

University of
Hertfordshire

A photograph of a modern building with a large, curved, metallic roof and a glass facade, illuminated from within. The building is set against a sunset sky with warm orange and yellow tones. The foreground is dark, suggesting a grassy area.

Annual Report and Accounts

2008/2009



Chairman's Statement	4
Annual Report of the Board of Governors	7
Report of the Independent Auditors to the Governing Body of the University of Hertfordshire	21
Consolidated Income and Expenditure Account	23
Financial Statements	24
Balance Sheets	25
Consolidated Cash Flow Statement	27
Statement of Principal Accounting Policies	28
Notes to the Accounts	32
Board of Governors and Committees of the Board Connected Directly with Finance	58

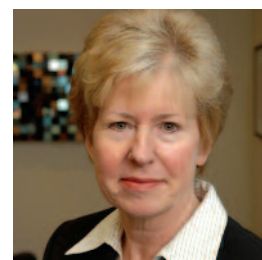
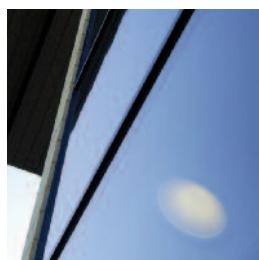


Chairman's Statement

The recession and economic climate that followed, has been a challenging environment to operate within and no organisation is immune to the impact of the current economic woes. However, these challenges have not prohibited the University of Hertfordshire from performing successfully within the Higher Education sector and continuing to make a positive contribution to its local region.

During the spring and summer, the University undertook a restructuring exercise to ensure that it continued to operate as efficiently as possible and to ensure key disciplines were structured to be market facing and market responsive. Additional drawings from the reserve have been made to cover the cost of this restructuring as the University adjusts to face economic realities.

Chairman's Statement



Annual turnover continues to grow and the group as a whole now stands at £210 million. Despite the economic conditions, the University has managed to return an operational surplus in 2008/09. In itself this is a significant achievement, but of much greater importance are the many achievements of the University in the academic and wider world across the past 12 months.

Just prior to Christmas, the University received the excellent results of the 2008 Research Assessment Exercise. Whilst the University submission was relatively small, it will lead to a considerable increase in research funding in the future and justifiable improvement to the standing and esteem of this University. It was of enormous pleasure to the Board to learn of the outstanding performance of our research staff. In particular to learn that 55% of those submitted were judged to be carrying out work which was world leading and internationally excellent. More recently, in a table prepared by the Times Higher Education Supplement, the University was shown to have achieved the highest success rate of any university of converting research council applications to awards of 34%.

In April 2009, the Quality Assurance Agency carried out its quinquennial review of the standards and processes surrounding our academic activity. Again the Board learned with pleasure that the agency had reached a judgement of 'broad confidence' in the University's standards and processes with a number of activities being commended as points of good practice and with relatively few advisable and desirable recommendations. These judgements on our research and our teaching and learning have served to reinforce the growing reputation of the University.

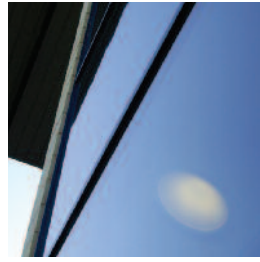
League Tables, whilst in no way driving the mission of the University, nevertheless have to be accepted as being important in setting perceptions about a university's standing within society. Our good performance in the tables published in 2009 has only served to enhance the University's reputation amongst applicants and in the wider world. In April, the University was placed 45th in the Complete University Guide published in The Independent

newspaper which was a rise of 9 places over the previous year. This position placed the University as the leading new university and we ranked ahead of many of the older established institutions. The University was ranked 66th in the Times Higher Education Good University Guide published in June, again an increase on previous years. In The Guardian University Guide we were ranked 97th also an improvement on the previous year's position. For the first time the University has appeared in a major world university ranking. The University was placed 471st in the ranking of the world's top 500 universities known as the Academic Ranking of World Universities, which is compiled and published by the Shanghai Jiao Tong University in China. This table looks at the comparative research performance of universities and Hertfordshire was one of only 42 UK universities listed and the only UK post-1992 university to be included.

