,254 | 5,380 |
| Total other pension costs | 12,751 | 11,247 |
| The financial effects of LGPS pension scheme | 4,193 | 1,562 |
| Total | 16,944 | 12,809 |

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

An amount of £1,137k (2016: £1,126k) is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the university of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

b) Teachers' Pension Scheme

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

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

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

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

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

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

c) Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme. With effect from 1 October 2016, the scheme changed from a defined only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 'Employee benefits', the institution therefore accounts for the scheme as it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that the scheme provided by Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The total cost charged to the profit and loss account is £475,860 (2016: £419,161) as shown in note 25a.

The latest available full actuarial valuation of the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

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

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

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

| | 2017 | 2016 |
|---------------------------|-------|------|
| Discount rate | 2.57% | 3.6% |
| Pensionable salary growth | n/a | n/a |
| Price inflation (CPI) | 2.41% | 2.2% |

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

| | |
|---------------------------|--|
| Male members' mortality | 98% of S1NA ('light') YoB tables – no age rating |
| Female members' mortality | 99% of S1NA ('light') YoB tables – rated down one year |

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

| | 2017 | 2016 |
|-----------------------------------|------|------|
| Males currently aged 65 (years) | 24.4 | 24.3 |
| Females currently aged 65 (years) | 26.6 | 26.5 |
| Males currently aged 45 (years) | 26.5 | 26.4 |
| Females currently aged 45 (years) | 29.0 | 28.8 |

| | 2017 | 2016 |
|------------------------------|---------|---------|
| Scheme assets | £60.0bn | £49.8bn |
| Total scheme liabilities | £77.5bn | £58.3bn |
| FRS 102 total scheme deficit | £17.5bn | £8.5bn |
| FRS 102 total funding level | 77% | 85% |

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 2017 for FRS 102 purposes by a qualified independent actuary. The major assumptions used by the actuary were as follows:

| | 2017 | 2016 |
|-------------------------------|------|------|
| Rate of increase in salaries | 3.2% | 2.9% |
| Rate of increase in pensions | 2.2% | 1.9% |
| Discount rate for liabilities | 2.7% | 2.4% |
| Inflation assumption | 2.2% | 1.9% |

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

| | 2017 | 2016 |
|----------------------|------------|------------|
| Retiring today | | |
| Males | 22.1 years | 22.2 years |
| Females | 24.3 years | 24.3 years |
| Retiring in 20 years | | |
| Males | 23.8 years | 24.2 years |
| Females | 26.2 years | 26.6 years |

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

| | 2017 % | 2016 % |
|----------|-----------|-----------|
| Equities | 67% | 73% |
| Bonds | 20% | 17% |
| Property | 8% | 9% |
| Cash | 5% | 1% |

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year ended 31 July 2017

| | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Fair value of plan assets | 177,959 | 152,650 |
| Present value of funded liabilities | (284,950) | (217,874) |
| Opening position as at 1 August | (106,991) | (65,224) |
| Charged to staff costs | | |
| Current service cost | (11,018) | (7,502) |
| Past service cost | (210) | - |
| Employer contributions | 7,035 | 5,940 |
| Total service cost | (4,193) | (1,562) |
| Financing | | |
| Interest income on plan assets | 4,315 | 5,550 |
| Interest costs on defined benefit obligation | (6,930) | (7,925) |
| Total net interest | (2,615) | (2,375) |
| Total defined benefit costs recognised | (6,808) | (3,937) |
| Expected closing position | (113,799) | (69,161) |
| Remeasurements | | |
| Changes in demographic assumptions | 3,479 | - |
| Changes in financial assumptions | (58) | (56,938) |
| Other experience | 7,958 | 2,384 |
| Return on assets excluding amounts included in net interest | 14,420 | 16,724 |
| Total remeasurements recognised in Other Comprehensive income | 25,799 | (37,830) |
| Fair value of plan assets | 200,590 | 177,959 |
| Present value of funded liabilities | (288,590) | (284,950) |
| Closing position as at 31 July | (88,000) | (106,991) |

Sensitivity analysis

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

| Change in assumptions at 31 July 2017 | Approximate % increase to employer liability | Approximate monetary amount £'000 |
|--|--|---|
| 0.5% decrease in real discount rate | 11% | 32,846 |
| 0.5% increase in the salary rate increase rate | 2% | 5,993 |
| 0.5% increase in the pension increase rate | 9% | 26,370 |

26. Financial instruments

Bond disclosures

An unsecured fixed rate public bond was issued in July 2012 in the sum of £110 million over a 30-year term with a coupon rate of 5.375%. The £20 million reserve bonds which was held without coupon by the trustee for a five year period to July 2017 has now been withdrawn. There are no capital payments to be made over the term with the bond maturing in 2042.

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

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

Financial instruments – risk management

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

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

Credit risk

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

The group's credit risk arises from bank balances, investments, student debtors and government and commercial organisations as customers. Management of credit risk is a prime objective of Treasury Management Policy. At 31 July 2016, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

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

Liquidity risk

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

Formal cash flow forecasts are developed, monitored and updated to ensure that adequate working capital is available and excess funds are invested to reduce the carrying cost of funds. The group policy to maintain a minimum liquidity of one month expenditure plus 20% reserve and invest excess funds for maturities to maximise investment returns while ensuring there is adequate liquidity to meet our liabilities. At 31 July 2017, 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 104 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, unsecured Eurobonds maturing in June 2042. The retained bonds held by or on behalf of the group were cancelled 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 principle 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 principle amount on 30 June 2042.

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

(a) Its total consolidated income for the Financial Year and

(a) The total cash of the group as at the end of the financial year

For financial year ending on 31 July 2017, the ratio was 2.7% (2015/16 2.9%). 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 bond credit rating in light of the recent downgrade of the UK's government rating from Aa1 negative to Aa2 stable and reduced the rating from Aa2 negative to Aa3 negative outlook. The reason given for the downgrade of the UK's rating to Aa2 was the weakening of the public finances and the likely medium-term economic effect resulting from our departure from the European Union (EU). See Note 20(a) for maturity profile of all borrowings.

Foreign currency risk

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

The group's principal foreign currency exposures generally arise from research-related receipts and payments denominated in euros. There are ring-fenced euro bank accounts, set up especially for research projects funded in euros. All other receipts in foreign currencies are converted into pound sterling unless required for immediate foreign currency payments. Overall foreign currency exposure is immaterial, being insignificant portion of total Income and expenditure. At 31 July 2017, the sterling equivalent of all euro bank balances was £0.3m (2015/16: £0.6m).

Interest rate risk

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

The group's main financing relates to 30 years £90m bonds (31 July 2016 – £110m). At 31 July 2017, 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 reinvestment risk to exploit opportunities where yield can be maximised without compromising capital base of the investment. The group has no outstanding derivative instruments as at 31 July 2017.

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:

| | 2016/17 Carrying value £m | 2016/17 Fair value £m | 2015/16 Carrying value £m | 2015/16 Fair value £m |
|----------------------------------|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| 5.375%, Unsecured Bonds due 2042 | 86.6 | 131.7 | 86.5 | 133.3 |

The bond is listed on the London Stock Exchange, therefore categorised as Level 1 under the requirements of FRS 102 and valued using quoted ask price as at 31 July 2017 in compliance with FRS 102. 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 £15m held within short-term deposits (note 14).

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