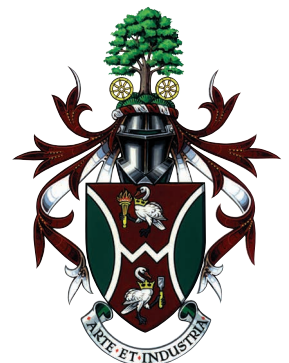
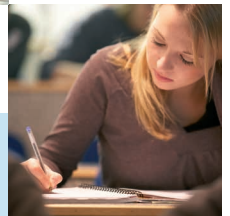


FINANCIAL STATEMENTS
FOR YEAR ENDING
31 JULY 2013



Buckinghamshire New University
Financial Statements for the year ended 31 July 2013

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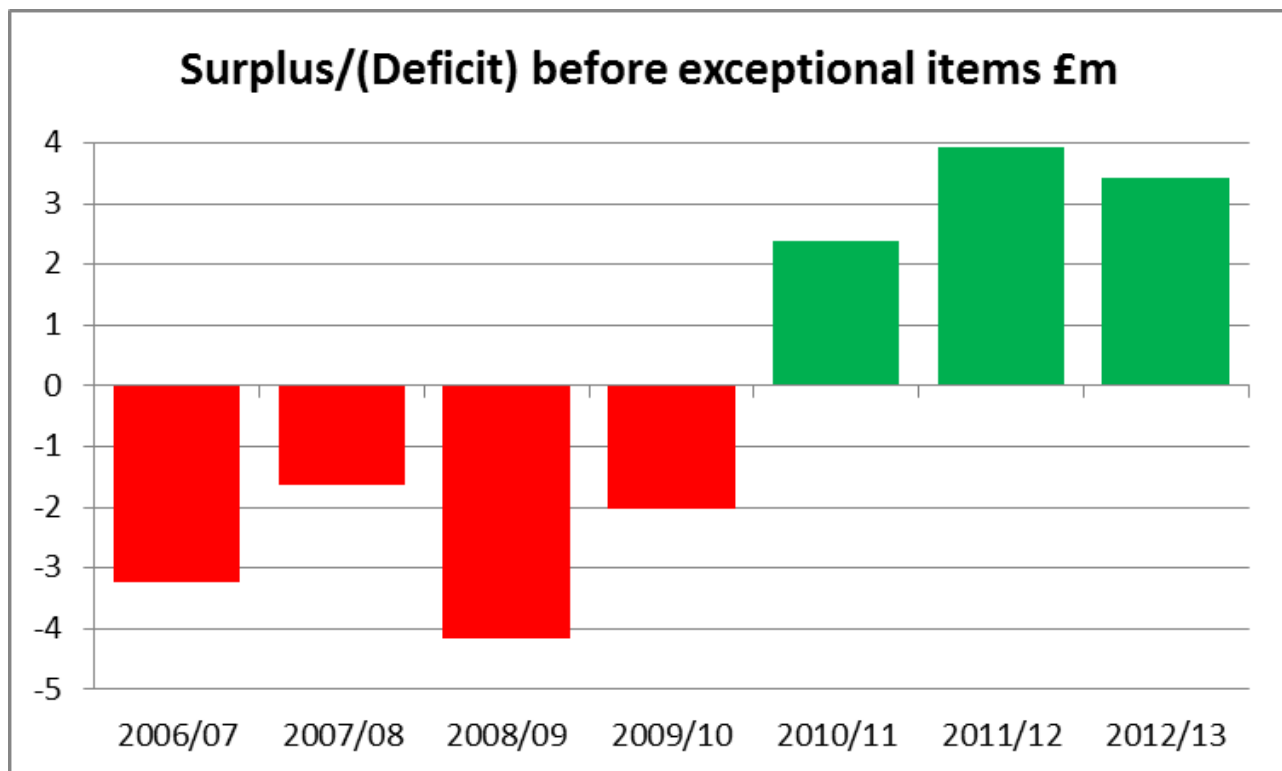
REPORT OF THE COUNCIL

Scope of the Financial Statements

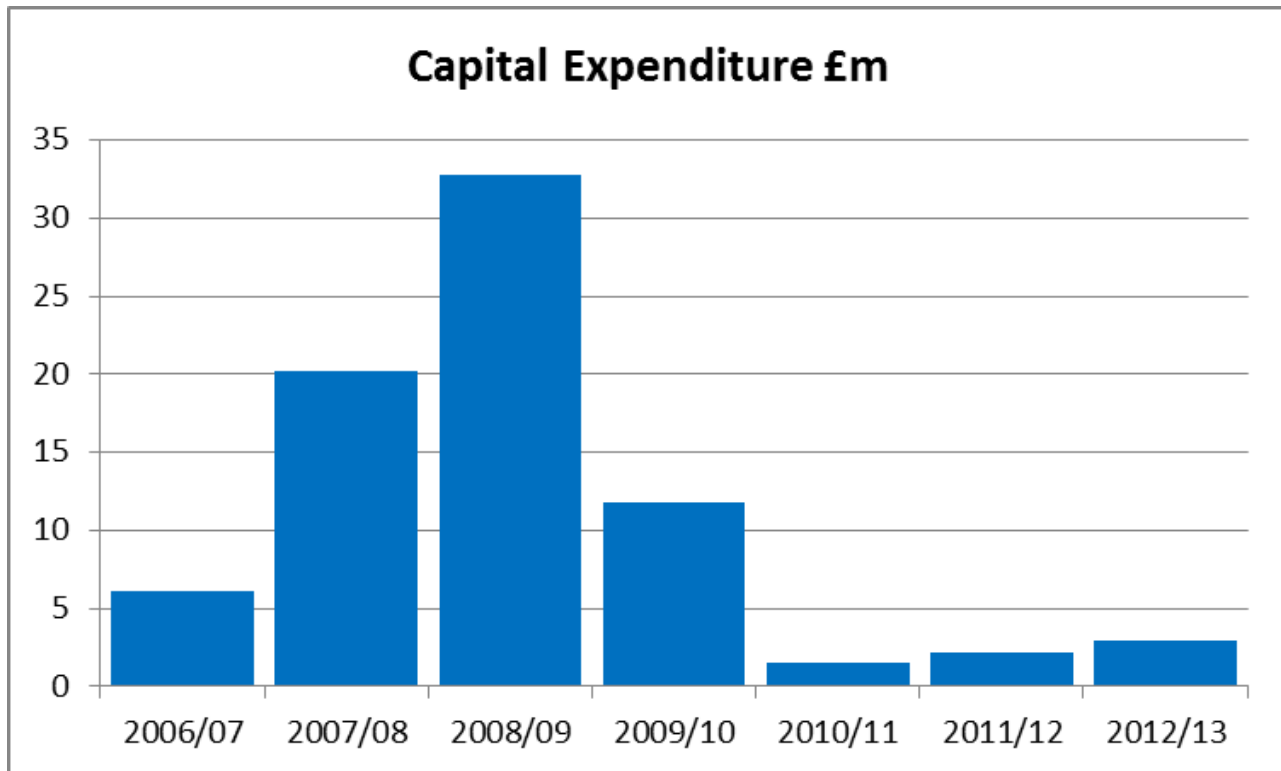
The financial statements presented within this report comprise the consolidated results of the University and its subsidiaries Missenden Abbey Limited, BCUC (Conferences) Limited, BCUC (Services) Limited and Thames Valley Training & Development Limited ('the Group'). The University's subsidiaries undertake activities that are more appropriately channelled through limited companies. The companies covenant taxable profits to the University. The University is a higher education corporation created under the provisions of the Education Reform Act 1988, as amended by the Further and Higher Education Act 1992. The University is an exempt charity subject to regulation by the Higher Education Funding Council for England (HEFCE). Council members, as trustees, have had regard for the Charity Commission's general guidance on public benefit and to its supplementary guidance on advancing education and on fee charging.

Operating and Financial Review

Over recent years the University has taken significant action to invest in and modernise its facilities and ensure that the courses it provides meet the needs of students and employers. At the same time costs have been kept under close control to ensure that the University is well positioned to manage through the uncertainties affecting the sector. Long term financing was put in place to facilitate this phase of substantial investment and cash balances have now been generated to allow management of the current risks and facilitate further investment to develop the University's position. In the coming year it is expected that capital expenditure will increase up to as much as £16m.



REPORT OF THE COUNCIL (continued)