The 2009 National Student Survey, which takes the pulse of the views of final year students on various aspects of a university, has again shown improvement on the previous year. Perhaps, as a reflection of the work that underpins these achievements and in recognition of the University's leading role in drawing the attention of society to the importance of the University being modern, business-facing and business-like, the University was shortlisted for the prestigious Times Higher Education University of the Year Award, the outcome of which was announced in November 2008. Whilst the University did not come out the final winner of this award, it is known that the University was felt to have put in an outstanding performance.

One of the consequences of our success has been the significant increase in applications to undergraduate programmes seen in the 2009 application round, where the University has received an increase of approximately 18% in applications. This is well above the national average of a 7% increase and must be the result of the growing awareness of the good quality and relevance of the University's work. September 2009 saw the opening of the £38 million 'state of the art' Student

Chairman's Statement



Forum complex which will bring some of the best student facilities in the sector to the University and has been completed on time and on budget. Besides the Student Forum, the estate is continually bring improved and the Board of Governors approved a further major scheme to bring the Law School currently located in St Albans, on to brand new facilities including a 'state of the art' Law Court on the de Havilland Campus from session 2010/11. There have been many examples of individual student achievement too numerous to mention here but I must mention the outstanding success of our Formula Student team which at Formula Student Germany, which is the major European student racing event, achieved the highest position won by a UK university since the competition began.

All these achievements would not be possible without the commitment and abilities of the staff of the University, to whom the Board and I express our gratitude, especially as they have achieved such outstanding results whilst often under the pressure of challenging and difficult reorganisations and restructuring. As to the successes of individual staff they are too numerous to mention, although as an example the University continues to out perform others in the award of national teaching fellowships to its staff.

My thanks also go to the ongoing commitment to the Board of Governors of the University, who again have given freely of their time and effort to ensure the continuing success of the University, and in addition found time to conduct a thorough review of the effectiveness of the Board. The University has been reviewing its vision and mission and strategic plan as it strives to capitalise on its achievements and make sure it continues to be relevant and modern meeting the needs of its students and its society at large within an ever changing world and challenging economic climate.

Mrs Jo Connell DL
Chairman
Board of Governors

Annual Report of the Board of Governors



In presenting its review to accompany the Accounts, the Board is aware of its responsibility to determine the educational character and mission of the University and to set its general strategic direction. The report covers the following:

- the activities of the Board
- membership of the Board
- the Operating and Financial Review.

Activities of the Board

The Board met on six occasions in the year - 21 October 2008, 26 November 2008, 25 March 2009, 8 May 2009 and 18 June 2009, with an Away Day on 30 March 2009.

The Board continued to discharge its primary responsibilities set out in the Articles of Government with enthusiasm and due diligence.

It determined the educational character and mission of the University whilst ensuring the efficient and effective use of resources, solvency and the safeguarding of assets.

The Vice-Chancellor made a presentation to the November meeting, reviewing the year 2007/08 and proposing targets for 2008/09. In reflecting upon the University's achievements he drew attention to the performance of the University in the various nationally published league tables notably the advance to 45th position in the Complete University Guide published in The Independent newspaper. He also briefed the Board on funding issues facing the sector and the University, particularly the impact of recent pay awards, the claw back of funds from Higher Education Funding Council for England (HEFCE), and the likely direction of Government policy. The Board supported his emphasis on the need to manage the implications and impact of tuition fees income, research income and salaries and the risk of increasing volatility in international markets during a period of recession. They also agreed that the University would focus particularly on improving the outcomes of the 2009 National Student Survey, achieving a positive outcome in the 2009 Institutional Audit by the Quality Assurance Agency and the project to replace the University's management information system. Much of the

action was currently in hand from particularly the Fit for the Future project which would be taken forward during 2008/09 to achieve incremental change, a comprehensive review of organisational structures, processes and procedures, a return on investment and higher profile in student markets.