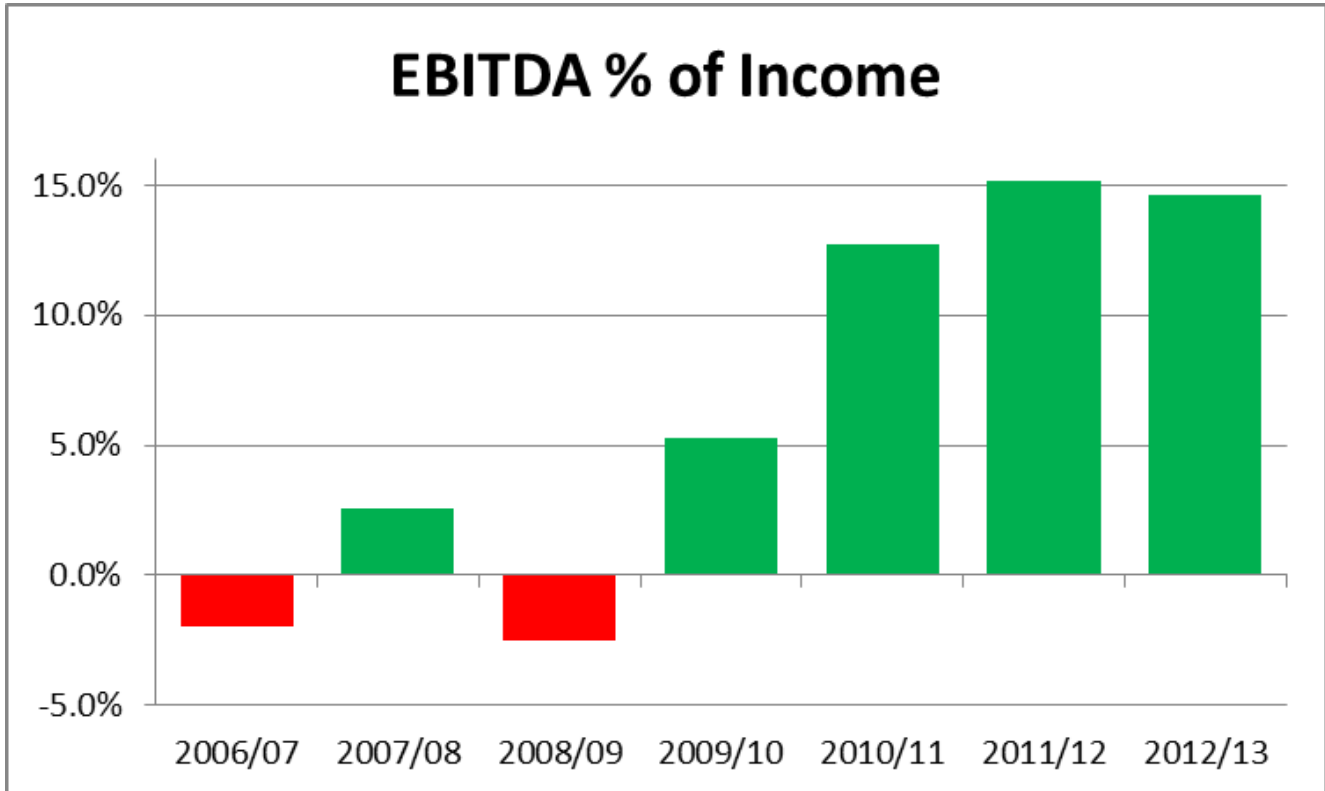


Results for the Year

	2012/13	2011/12
	£'000	£'000
Continuing operations		
Income	61,986	60,733
Employee costs	(29,948)	(28,452)
Other operating expenses	(23,004)	(23,023)
Underlying earnings before interest and depreciation	9,034	9,258
Depreciation	(3,215)	(3,202)
Interest payable on loans/ receivable on deposits	(1,196)	(1,336)
Underlying operating surplus for the year	4,623	4,720
FRS17 pension adjustments	(1,211)	(793)
Reported Historical cost surplus	3,412	3,927

REPORT OF THE COUNCIL (continued)

The Consolidated Income and Expenditure Account is impacted by various factors that can mask underlying operating results and in targeting long term sustainability the University places particular emphasis on earnings before interest, depreciation and other special factors such as the extra pensions costs imposed by accounting standards over and above the employer contributions that are paid. A long term target range of between 10% and 15% of income has been set for EBITDA.



Income excluding interest grew by 2.1% in the year despite a 31.8% fall in grant income. The fall in grant income was due to the implementation of Government policy moving the financing of Higher Education mainly towards tuition fees from grant funding for new entrants from this year onwards. Overall there was a net fall in income of some 2.5% in respect of the income areas impacted by the change. This fall in income was offset by success in growing health authority contract and other income.

Employee costs rose by 5.3% reflecting additional resources required to pursue the income growth opportunities.

Other operating expenses and depreciation charges were held at the level of the previous year. Interest payable fell slightly reflecting debt repayments but interest receivable increased as higher cash levels were held through the year.

The FRS17 adjustments, attributable to the membership by support employees of the local government pension scheme administered by Buckinghamshire County Council, increased materially over the previous year reflecting the substantial increase in deficit which was recorded at the end of the previous year. However, this year there was a significant actuarial gain of £3.9m that is dealt with in the statement of total recognised gains and losses and which also impacts the balance sheet at the year end. The actuarial gain is principally due to actual investment performance being better than expected returns.

REPORT OF THE COUNCIL (continued)

Key Performance Indicators and Targets

A selection of the key individual indicators and outturn against targets are shown below, together with the targets for 2013/14.

	2012/13		2013/14
	Target	Actual	Target
Student Number Control (SNC)	1,647	1,319	>1,458
NHS Contract Income	≥£11.1m	£11.3m	≥£11.1m
EBITDA	≥11.1%	14.6%	≥10.9%
Operating surplus	>3.9%	7.4%	>2.8%
Employee costs/Income	<49%	48.1%	≤50%
Student satisfaction	>79%	78%	≥82%
Student retention	≥91%	91%	≥90%

The University fell short of recruiting to its student number control limit in 2012/13 reflecting the fact that demand for higher education places has reduced across the sector. The University recruited an additional 115 students not subject to the control as a consequence of qualifications equivalent to A levels graded AAB+. The total recruitment of 1,434 students to courses covered by the control compares with 1,772 students the previous year, a fall of 19%. However the bulk of the fall reflects franchise partner colleges choosing to recruit directly to allocations of student numbers given by HEFCE, when this effect is discounted the fall is 15% reflecting the pattern across the sector. The target for 2013/14 is lower than for 2012/13 reflecting the control being reduced to reflect students with the equivalent to A levels graded ABB also being outside the control together with the introduction of a tolerance band. It is anticipated that the target will be met this year.

The underlying EBITDA and operating surplus targets were substantially exceeded by the University. The principal driver for this was that the student recruitment was materially better than had been feared when the budgets and targets were set.

The National Student Survey showed that overall satisfaction among our final year undergraduate students improved by 3 percentage points. This fell short of our target improvement and overall satisfaction is well below the levels that we wish to deliver and we place great emphasis upon delivering a good student experience. We are therefore targeting a material improvement in the coming year and a member of the senior management team is personally driving improvements in performance in this area.

The key balance that the Council seeks to strike for long term sustainability is to ensure that underlying EBITDA is maintained in the target range to yield resource for reinvestment at the same time as ensuring that our course provision and facilities remain attractive, relevant and valuable to students.

The year 2012/13 marks a significant shift in the balance of the University's finances from being a public body mainly relying upon funds granted by Government to a position where now and going forward most of its income is directly attributable to students and other sources.

REPORT OF THE COUNCIL (continued)

Risk Management

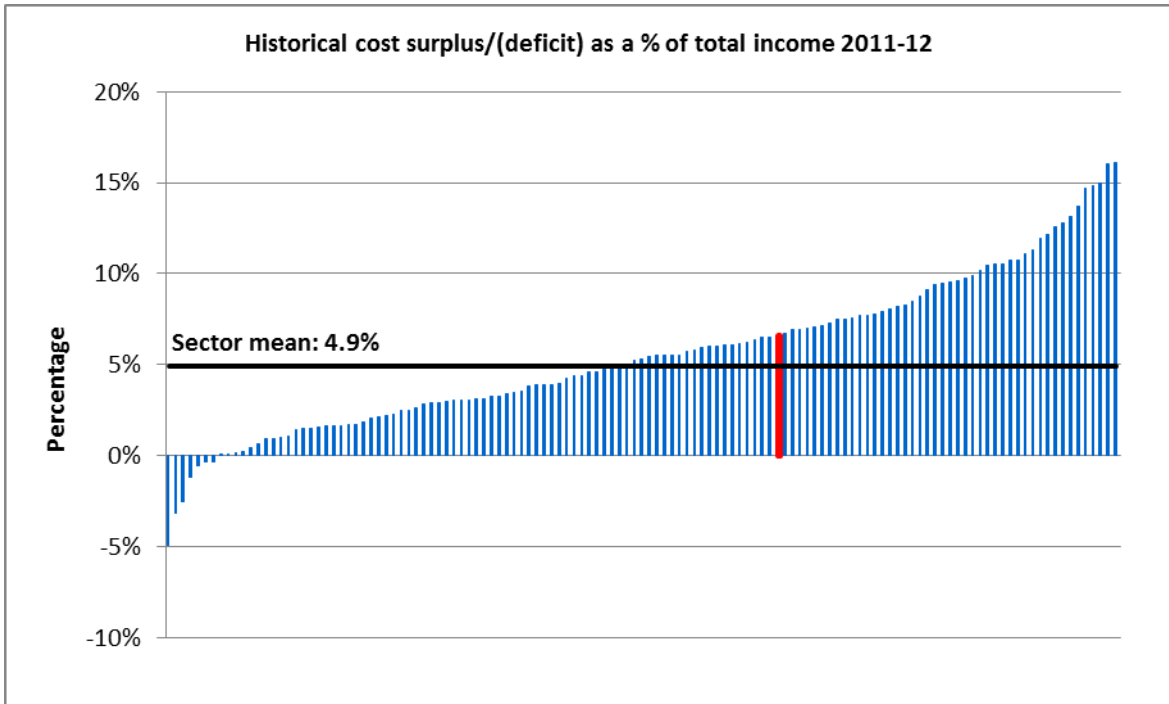
The Council has been receiving regular performance indicator reports which include strategic targets. Assessments are made of the overall performance against plans in the key areas of student experience, people, environment and finance to ensure the sustainability and liquidity of the University for the foreseeable future in the light of a range of scenarios. The principal risks faced by the University relate to its ability to continue to recruit students to its full time undergraduate courses including its contracts with the NHS. These risks are actively managed and there are a number of positive leading indicators that underpin the University's confidence in its future. Accordingly the accounts have been prepared on a going concern basis.

The majority of the University's full-time undergraduate courses outside the NHS contracts attract tuition fees of £7,500 per year, a figure which reflects the University's desire to offer good value for money, whilst being realistic about the costs of delivering its courses. Art, design and production-based courses which involve workshop or studio facilities attract a fee of £8,000. Whilst there was been a clear decline in demand for higher education places in England associated with the introduction of the new fee regime in September 2012 there is little evidence that students have made choices driven by price and there has been some recovery in demand for entry in September 2013. It is anticipated that, whilst we may fall short of the maximum allowed under the student number control arrangements we do expect to achieve a position within the tolerance band that avoids the potential risk that our future controlled limit for full time undergraduate students will be reduced in future years as a consequence of low recruitment.

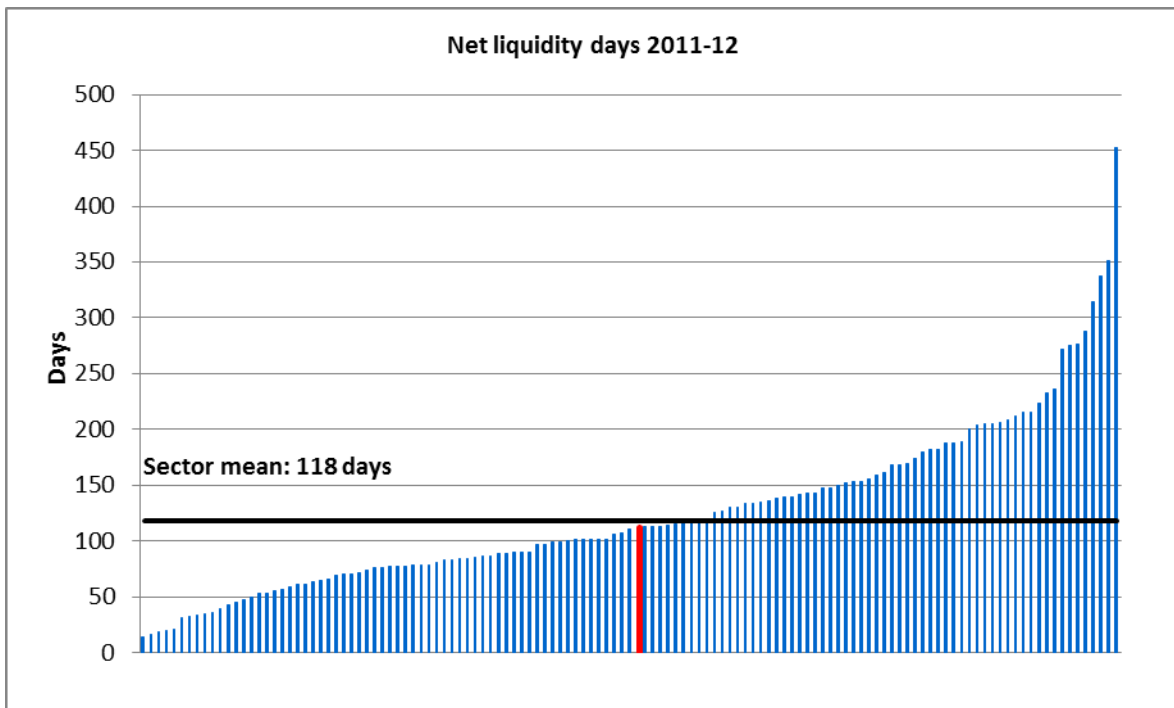
By contrast, fulfilment of the NHS contracts has been achieved with demand for places far exceeding those available. The risks associated with the NHS contracts are therefore much more about whether we continue to be commissioned by the NHS to deliver provision rather than our ability to fulfil the contracts once awarded. There is every indication that our position in this respect is secure following the expansion both in size and number of our contracts after successful tendering exercises in 2011/12 with both NHS London and NHS South of England. We are actively managing the relationship with the NHS to position the University well with our NHS partners following the recent change to the NHS commissioning arrangements with the new Local Education and Training Boards (LETBs) being established from April 2013.

HEFCE cites a number of comparative indicators that are taken into account when it reaches the judgement that the University (in common with most of the sector) is not at higher risk. The benchmark indicators for 2011/12 included the following with the position of Buckinghamshire New University highlighted in red.

REPORT OF THE COUNCIL (continued)

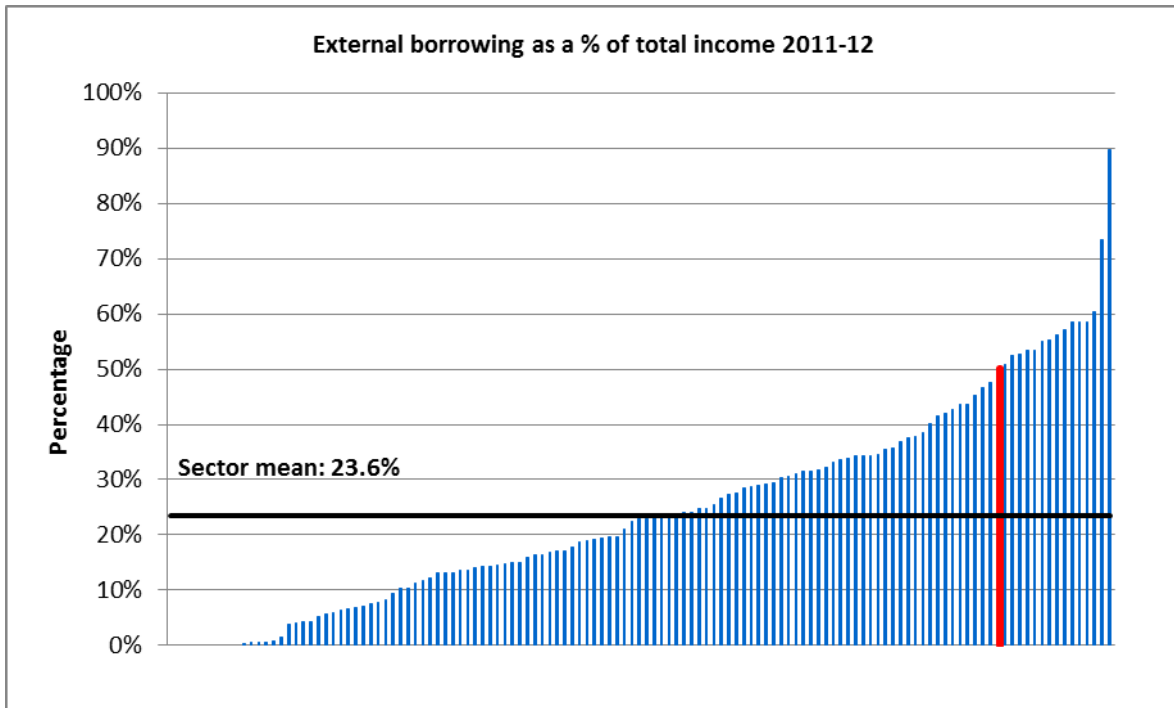


The result in 2012/13 of 5.5% is below last year's 6.5% but above last year's sector mean.

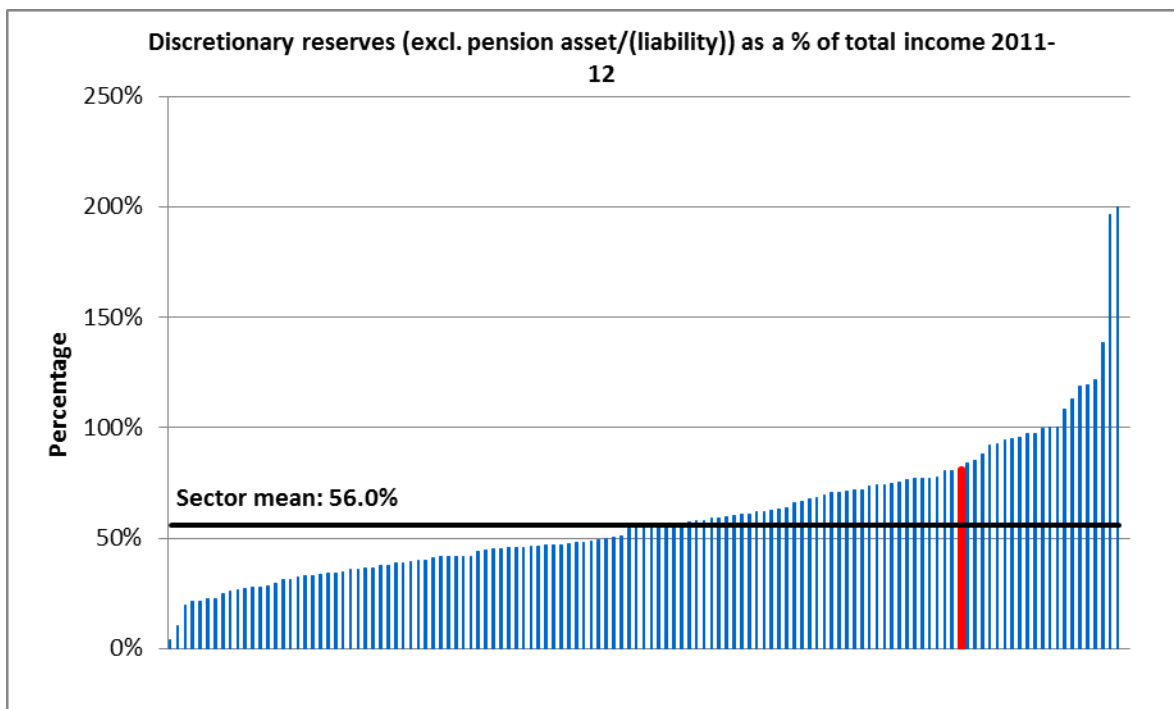


Liquidity has improved further to 125 days, above last year's sector mean.

REPORT OF THE COUNCIL (continued)

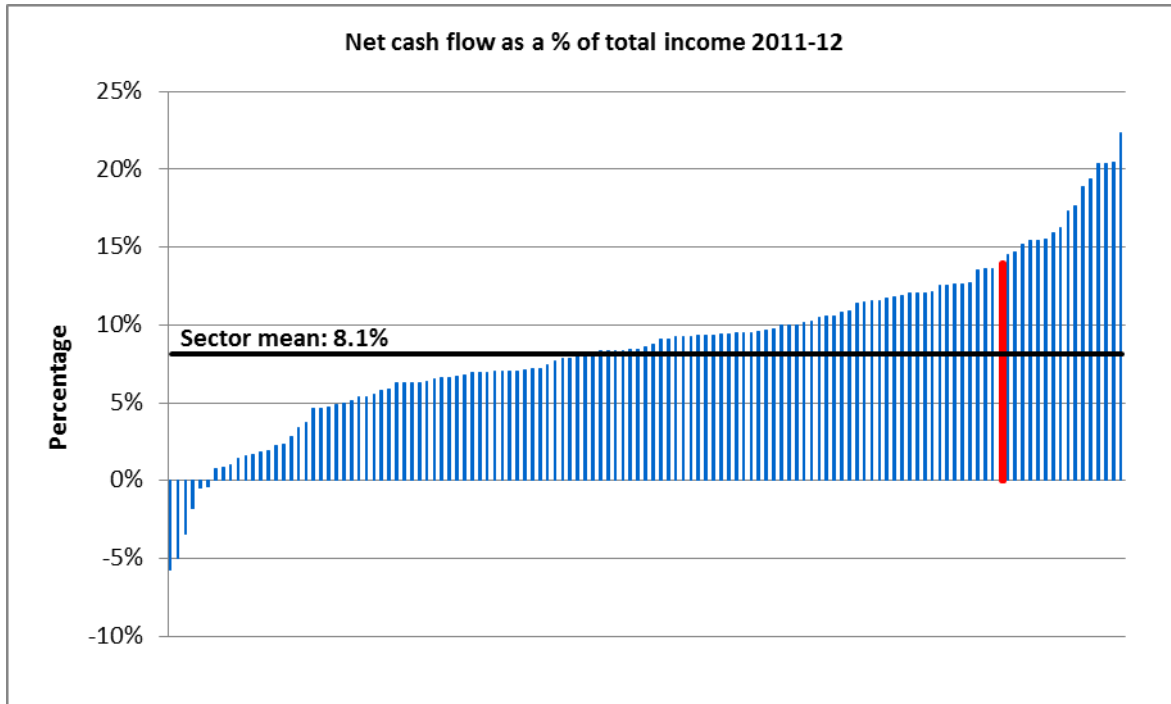


External borrowing was higher than the sector mean reflecting the substantial investment programme pursued in recent years though it is now reducing and was down to 48.1% this year.