The Away Day in March 2009 examined the progress made on the development of the new Strategic Plan for 2009/2014. In discussing the clear mission and direction of the University the Board considered an outline version of the Plan at its 2009 meeting and agreed that the plan and underpinning vision until 2020 should be finally agreed by the Board at the autumn 2009 meeting. In addition to wide spread discussions of the University's mission as the 'leading business-facing' university, the activities of the Board across the year covered its full range of responsibilities. In addition to the regular reports from its committees, Finance and General Purposes, Employment, Development, Business Review, Audit, Nominations and Remuneration, reports were made on student recruitment, academic quality and enhancement, honorary awards, student discipline, engagement with schools, the access to learning fund, and examinations and religious observance.

As part of the regular programme of work, the Board, through its committees, oversaw the work of its subsidiary companies following the creation of its new holding company, UH Holdings Limited, in 2008.

Two significant academic events, the outcomes of which were eagerly awaited by the Board, were announced in 2008/09. The Board was informed of the outcome of the 2008 Research Assessment Exercise. The Board congratulated the research staff at the University on an excellent result with 55% of the work submitted being deemed to be 'world leading or internationally excellent', and the University was now seen to be standing at 57th position in a research league table drawn up by the Times Higher Education Supplement and with considerably more research funding. The Quality Assurance Agency held its quinquennial review of the academic standards and processes of the University and the Board were pleased to note that the Agency had issued a judgement of 'broad

Annual Report of the Board of Governors



confidence' in the standards and processes of the University citing a number of areas of good practice and with relatively few desirable and advisable recommendations.

The Board was briefed on national pay bargaining and approved revised staff grievance and staff disciplinary policies. Central to the work of the Board was discussion on the continuing development of the estate to support the academic and business-facing work of the University and improve the quality of the student experience. The autumn 2008 meeting considered the Estates Strategy and throughout the year regular progress reports on the construction of the £38 million Student Forum project were received. A special meeting of the Board in May 2009 approved the move of the Law School with all the attendant building works on the de Havilland Campus in Hatfield including a new Annual Report of the Board of Governors building to house a 'state of the art' Law Court which will be central to the delivery of law education at the University. Oversight of the financial health of the Institution remained a vital part of the Board's work especially in difficult economic times and the Board considered the reports of the Vice-Chancellor on his actions to assure long term financial health of the University. Detailed discussion on the funding arrangements with HEFCE took place. Besides consideration of the annual accounts and the annual budget the Board, at every meeting, considered a schedule of the major risks and discussed the actions being taken to mitigate these risks. The Board was given assurance by its Audit Committee on the work being done to replace the University's management information systems.

Finally the Board learned of the appearance of the University in a World University League Table. The University was placed 471st in a table of the top 500 universities in the World (based upon research performance). The University was one of only 42 UK Universities to appear and the only post-1992 University to appear. The Board was also pleased to learn of the short listing of the University in the category 'University of the Year' in the prestigious Times Higher Education Supplement University awards and although the University did not win the award was nevertheless delighted with the University's excellent showing.

Having established, at the end of Session 2007/08, a team of Board members to conduct the quinquennial effectiveness review of the Board, the Board considered the interim report of the review team at its June 2009 meeting. The primary recommendation of the report was adopted and it was agreed that during 2009/10 a review of the size and structure of the Board of Governors should be carried out. A separate review of the Charitable Trust was conducted and the Board was briefed on its implications should the Board of Trustees of the Trust agree to the proposals set out in the report. The Board learned of the impending departure of Professor Eeva Leinonen, Deputy Vice-Chancellor to become Vice Principal of Kings College, London from September 2009.