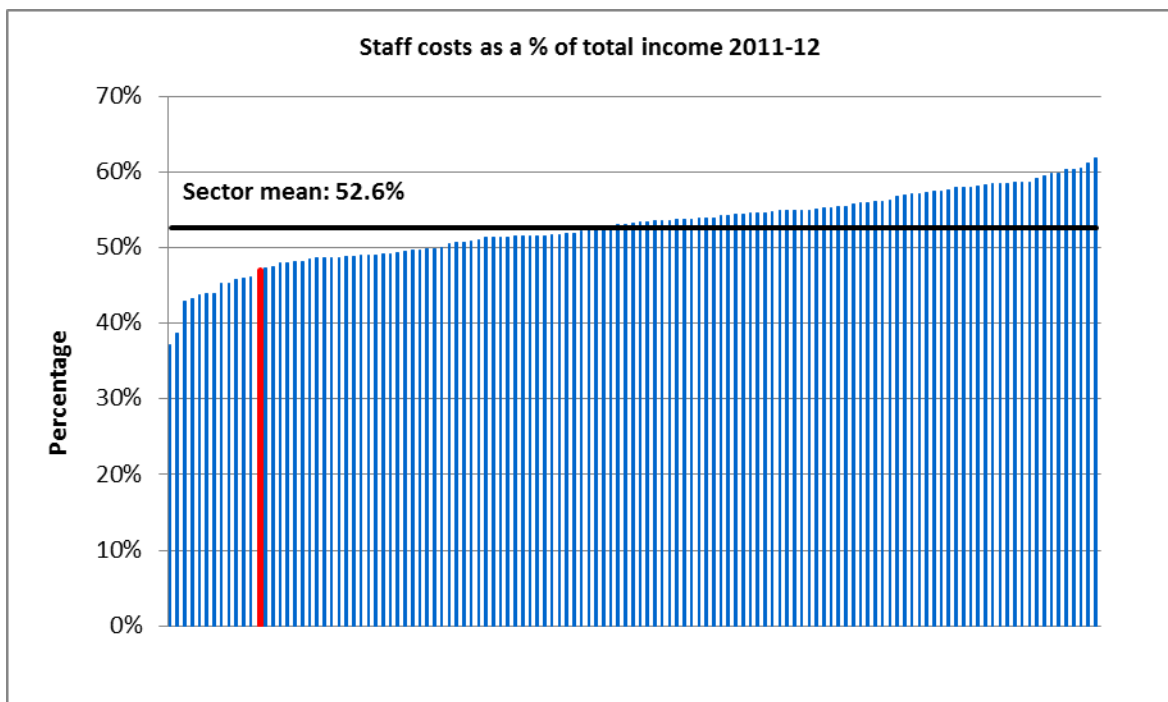


Discretionary reserves at 81.4% of Income in 2011-12 were substantially above the sector mean of 56.0% and have increased further in 2012-13 to 86.1% of Income.

REPORT OF THE COUNCIL (continued)



Net cash flow was 13.9% of Income in 2011-12, well above the sector mean and has improved further in 2012-13 to 16.2%.



Staff costs were 47.0% of Income in 2011-12, well below the sector mean, and were contained to 49.0% of Income in 2012-13.

REPORT OF THE COUNCIL (continued)

Cash Flow and Borrowing Facilities

Net debt decreased during the year from £14.0m to £10.9m. The University has a long term loan of £29.9m and cash balances of £19.0m. The majority of the long term loan is fixed at an interest rate of 5.32%. The University operates a formal treasury management policy that outlines the financing strategy and the investments it considers appropriate to minimise exposure to financial risk. It has in place adequate short term borrowing facilities to ensure liquidity.

It is the University's policy to obtain the best value for money for its purchases and the best terms for all business. It is unusual for any approved payment not to be made within 30 days of the invoice, and the vast majority of suppliers are paid monthly by BACS. Where agreements have been negotiated with suppliers, the University endeavours to abide by the specific payment terms.

Primary Charitable Objectives

The charitable objects of the University are the advancement of education, learning and research for the public benefit. The University has a vision to be a leading professional and creative influence, shaping higher education for the benefit of people and employers. The University's mission, our primary purpose, is putting our students first and working responsively with the very best partners to influence, inspire and nurture talent for professional and creative careers.

The University's educational character, set by the Council, is:

- We are a leading modern university, driving professional and creative excellence characterised by a commitment to delivering outstanding student experience.
- Our priorities are driven by the learning experience of the participants in our activities. We are outward-facing with a credible and vibrant portfolio which is underpinned by scholarship and applied research, and a contemporary professional and practice-based focus.
- The courses we offer are intended to prepare our graduates for employment, as well as enhancing professional competence and career opportunities for those already in employment, recognising that the pattern of employment is no longer a 'job for life'.
- This means that we provide courses that are designed to meet the changing needs of employers as well as the changing nature of related employment markets.
- Our aim is to select as participants those who will benefit the most from working with us. These will include those from under-represented groups, those looking for second opportunities, those already in work, and those looking to develop themselves later in life. We also open up new work-based sectors to provide those in them with the opportunity for higher skills development that a university such as ours can offer.
- We award a progressive range of diplomas, foundation degrees, undergraduate degrees and postgraduate taught and research degrees. Our short courses and bespoke courses also play a prominent role in our portfolio providing for a wide and diverse range of potential participants and giving employers choice and flexibility.

REPORT OF THE COUNCIL (continued)

- Given the employment focus of our courses, our programmes are developed with direct engagement with employers and accredited bodies. Our foundation degrees are developed in conjunction with the relevant Sector Skills Councils; they are strongly work-based and directed towards those already in employment and wishing to develop their professional skills.
- We continue to retain elements of further education where it is directly supportive of our strategy, for example, courses such as foundation art designed to prepare students for entering the higher education sector.
- We continue to build upon a solid base of successful and long-lasting subject areas. However, using this as a foundation, we develop provision in innovative and niche areas of strength, working across traditional subject boundaries to develop interdisciplinary provision, for example exploiting synergies between creative and technological expertise and, where possible, also incorporating a perspective on management, leadership and entrepreneurship.
- It is the innovative and creative mix across our spectrum of expertise to create unique provision which is our hallmark.
- Our ability to sustain this position depends on our contribution to the development of our areas of expertise through scholarship and research. Our research is in focused areas of strength, and will be applied. In the majority of cases it is about knowledge exchange and the development of evidence-based professional practice or through the creation of entrepreneurship in the business sector. Our applied research and knowledge transfer activities will inform our curriculum, enable notable outputs and develop the opportunity for employer engagement. Our research degree programmes are expanding, often in partnership with employers and with other research institutions.
- Our organisational structure mirrors the external markets which we face and facilitates opportunities to work across internal organisational boundaries. We are developing an institutional culture that enables these boundaries to be treated as permeable for the purposes of course development, knowledge transfer, practice development, and curriculum enhancement.
- Externally, partnerships with employers, public sector commissioners and other educational providers, notably our strategic partner further education colleges, are fundamental to the delivery of our strategy.
- Our developing international ambitions as a new university will provide international students with focused professional and creative higher education as well as broadening the horizons of our UK students.
- The heart of the educational character of the University is our close working with industry, public services and recognized accredited bodies to give students actual working experience linked to academic study. This partnership approach keeps us relevant and up-to-date and ensures our students are prepared for the real-life challenges of the 21st century workplace.

The public benefit arising from the University's work can be seen in the advancement of learning and knowledge in both teaching and research. Students are helped to reach their full potential to the benefit of society as a whole as well as themselves as direct beneficiaries.

REPORT OF THE COUNCIL (continued)

Our commitment to widening participation and raising the aspirations of non-traditional students has been at the core of the University's mission. We have continued our work to encourage and support students including offering a range of bursaries and hardship funds to help students in financial difficulty. The University is proud of its core commitment to vocational subjects which benefits directly the wider community as well as students. The research and enterprise agenda of the University also reflects this emphasis on applied work that is relevant to the needs of commerce and industry.

The University has, together with Aylesbury College, recently established a linked charity regulated by HEFCE. Buckinghamshire Education Skills and Training Limited ("BEST") has the charitable objects to advance the education of the public by providing higher and further education, and by carrying out ancillary activities. It has been established to deliver a wide range of linked educational opportunities especially for students and employees in Buckinghamshire and surrounding areas. We visualise our partnership as offering a 'climbing frame' of educational opportunities from entry level to PhD with learners/students and employers able to access affordable education and training, and to start and finish at levels convenient and appropriate to their circumstances and needs.

Employee and Student Involvement

The University encourages the involvement of all employees and students and seeks to foster good communication with them. Employees and students are encouraged to participate in formal and informal consultation at various levels and they are represented on the University Council and on internal committees. The University provides technical and general training to all levels of employees. The University is committed to a set of Equality and Diversity policies and schemes.

Employees and students are represented on the University Council and on internal committees. Members of senior management meet regularly with representatives of the Employee Council, a consultative forum for employees as a whole, and with representatives of the recognised trade unions who represent the interests of academics, research and support employees through consultative committees. When matters affect their employment directly, employees are advised in accordance with the University's agreed employment policies.

Employee engagement is a high priority for the senior management and explicitly appears as objectives in the annual operating plan for the University. This is in recognition of the changed expectations that higher education institutions have of staff, particularly academic staff, across the higher education sector as a whole as well as at the University in particular.

Students are encouraged to see themselves as partners in the learning community of the University and the senior management is committed to fostering this partnership, building on the excellent working relationship that has been established with the Students' Union.

REPORT OF THE COUNCIL (continued)

Council

The Council approves the Statement of Corporate Governance & Internal Control on pages 13 and 14 and the Statement of the Council's Responsibilities on pages 15 and 16. The members of Council, Senior Management Team and key advisers are shown on page 44.

Dame Christine Beasley

Professor Ruth Farwell

Chair
Buckinghamshire New University
Queen Alexandra Road
High Wycombe
Buckinghamshire
HP11 2JZ

Vice Chancellor

25th November 2013

STATEMENT OF CORPORATE GOVERNANCE & INTERNAL CONTROL

The University is committed to exhibiting best practice in all aspects of corporate governance and full compliance with the provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998, insofar as they relate to universities. The University also complies with the Guide for Members of Governing Bodies of Universities and University Colleges in England and Wales issued by the Committee of University Chairs.

The University's Council comprises independent and University members appointed under the Instrument and Articles of Government of the University, the majority of whom are non-executive. The roles of Chair and Deputy Chair of the Council are separated from the role of the University's Vice Chancellor. The matters specially reserved to the Council for decision are set out in the Articles of the University, by custom and under the Financial Memorandum with the Higher Education Funding Council for England.

The Council identifies that it has primary responsibilities that it reserves to itself for the ongoing strategic direction of the University, the determination of the educational character and mission of the University, the approval of the annual estimates of income and expenditure, the approval of major developments and the receipt of regular reports from Executive Officers on the day to day operations of its business and its subsidiary companies.

The Council met six times during the year and had several Committees reporting to it, including a Resources Committee, an Honorary Awards Committee, a Remuneration Committee, a Governance Committee and an Audit Committee. All of these Committees are formally constituted with terms of reference and predominantly comprise of lay members of Council, one of whom is the Chair.

The Resources Committee recommends to Council the University's annual revenue and capital budgets, and monitors performance in relation to the approved budgets and key performance indicators.

The Governance Committee considers nominations for vacancies in the Council membership under the relevant Statute and oversees the induction, training and information needs of members of Council.

The Remuneration Committee determines the remuneration of the most senior employees, including the Vice Chancellor.

The Audit Committee met four times during the year, with either the University's external or internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect the University's business and monitors adherence to the regulatory requirements.

Whilst senior Executive Officers attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee meet the external and internal auditors on their own for independent discussions.

STATEMENT OF CORPORATE GOVERNANCE & INTERNAL CONTROL (continued)

The University's Council is responsible for the system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the University's significant risks. This process is regularly reviewed by the Council and accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education. The Audit Committee received three reports during the year on risk assessment and management actions taken to mitigate the impact of the risks.

The Council receives periodic reports from the Chair of the Audit Committee concerning internal control, and receives regular reports from Executive Officers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.

The University has an internal audit service, which operates to standards defined in the HEFCE Audit Code of Practice. The internal auditors submit regular reports which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The Council's review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the University who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The Council formally reviews its own effectiveness every five years, and last year considered members' views of Council's effectiveness and the effectiveness of Council Committees.

STATEMENT OF THE COUNCIL'S RESPONSIBILITIES

In accordance with the Education Reform Act, the Council is responsible for the administration and management of the Group's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, the Council, through its Vice Chancellor, is required to prepare financial statements for each financial year and must not approve them unless they are satisfied that they give a true and fair view of the Group's state of affairs and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:

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

STATEMENT OF THE COUNCIL'S RESPONSIBILITIES (continued)

The key elements of the Group's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, University officers and heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and termly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Council; and
- a professional internal audit service whose annual programme is approved by the Audit Committee and endorsed by the Council and whose head provides the Council with a report on internal audit activity within the Group and an opinion on the adequacy and effectiveness of the Group's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

The members of the Council who held office at the date of approval of the financial statements confirm that, so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware, and each member has taken all of the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The Council are responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the governing body of Buckinghamshire New University ('the University')

We have audited the group and university financial statements of Buckinghamshire New University ('the University') for the year ended 31 July 2013 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the statement of the consolidated total recognised gains and losses, the note of consolidated historical cost surpluses and deficits, the consolidated and university balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the University's Council, in accordance with paragraph 13(2) of the University's articles of government, section 124B (4) of the Education and Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992. Our audit work has been undertaken so that we might state to the University's members and trustees 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 its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of the Council's Responsibilities set out on pages 15-16, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2013 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

Independent auditor's report to the governing body of Buckinghamshire New University (continued)

Opinion on other matters

In accordance with HEFCE's Financial Memorandum dated July 2010, we are required to report to you whether, in our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion, the Statement of Internal Control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
November 2013

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the University's financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the statement of recommended practice 'SORP: *Accounting for Further and Higher Education Institutions 2007*' and in accordance with applicable Accounting Standards. They conform to guidance published by the funding council.

Basis of accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertakings, Missenden Abbey Limited, BCUC (Conferences) Limited, BCUC (Services) Limited and Thames Valley Training & Development Limited. Intra-group sales and profits are eliminated fully on consolidation. As all subsidiary undertakings are wholly owned, the University has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. In accordance with Financial Reporting Standard 2 (FRS), the activities of the student union have not been consolidated because the University does not control those activities.

Recognition of income

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are treated as expenditure and not deducted from income.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable. Any payments received in advance are recognised in the balance sheet as a liability.

Non-recurrent grants from Funding Councils or other bodies receivable in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Research and Development expenditure

Expenditure on Research and Development is written off to the income and expenditure account in the year in which it is incurred.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Maintenance of premises

The University has a five-year rolling long-term maintenance plan, which forms the basis of the ongoing maintenance of the estate. The cost of long term and routine corrective maintenance is charged to the income and expenditure account as incurred as work is not capital in nature.

Foreign currency translation

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

Pension schemes

Retirement benefits for most employees of the University are provided by the Teachers Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are contracted out of the State Earnings Related Pension Scheme. The University has fully adopted accounting standard FRS17 'Retirement Benefits'.

The difference between the fair value of the University's share of the assets held in the LGPS and its share of the liabilities, together with the liabilities associated with unfunded pensions, measured on an actuarial basis using the projected unit method are recognised in the University's balance sheet as a pension scheme liability.

Current and past service costs, together with interest on scheme liabilities and the expected return on scheme assets, are charged against operating surplus. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

Tangible fixed assets

Depreciation is provided to write off the cost or valuation less the estimated residual value of the tangible fixed assets by equal instalments over their useful economic life as follows:

Buildings:

Core - 50 to 80 years;

Roofs – 40 years;

Finishes – 30 years;

Fixtures and fittings – 20 years;

Mechanical and electrical – 30 years;

Refurbishments of freehold buildings – 30 years;

Refurbishments of leasehold buildings – over the remaining period of the lease;

Minor capital works – 5 years

Equipment - 5 to 15 years

Operating lease buyouts – over the remaining useful life of the underlying assets

No depreciation is provided on freehold land.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Tangible fixed assets (continued)

a. *Land and buildings* - The University's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost. Other land and buildings are included in the balance sheet at cost. Freehold land is not depreciated.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

b. *Buildings* - Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, including associated finance costs, incurred to 31st July. They are not depreciated until they are brought into use.

c. *Equipment* - Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life (normally 5 years).

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure account over the expected useful economic life of the related equipment.

Investments

Investments in subsidiary undertakings are recognised at cost less provision for impairment losses.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks. Educational stocks are not material in relation to the University finances and are therefore charged to the income and expenditure account when purchased.

Taxation

The University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such within the meaning of paragraph 1 of schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478 to 488 of the Corporation Taxes Act 2010 (formerly enacted in section 505 of the Income and Corporation Taxes Act 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. The University receives no similar exemption in respect of Value Added Tax. The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

Provisions

Provisions are recognised when the University has a present 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.

Leases

Costs under operating leases are charged to the income and expenditure account over the term of the lease.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31st July 2013

		2012/13	2011/12
	Note	£'000	£'000
INCOME			
Funding council grants	1	14,904	21,848
Tuition fees and education contracts	2	35,911	28,338
Research grants and contracts	3	1,001	858
Other operating income	4	10,170	9,689
Endowment and investment income	5	225	132
Total income		<u>62,211</u>	<u>60,865</u>
EXPENDITURE			
Employee costs	6	30,492	28,600
Depreciation	9	3,215	3,202
Other operating expenses	8	23,004	23,023
Other finance costs	10	2,088	2,113
Total expenditure	9	<u>58,799</u>	<u>56,938</u>
Surplus for the year after depreciation of assets at valuation, before and after tax		<u>3,412</u>	<u>3,927</u>

The consolidated income and expenditure of the University and its subsidiaries in 2012/13 related wholly to continuing operations.

**NOTE OF CONSOLIDATED HISTORICAL COST SURPLUSES
AND DEFICITS FOR THE YEAR ENDED 31ST JULY 2013**

	Note	2012/13 £'000	2011/12 £'000
Surplus after depreciation of assets at valuation, before and after tax		3,412	3,927
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	19	72	72
Historical cost surplus after tax		<u>3,484</u>	<u>3,999</u>

**STATEMENT OF THE CONSOLIDATED TOTAL RECOGNISED
GAINS AND LOSSES FOR THE YEAR ENDED 31ST JULY 2013**

	Note	2012/13 £'000	2011/12 £'000
Surplus for the year after depreciation of assets at valuation, and disposal of assets and tax		3,412	3,927
Actuarial gains/(losses) in respect of pension scheme	32	3,941	(7,705)
Total recognised gains/(losses) relating to the period		<u>7,353</u>	<u>(3,778)</u>
Reconciliation			
Opening reserves		26,348	30,126
Total recognised gains/(losses) for the year		7,353	(3,778)
Closing reserves		<u>33,701</u>	<u>26,348</u>