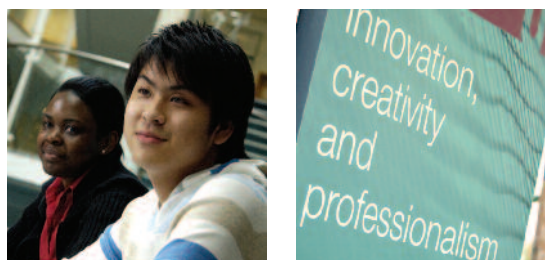
Membership

The Board, through its Nominations Committee, considered a whole range of membership issues. The Rt Reverend Christopher Foster and Lady Staughton commenced new terms as Independent Members of the Board and Dr Adrian Stokes was re-appointed as an external Co-opted Member, serving on a personal basis. Dr Les Mitchell was re-elected as the member of teaching staff. Mrs Meg Connelly was also re-elected as the member of the professional staff. Both commenced new terms as Co-opted Members of the Board. The nominated representative of the Students' Union, Mr Ricky Valdiny, also took up office.

Proposals from the Nominations Committee for membership from 1 September 2009 were approved.

Mr Colin Gordon and Mr John Heywood were re-appointed for further terms as Independent Members and Ms Linda Haye was re-appointed for a further year as an external Co-opted Member, serving on a personal basis. Mr David Goodridge was appointed to the Board as an Independent Member and Mr Peter Block as an external Co-opted Member, serving on a personal basis. Miss Jane McCue was appointed as the Co-opted Member knowledgeable in health education and development. Mrs Lynn Karstadt was elected as the member of the teaching staff nominated by the Academic Board. Miss Dawn Hamlet took up office as the representative of the Students' Union.

Annual Report of the Board of Governors



The Board, at its Annual Dinner held in June 2009, gave its thanks to retiring members. Mr Nitin Dahad and Sir Mike Tomlinson stood down after six years of service on the Board, Ms Helen Barefoot completed her term of office as a teacher of the University nominated by its Academic Board and Mr Ricky Valdiny completed his term as a student of the University nominated by the University of Hertfordshire Students' Union. Dr Gillian Dalley had left the Board earlier in the year.

Operating and Financial Review

The Operating and Financial Review considers the University's activities in the year 2008/09 in the context of the challenges and risks within which it operates, and comprises the following sections:

Section 1: Context and Risk Analysis

- The University of Hertfordshire in the Higher Education Sector
- Strategic Plan
- Risk Awareness and Mitigation
- Commercial Activity

Section 2: Academic Review

- Students
- Student Experience
- Academic Portfolio
- Collaborative Partners
- Teaching and Learning
- Research
- Knowledge Transfer

Section 3: Corporate Responsibility

- Staff
- Sustainability
- Community

Section 4: Financial

- Key Financial Highlights
- Review of the Year
- Sustainability
- Investments
- Accounting Systems
- Post Balance Sheet Events

Section 5: Corporate Governance

Section 1: Context and Risk Analysis

The University of Hertfordshire has successfully positioned itself in the sector as the leading business facing university. We have established a thoroughly ambitious and entrepreneurial university with superb facilities and a close relationship with industry. We strive to put the experience of our students first by our efforts in distinguishing them for being innovative, creative, highly employable and equipped for their future careers.

Our excellent results in the recent Research Assessment Exercise 2008 endorse our model. Several subjects at the University, including History, Nursing and Midwifery, and Engineering have been rated as 'world leading' and 'internationally excellent'. This result led to Hertfordshire being named as a 'rising research star' by the Times Higher Education magazine after climbing 35 places in its research 'Table of Excellence' to 57th place. We strongly believe that future national prosperity depends on the ability of universities like Hertfordshire to innovate, to translate research into commercial success.

We have had considerable success in the most recent league tables. In The Independent Complete University Guide 2010 we were placed 45 out of 113 universities, rising nine places since the previous year. The Independent commented that "Hertfordshire makes a powerful showing – scoring highly in research and facilities to outperform institutions such as Aberdeen and Stirling". We are listed as one of the top 500 universities in the Shanghai Jiao Tong league table of 2008. The list selects from around 60,000 universities worldwide. This is the first time Hertfordshire has featured in the internationally recognised league table and we are proud to be the first post-1992 university to appear. We have also had success in The Times Good University Guide 2010 rising from 79 to 66. In the guide, Hertfordshire was highlighted as having a strong emphasis on the workplace, and won praise from the CBI.

The University was also a finalist in the Times Higher Education 'University of the Year' Award in 2008 and has been shortlisted for Entrepreneurial University of the Year 2009.