BALANCE SHEET as at 31st July 2013

	Note	Consolidated		University	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
FIXED ASSETS					
Tangible Assets	12	79,948	79,803	78,747	78,634
Investments	13	0	0	1,036	1,036
		<u>79,948</u>	<u>79,803</u>	<u>79,783</u>	<u>79,670</u>
CURRENT ASSETS					
Stocks	14	19	18	0	0
Debtors and prepayments	15	6,213	4,301	6,256	4,272
Cash at bank and in hand		19,021	16,499	18,767	16,322
		<u>25,253</u>	<u>20,818</u>	<u>25,023</u>	<u>20,594</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(10,148)	(8,843)	(10,341)	(9,092)
NET CURRENT ASSETS		<u>15,105</u>	<u>11,975</u>	<u>14,682</u>	<u>11,502</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>95,053</u>	<u>91,778</u>	<u>94,465</u>	<u>91,172</u>
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	17	(29,334)	(29,953)	(29,334)	(29,953)
NET ASSETS EXCLUDING PENSION LIABILITY		<u>65,719</u>	<u>61,825</u>	<u>65,131</u>	<u>61,219</u>
PENSION LIABILITY	32	(24,608)	(28,043)	(24,608)	(28,043)
NET ASSETS INCLUDING PENSION LIABILITY		<u>41,111</u>	<u>33,782</u>	<u>40,523</u>	<u>33,176</u>
Represented by:					
DEFERRED CAPITAL GRANTS	18	7,410	7,434	7,410	7,434
RESERVES					
Income and expenditure account excluding pension reserve	19	53,540	49,550	52,952	48,944
Pension scheme reserve	19	(24,608)	(28,043)	(24,608)	(28,043)
Income and expenditure account		28,932	21,507	28,344	20,901
Revaluation reserve	19	4,769	4,841	4,769	4,841
		<u>33,701</u>	<u>26,348</u>	<u>33,113</u>	<u>25,742</u>
TOTAL FUNDS		<u>41,111</u>	<u>33,782</u>	<u>40,523</u>	<u>33,176</u>

The financial statements were approved by the Council on 25th November 2013, and signed on its behalf by:

Dame Christine Beasley
Chair of Council

Professor Ruth Farwell
Vice Chancellor

CONSOLIDATED CASHFLOW STATEMENT

For the Year Ended 31st July 2013

	Note	2012/13 £'000	2011/12 £'000
Net cash inflow from operating activities	26	10,086	8,488
Returns on investments and servicing of finance	27	(1,099)	519
Capital expenditure and financial investment	28	(5,871)	(2,349)
Financing	29	(594)	(566)
Increase in cash in the year		<u>2,522</u>	<u>6,092</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Note	2012/13 £'000	2011/12 £'000
Increase in cash in the year		2,522	6,092
Changes in debt	29	594	566
Change in net funds		<u>3,116</u>	<u>6,658</u>
Net debt at 1st August		(14,039)	(20,697)
Net debt at 31st July	30	<u>(10,923)</u>	<u>(14,039)</u>

NOTES TO THE FINANCIAL STATEMENTS

1 FUNDING COUNCIL GRANTS

	2012/13	2011/12
	£'000	£'000
Recurrent Grants		
HEFCE	13,096	20,168
YPLA/SFA	558	736
Specific Grants		
Higher Education Innovation Fund	757	757
National Scholarship Programme	306	0
Deferred Capital Grants Released in Year (see note 18)		
Buildings	171	171
Equipment	16	16
	<u>14,904</u>	<u>21,848</u>

2 ACADEMIC FEES AND SUPPORT GRANTS

Full-time students	19,888	14,220
Full-time students charged overseas fees	1,450	1,193
Part-time students	2,737	2,313
Health Authority contracts	11,300	10,062
Short course fees	536	550
	<u>35,911</u>	<u>28,338</u>

3 RESEARCH CONTRACTS

European Commission	230	275
Other research grants and contracts	771	583
	<u>1,001</u>	<u>858</u>

4 OTHER OPERATING INCOME

	2012/13	2011/12
	£'000	£'000
Residences and catering	4,115	3,388
Health Authorities	291	272
Missenden Abbey conference centre	1,754	1,737
Education contracts	360	391
Rents	1,253	1,631
Reimbursements	351	378
Other income	2,046	1,892
	<u>10,170</u>	<u>9,689</u>

5 INTEREST RECEIVABLE

Income from short term investment	<u>225</u>	<u>132</u>
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6 EMPLOYEES

Salaries and wages	24,705	23,440
Employers national insurance	2,083	1,965
Employers pension costs (see note 32)	3,704	3,195
	<u>30,492</u>	<u>28,600</u>

In addition to the amounts shown above, severance payments of £350,000 (2012: £122,000) are included in other operating expenses in respect of employees leaving under a reorganisation programme.

Average FTE Employee Numbers and costs by Major Category:	2012/13		2011/12	
	Number	£'000	Number	£'000
Academic	314	17,261	300	16,483
Other	362	13,231	360	12,117
	<u>676</u>	<u>30,492</u>	<u>660</u>	<u>28,600</u>

Costs for other employees include FRS17 adjustments of £544,000 (2012: £148,000).

7 EMOLUMENTS OF SENIOR POST HOLDERS AND MEMBERS

	2012/13	2011/12
	£'000	£'000
Emoluments of the Vice Chancellor	179	168
Employers pension contribution for the Vice Chancellor	24	22
	<u>203</u>	<u>190</u>

The employer's pension contribution is paid at the same rate as for other academic employees.

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

£100,000 - £109,999	3	2
£110,000 - £119,999	<u>2</u>	<u>2</u>

Compensation for loss of office to higher paid employees during the year was £91,000 (2012: £nil). No payments were made to or on behalf of Council members during the year (2012: £nil).

8 OTHER OPERATING EXPENSES

	2012/13	2011/12
	£'000	£'000
Residences and catering operating expenses	2,957	2,796
Repairs and general maintenance	440	610
Heat, light, water and power	821	890
Rents & rates	3,634	2,802
Travel expenses	664	632
Equipment purchase & maintenance	2,352	4,481
Communications, advertising and printing	1,921	2,067
Examination fees	204	212
Student expenses	2,667	3,358
Student Union grant	423	415
Other contracted services	2,700	1,864
Payments to F.E. Colleges	240	911
External auditor's remuneration - audit services	51	47
Restructuring costs	618	121
Other expenses	<u>3,312</u>	<u>1,817</u>
	<u>23,004</u>	<u>23,023</u>

Auditor's remuneration for audit services comprises £35,000 excluding VAT (2012: £33,000) for the University and £6,000 excluding VAT (2012: £4,000) in respect of subsidiaries.

Included in the above are operating lease rentals of £4,736,000 (2012: £3,717,000) in respect of land and buildings.

8 OTHER OPERATING EXPENSES (CONTINUED)

Equipment purchase and maintenance includes a credit for operating lease rentals of £17,000 (2012: £1,978,000 cost) in respect of computer equipment.

9 ANALYSIS OF 2012/13 EXPENDITURE BY ACTIVITY

	Employee Costs £'000	Operating Expenses £'000	2012/13 Total £'000	2011/12 Total £'000
Academic departments	17,737	4,655	22,392	23,107
Academic services	6,501	7,776	14,277	15,102
Research contracts	452	548	1,000	857
Residencies, catering and conferences	1,272	4,318	5,590	4,967
Premises	560	2,606	3,166	3,242
Administration	3,970	3,101	7,071	4,347
Other trading activities	0	0	0	1
	<u>30,492</u>	<u>23,004</u>	<u>53,496</u>	<u>51,623</u>
Depreciation			3,215	3,202
Interest payable (see note 10)			2,088	2,113
Total per income and expenditure account			<u>58,799</u>	<u>56,938</u>

10 FINANCING COSTS

	2012/13 £'000	2011/12 £'000
Interest on term loans	1,409	1,456
Other financing costs	12	12
	<u>1,421</u>	<u>1,468</u>
Net expected return on pension scheme assets less liabilities	667	645
	<u>2,088</u>	<u>2,113</u>

11 SURPLUS ON CONTINUING OPERATIONS

	2012/13 £'000	2011/12 £'000
University surplus prior to consolidation	<u>3,430</u>	<u>3,907</u>

12 TANGIBLE ASSETS

<u>CONSOLIDATED</u>	Total	Freehold Land & Buildings	Fittings & Equipment
	£'000	£'000	£'000
COST/REVALUATION			
At 1st August 2012	97,983	82,634	15,349
Additions at cost	3,367	2,120	1,247
Disposals at cost	<u>(2,758)</u>	<u>(73)</u>	<u>(2,685)</u>
	<u>98,592</u>	<u>84,681</u>	<u>13,911</u>
DEPRECIATION			
At 1st August 2012	18,180	10,121	8,059
Charge for the year	3,215	1,953	1,262
Released on disposals in the year	<u>(2,751)</u>	<u>(73)</u>	<u>(2,678)</u>
	<u>18,644</u>	<u>12,001</u>	<u>6,643</u>
NET BOOK VALUE			
At 1st August 2012	<u>79,803</u>	<u>72,513</u>	<u>7,290</u>
At 31st July 2013	<u>79,948</u>	<u>72,680</u>	<u>7,268</u>
 <u>UNIVERSITY</u>			
COST/REVALUATION			
At 1st August 2012	94,874	80,837	14,037
Additions at cost	3,294	2,120	1,174
Disposals at cost	<u>(2,758)</u>	<u>(73)</u>	<u>(2,685)</u>
	<u>95,410</u>	<u>82,884</u>	<u>12,526</u>
DEPRECIATION			
At 1st August 2012	16,240	9,449	6,791
Charge for the year	3,174	1,932	1,242
Released on disposals in the year	<u>(2,751)</u>	<u>(73)</u>	<u>(2,678)</u>
	<u>16,663</u>	<u>11,308</u>	<u>5,355</u>
NET BOOK VALUE			
At 1st August 2012	<u>78,634</u>	<u>71,388</u>	<u>7,246</u>
At 31st July 2013	<u>78,747</u>	<u>71,576</u>	<u>7,171</u>

The net book value of the freehold land and buildings shown above on an historical cost basis as at 31st July 2013 amounted to £8,108,000 and £55,981,000 respectively. Depreciation is not provided on land valued at £8,108,000 in the 2013 balance sheet. Land and buildings cost includes capitalised interest of £702,000 (2012: £702,000). Of this amount, £nil (2012: £nil) was capitalised during the year.

HM Treasury funds have been used to finance the acquisition of fixed assets. In the event of the University moving away from delivering publicly funded education there is the potential for a repayment to HM Treasury to be triggered. At 31st July 2013 the maximum potential repayment was £6,486,727 (2012: £6,928,936).

12 TANGIBLE ASSETS (CONTINUED)

The net book value of tangible assets at 31st July 2013 and their source of funding is as follows:

	Total	Freehold Land & Buildings	Fittings & Equipment
	£'000	£'000	£'000
CONSOLIDATED			
Inherited	4,769	4,769	0
Financed by capital grant	7,410	6,245	1,165
Other/own funded	67,769	61,666	6,103
	<u>79,948</u>	<u>72,680</u>	<u>7,268</u>
UNIVERSITY			
Inherited	4,769	4,769	0
Financed by capital grant	7,300	6,245	1,055
Other/own funded	66,678	60,562	6,116
	<u>78,747</u>	<u>71,576</u>	<u>7,171</u>

13 INVESTMENTS

	University	
	2012/13	2011/12
	£'000	£'000
Shares in subsidiary undertakings at cost		
At 1st August and 31st July	<u>1,922</u>	<u>1,922</u>
Other investments		
At 1st August and 31st July	<u>1,884</u>	<u>1,884</u>
Provision for impairment losses		
At 1st August and 31st July	<u>(2,770)</u>	<u>(2,770)</u>
Net book value at 31st July	<u>1,036</u>	<u>1,036</u>

Buckinghamshire New University has 100% shareholdings in the following subsidiary undertakings:

Subsidiary Undertaking	Country of Incorporation	Principal activity
Missenden Abbey Limited	Great Britain	A management training complex
BCUC (Conferences) Limited	Great Britain	Dormant (previously, provision of nurse education services & conference facilities)
BCUC (Services) Limited*	Great Britain	Operating a lecture theatre complex
Thames Valley Training & Development Limited	Great Britain	Providing training & consultancy services

*owned indirectly

13 INVESTMENTS (CONTINUED)

Following a commercial review it was decided to transfer the business, assets and obligations of BCUC (Conferences) Limited to the University on 1st August 2011.

CRDM Limited was a wholly owned subsidiary of the University. During the year ended 31st July 2010, the loan liability due to the University from CRDM Limited was converted to 1,883,143 ordinary shares which, together with the University's original two ordinary shares, were subsequently transferred to Scorch Systems Limited, a company established by the management team of the business, in exchange for preference shares in that company. These shares are disclosed within other investments above. Following the year end, the preference shares in Scorch Systems Limited were redeemed and £0.97m in consideration was received (see note 24).

14 STOCK

	Consolidated		University	
	2012/13	2011/12	2012/13	2011/12
	£'000	£'000	£'000	£'000
Finished goods and goods for resale	<u>19</u>	<u>18</u>	<u>0</u>	<u>0</u>

15 DEBTORS AND PREPAYMENTS

	Consolidated		University	
	2012/13	2011/12	2012/13	2011/12
	£'000	£'000	£'000	£'000
Trade debtors	2,075	1,836	1,805	1,616
Amounts due from subsidiary undertakings	0	0	316	196
Prepayments and accrued income	2,557	2,465	2,554	2,460
Other debtors	1,581	0	1,581	0
	<u>6,213</u>	<u>4,301</u>	<u>6,256</u>	<u>4,272</u>

Included within other debtors is an amount due in more than one year of £1,550,000 from Chiltern Student Villages Limited (2012: £nil).

16 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	£'000	£'000	£'000	£'000
Secured bank loans due within one year	610	585	610	585
Trade creditors	2,235	1,857	2,075	1,729
Tax and social security	130	118	44	46
Amounts due to subsidiary undertakings	0	0	585	565
Other creditors	1,885	2,280	1,885	2,280
Accruals and deferred income	4,958	3,745	4,812	3,629
Deposits	330	258	330	258
	<u>10,148</u>	<u>8,843</u>	<u>10,341</u>	<u>9,092</u>

Other creditors includes £890,000 (2012: £1,657,000) relating to the University acting as an agent on behalf of other bodies.

17 CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR

	Consolidated & University	
	2012/13	2011/12
	£'000	£'000
Analysis of secured bank loans:		
Due within one year	610	585
Due within one to two years	643	599
Due between two and five years	2,100	1,979
Due in five years or more	26,591	27,375
	<u>29,944</u>	<u>30,538</u>
Due within one year (see note 16)	<u>(610)</u>	<u>(585)</u>
Due in more than one year	<u>29,334</u>	<u>29,953</u>

The majority of the long term loan is fixed at an interest rate of 5.32%. The High Wycombe campus comprises the security for the loan.

18 DEFERRED CAPITAL GRANTS

	Consolidated and University Funding Council
	£'000
At 1st August 2012	
Buildings	6,416
Equipment	1,018
Total	<u>7,434</u>
Cash Received & Receivable	
Buildings	0
Equipment	163
Total	<u>163</u>
Released to Income and Expenditure	
Buildings	(171)
Equipment	(16)
Total	<u>(187)</u>
At 31st July 2013	<u>7,410</u>

19 RESERVES

	2012/13 £'000	2011/12 £'000
Consolidated & University		
Revaluation Reserve		
As at 1st August	4,841	4,913
Transfer due to depreciation charged on historical cost and valuation basis	(72)	(72)
Transfer in respect of disposed assets	0	0
As at 31st July	<u>4,769</u>	<u>4,841</u>
Consolidated Income and Expenditure Account		
As at 1st August	49,550	44,758
Transfer due to depreciation charged on historical cost and valuation basis	72	72
FRS17 adjustments in pension reserve	1,211	793
Other pension adjustments in pension reserve	(705)	0
Surplus for the year	3,412	3,927
As at 31st July	<u>53,540</u>	<u>49,550</u>
University Income and Expenditure Account		
As at 1st August	48,944	44,172
Transfer due to depreciation charged on historical cost and valuation basis	72	72
FRS17 adjustments in pension reserve	1,211	793
Other pension adjustments in pension reserve	(705)	0
Surplus for the year	3,430	3,907
As at 31st July	<u>52,952</u>	<u>48,944</u>
Consolidated and University Pension Reserve		
As at 1st August	28,043	19,545
Operating cost adjustments due to FRS17	544	148
Finance cost adjustments due to FRS 17	667	645
Other pension adjustments	(705)	0
Actuarial losses/(gains) on pension scheme in year	(3,941)	7,705
As at 31st July	<u>24,608</u>	<u>28,043</u>

20 ACCESS FUNDS & MATURE STUDENT BURSARIES

	2012/13	2011/12
	£'000	£'000
Balance unspent at 1st August	53	31
Funding council grants	154	187
Disbursed to students	(189)	(165)
Balance unspent at 31st July	<u>18</u>	<u>53</u>

Funding council access grants and mature student bursaries are available solely for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account. An amount of £nil is repayable to the Funding Council at the end of the year (2012: £17,000).

21 SUBSIDIARY COMPANIES

As at 31st July 2013, the University owned the whole of the issued share capital (in £1 ordinary shares) in the following companies:

	£'000
BCUC (Conferences) Limited	1,822
Missenden Abbey Limited	100
Thames Valley Training & Development Limited (one £1 share)	0
	<u><u>1,922</u></u>

The subsidiaries above are incorporated in England and Wales. At the year end, the University owned 100% of the voting rights in these subsidiaries and they are included in the consolidation.

The principal activity of Missenden Abbey Limited is running a management training centre. The principal activity of BCUC (Conferences) Limited was providing health training; on 1st August 2011, the business, assets and obligations of the company were transferred to the University. BCUC (Services) Limited is a wholly owned subsidiary of BCUC (Conferences) Limited, and its principal activity is operating a lecture theatre complex. Thames Valley Training & Development Limited commenced trading on 1st August 2012; its principal activity is providing training and consultancy services.

22 CAPITAL COMMITMENTS

Construction, refurbishment and development works contract commitments to the value of £6.0m (2012: £0.1m) were outstanding at the year end. Commitments to the value of £4.5m (2012: £nil) were authorised but not contracted for at the year end.

23 CONTINGENT LIABILITIES

There were no contingent liabilities at the year-end (2012: £nil).

24 POST BALANCE SHEET EVENTS

Following the year end, the preference shares in Scorch Systems Limited were redeemed and £0.97m in consideration was received (see note 13).

25 LEASE OBLIGATIONS

Annual rentals under operating lease commitments are as follows:

	2012/13	2011/12
	£'000	£'000
Computer equipment:		
Expiring within one year	0	677
Expiring within one to two years	0	0
Expiring within two to five years	0	0
Land and buildings:		
Expiring within one year	1,608	1,728
Expiring within two to five years	175	0
Expiring over five years	3,091	2,930
	<u>4,874</u>	<u>5,335</u>

26 RECONCILIATION OF CONSOLIDATED SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	2012/13	2011/12
	£'000	£'000
Surplus before tax	3,412	3,927
Depreciation	3,215	3,202
(Surplus)/deficit on sale of assets	(4)	61
Deferred capital grants released to income (see note 18)	(187)	(187)
Interest payable	2,088	2,113
Interest receivable	(225)	(132)
Increase in debtors	(330)	(527)
(Increase)/decrease in stocks	(1)	4
Increase/(decrease) in creditors	1,574	(121)
FRS17 adjustments	544	148
Net cash inflow from operating activities	<u>10,086</u>	<u>8,488</u>

27 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Consolidated	
	2012/13	2011/12
	£'000	£'000
Income from short term investments	193	115
Interest paid on loans	(1,421)	(1,466)
Cash inflow from agency arrangements	129	1,870
	<u>(1,099)</u>	<u>519</u>

28 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	Consolidated	
	2012/13	2011/12
	£'000	£'000
Payments to acquire tangible assets	(2,894)	(2,173)
Proceeds from sale of assets	11	2
Deferred capital grants received	163	110
Investment in Chiltern Student Villages Limited	(1,550)	0
Cash outflow from agency arrangements	(896)	(288)
Pension contributions in respect of past service	(705)	0
	<u>(5,871)</u>	<u>(2,349)</u>

29 FINANCING

	Consolidated	
	2012/13	2011/12
	£'000	£'000
New secured loans	0	0
Repayment of amounts borrowed	(594)	(566)
	<u>(594)</u>	<u>(566)</u>

30 ANALYSIS OF CHANGES TO NET DEBT

	As at 01/08/2012	Cash Flows	Other non- cash flows	As at 31/07/2013
	£'000	£'000	£'000	£'000
Cash at bank and in hand	16,499	2,522	0	19,021
Debt due within one year	(585)	594	(619)	(610)
Debt due after one year	(29,953)	0	619	(29,334)
	<u>(14,039)</u>	<u>3,116</u>	<u>0</u>	<u>(10,923)</u>

31 RELATED PARTY TRANSACTIONS

Certain members of the Council are associated with other organisations that may from time to time undertake transactions with the University or its subsidiaries. All such transactions are undertaken on an arm's length basis and in accordance with the University's normal terms. No member of the Council has any financial interest in such transactions, nor are such other organisations related parties of the University or its subsidiaries.

As all subsidiary undertakings are wholly owned, the University has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

The University made payments during the year totalling £1,341,000 (2012: £1,263,000) to Chiltern Student Villages Limited, in respect of student residences.

32 PENSION SCHEMES

Retirement benefits for employees of the University are provided by defined benefit schemes that are funded by contributions from the University and employees. Payments are made to the Teachers Pension Scheme for academic employees and the Local Government Pension Scheme, administered by Buckinghamshire County Council, for non-academic employees. These are both independently administered schemes. The accounts bore the cost of providing pension benefits as detailed below.

If the University ever closes and there is no successor establishment, the Secretary of State becomes the compensating authority.

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme is valued by the Government Actuary. The last full actuarial assessment of the scheme was at 31st March 2004. The assessment was based on the assumptions that investment returns would be 6.5%p.a. The assumed real rates of return (of 3.5% in excess of prices and 2% in excess of earnings) are the same as were adopted in the 2001 review. The actuarial valuation deemed the market value of the scheme's assets, representing notional investments and estimated future contributions, to be £163,240m, with scheme liabilities of £166,500m. The employer contribution rate applicable from 1st April 2004, was 13.5% and as from 1st January 2007 was 14.1% following the valuation.

The 2007 interim actuarial review, published in May 2008, did not recommend any changes to the contribution rate. A cost-sharing agreement introduced for the first time for the 2008 valuation a 14% cap on employer standard contributions payable. Formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. Tiered contribution rates based on salary were introduced for employees from 1st April 2012 ranging from 6.4% to 8.8% and ranging from 6.4% to 11.2% from 1st April 2013.

The Teachers' Pension Scheme is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The University therefore accounts for these pension costs on a defined contribution basis as permitted by FRS17. The contributions to the Teachers Pension Scheme were £1,696,000 (2012: £1,680,000).

Local Government Pension Scheme (LGPS)

The Local Government Pension Scheme is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuary. The last formal actuarial assessment of the Buckinghamshire County Council Pension Scheme was at 31st March 2010. In accordance with actuarial advice, the contributions by the University to the scheme were increased to 16.8% from 1st April 2011, increased to 17.5% from April 2012 and will increase to 18.3% from April 2013. This assessment has been updated for the period ended 31st July 2013 for the purposes of FRS17 but does not constitute a formal actuarial valuation of the scheme for funding purposes.

Under the definitions of FRS17, the LGPS is a multi-employer defined benefit pension scheme. The actuary of the scheme has identified the University's share of its assets and liabilities as at 31st July 2013.

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The pension scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to current and former employees. The trustees are required to act in the best interests of the fund's beneficiaries. The trustees are responsible for setting the investment strategy for the scheme in consultation with professional advisers.

An amount of £165,000 (2012: £162,000) was paid directly by the University in respect of supplementary pension entitlements of employees taking early retirement at the time of incorporation. The pension liability associated with this commitment is valued in line with the assumptions for the local government pension scheme in the section below and included in the analysis below.

The major financial assumptions used by the actuary were:

	2013	2012	2011	2010	2009
Rate of increase in salaries	4.8%	4.0%	5.0%	4.7%	5.1%
Rate of increase in pensions payment and deferred pensions	2.6%	1.8%	2.7%	2.7%	3.6%
Discount rate applied to scheme liabilities	4.7%	3.9%	5.3%	5.4%	6.0%
Inflation assumption - RPI	3.4%	2.6%	3.5%	3.2%	3.6%
Inflation assumption - CPI	2.6%	1.8%	2.7%	2.7%	n/a

Future pension increases are assumed by the actuary to be based on CPI rather than RPI.

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

	2013	2012	2011	2010	2009
Non-pensioner:					
Males	22.1	22.0	21.9	23.0	23.0
Females	26.0	25.9	25.8	26.0	26.0
Pensioners:					
Males	20.1	20.0	19.8	22.2	22.2
Females	24.1	24.0	23.9	25.3	25.3

The long term rates of return on scheme assets expected by the actuary (RR) at each period end were:

	2013	2012	2011	2010	2009
Equities	6.4%	5.8%	7.0%	7.3%	7.5%
Gilts	3.4%	2.8%	4.0%	4.3%	4.5%
Other bonds	4.3%	3.9%	5.3%	5.4%	6.0%
Property	5.9%	5.3%	6.5%	6.8%	7.0%
Cash	0.5%	0.5%	3.0%	3.0%	3.0%
Other	6.4%	5.8%	7.0%	7.3%	n/a

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Analysis of LGPS pension costs charged to operating surplus:

	2013	2012
	£'000	£'000
Current service costs	(1,958)	(1,629)
Losses on settlements or curtailments	0	0
	<u>(1,958)</u>	<u>(1,629)</u>

Analysis of amounts included in other finance costs:

	2013	2012
	£'000	£'000
Expected return on pension scheme assets	1,733	2,112
Interest on pension scheme liabilities	(2,400)	(2,757)
	<u>(667)</u>	<u>(645)</u>

Analysis of amount recognised in statement of total recognised gains and losses:

	2013	2012
	£'000	£'000
Actual return less expected return on scheme assets	4,142	(1,836)
Experience gains and losses arising on scheme liabilities	(72)	25
Changes in assumptions underlying the present value of scheme liabilities	(129)	(5,894)
Actuarial gains/(losses) recognised in statement of total recognised gains and losses	<u>3,941</u>	<u>(7,705)</u>

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Movement in net pension liability during the year:

	2013	2012
	£'000	£'000
Deficit in scheme at beginning of year	(28,043)	(19,545)
Current service costs	(1,958)	(1,629)
Employer contributions paid	1,954	1,319
Unfunded pension payments	165	162
Other finance costs	(667)	(645)
Actuarial gains/(losses)	3,941	(7,705)
Net pension liability at end of year	<u>(24,608)</u>	<u>(28,043)</u>

Analysis of movement in the present value of scheme liabilities:

	2013	2012
	£'000	£'000
At beginning of year	(60,996)	(51,659)
Current service costs	(1,958)	(1,629)
Interest cost	(2,400)	(2,757)
Actuarial losses	(201)	(5,869)
Estimated benefits paid (net of transfers in)	1,241	1,298
Contributions by scheme participants	(555)	(542)
Unfunded pension payments	165	162
At end of year	<u>(64,704)</u>	<u>(60,996)</u>

Analysis of movement in the market value of scheme assets:

	2013	2012
	£'000	£'000
At beginning of year	32,953	32,114
Expected return on scheme assets	1,733	2,112
Actuarial gains/(losses)	4,142	(1,836)
Contributions by employer	2,119	1,481
Contributions by scheme participants	555	542
Estimated benefits paid (net of transfers in)	(1,406)	(1,460)
At end of year	<u>40,096</u>	<u>32,953</u>

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History of experience gains and losses

	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Present value of scheme liabilities	64,704	60,996	51,659	48,121	44,434
Market value of scheme assets	40,096	32,953	32,114	27,056	23,143
Deficit in scheme	<u>(24,608)</u>	<u>(28,043)</u>	<u>(19,545)</u>	<u>(21,065)</u>	<u>(21,291)</u>
Experience adjustments on scheme liabilities	(72)	25	441	82	(39)
Experience adjustments on scheme assets	4,142	(1,836)	2,855	1,267	(3,608)

The University has elected not to restate prior year amounts as permitted by the amendment to FRS17.

The estimated employer contributions to the scheme for the year to 31st July 2013 is £1,439,000.

The following table sets out the impact of a plus or minus 0.1% change in the discount rates on the total obligation and projected service cost along with a plus or minus 1 year age rating adjustment to the mortality assumption:

Adjustment to discount rate:	+0.1%	0.0%	-0.1%
	£,000	£,000	£,000
Present value of scheme liabilities	63,186	64,704	66,267
Projected service cost	1,889	1,962	2,036
Adjustment to mortality age rating assumption:			
	+1 year	None	-1 year
Present value of scheme liabilities	62,301	64,704	67,136
Projected service cost	1,870	1,962	2,055

University Council

December 2013

Independent & Co-opted Council Members

Dame Christine Beasley	Independent	(Chair)	Appointed 1 August 2012
Brian Tranter	Independent	(Deputy Chair)	
Antony Bellekom	Independent		
Antonia Byatt	Independent		
Baljit Dhillon	Independent		
Lori Flynn	Independent		
David Griffiths	Independent		Retired 31 July 2013
Ian Hillan	Independent		
Michael Hipkins	Independent		
Maggie James	Independent		Appointed 1 August 2013
Tim Marshall	Co-opted		Appointed 1 August 2013
Ken McCrea	Co-opted		Appointed 1 August 2013
Jenny Newton	Independent		
Pauline Odulinski	Co-opted		Retired 31 July 2013
Simon Opie	Independent		
Keith Ryan	Independent		
Terri Teasdale	Independent		

University Council Members

Ruth Farwell	Vice Chancellor	
Sukhie Mattu	Elected Non Academic Staff member	
Stephen Fox	Elected Senate member	Resigned 9 November 2012
Julie Irwin	Elected Senate member	Appointed 1 December 2012
Linsey Taylor	Elected Senate member	
Crystal Oldman	Elected Academic Staff member	Resigned 6 November 2012
Hilary Mullen	Elected Academic Staff member	Appointed 10 December 2012
Ashley Coles	President, Students' Union - Student member	To 31 May 2013
Naomi Franco	President, Students' Union - Student member	From 1 June 2013

Senior Management Team

Ruth Farwell	Vice Chancellor	
Derek Godfrey	Deputy Vice Chancellor	
Chris Kemp	Pro Vice Chancellor	Resigned 31 May 2013
Trevor Nicholls	Pro Vice Chancellor	Retired 31 August 2012
Ian Plover	Director Faculty of DMM	Appointed 1 September 2012
David Sines	Pro Vice Chancellor	
Shan Wareing	Pro Vice Chancellor	Appointed 1 November 2012

Key Advisers

External Auditors	Grant Thornton UK LLP
Internal Auditors	PricewaterhouseCoopers
Lawyers	Mills and Reeve
Bankers	Barclays Bank PLC