Annual Report of the Board of Governors



General Operating Environment

In its July 2008 survey looking at Business and Community Interaction, the Higher Education Funding Council for England recognised that the higher education contribution to the economy has grown to record levels. The University of Hertfordshire has been aware of this over the past 12 months, and Annual Report of the Board of Governors delivery of its strategic plan has evolved over this time to ensure that developments within the University are becoming progressively more aligned with the needs of business.

Strategic Plan

The University reviewed its vision, mission and values during 2008/09. The current Strategic Plan (2007/12) has been successful in positioning the University of Hertfordshire as the UK's leading business-facing university. The 2010/15 Plan will build upon this success and present a clear focus for the University as an innovative and enterprising university.

Our Vision

We will shape the next generation of business-facing universities.

We will continue to be an exemplar in the sector and we will play a leading role in addressing the economic and social challenges facing the UK in increasingly competitive global markets.

Innovation, creativity and an enterprising mindset will be the defining characteristics of our University. We will provide flexible and transformational learning and commit to adding value to our partners and delivering positive and productive engagements with business, industry and the professions. The University will continue to play a central role in the local and regional economy, contributing positively to its social and economic development, and we will build our international profile and global reputation.

Our Mission

An innovative and enterprising university, challenging individuals and organisations to excel.

Our Values

The following core values will inform and sustain all of our activities. We aspire to be:

- Student-centred

- Innovative, creative and enterprising
- Committed to supporting and developing our people
- Focused on excellence and its celebration
- Dedicated to enjoyment in learning and work
- A place of integrity where the individual is respected

Our Strategic Focus

We will deliver our Vision through a focus on five key Strategic Drivers:

- Student Experience
- Learning and Teaching
- Employability and Entrepreneurship
- Research, Innovation and Enterprise
- International Engagement

The delivery of these drivers will be underpinned by our:

- Academic Profile
- People and Culture
- Financial Strength
- Infrastructure and Sustainability
- Community Engagement

Each of these ten areas will be supported by a detailed strategy and action plan. A set of Key Performance Indicators (KPIs) for each area will help to define the future size, shape and profile of the University and will provide the basis for monitoring progress.

Key Performance Indicators (KPIs)

The University has adopted a number of KPIs which are used by the Board of Governors to monitor the overall strength of the University. Areas covered include: student recruitment, retention and employability; financial health and achievement of budget; volume and nature of business interactions;

Annual Report of the Board of Governors



general management and organisational development. Key facts and figures relating to income and expenditure for the year are set out below.

The KPIs are monitored constantly by the Business and Community Advisory Committee and are updated on an annual basis. During the year the University has performed well against the majority of its chosen measures and the majority of its key internal targets set for 2008/09 have been met or exceeded.

In addition, the University has also created a target profile which it intends to achieve by 2011/12. This sets out the University's broad aims in the areas of student experience and institutional achievement in the higher education context by the end of this period. This profile is also monitored by the Board of Governors.

Risk Awareness and Mitigation

Risk assessment and management is embedded in the institution, and risk registers are prepared at project level, Strategic Business Unit level and institution level. At the strategic level, 10 key risks have been identified which relate to delivery of the University's Strategic Plan and good performance against the KPIs.

The major risks which the University has identified include recruitment and retention of students, the proportion of spend on staff salaries and the position of the Institution in a difficult future economic climate. Key risks and mitigating actions are monitored by committees across the University and reported to and monitored overall by the Audit Committee.

The current economic climate and events pose a significant financial risk to all business and universities alike. As stated in our investment policy below, the University manages its investment portfolio and cash reserves in such a way as to mitigate this risk as far as possible. However the falls in the stock market and current instability will have a negative impact on the value of the pension scheme deficits, which are outside of the University's immediate control.

Commercial Activity

As a business-facing University, Hertfordshire has been growing its income from the delivery of a wide

range of services to the business community and the general public through its subsidiary companies. Examples include Exemplar Holdings, which provides a significant proportion of the University's business to business activity interacting with over 100,000 businesses in the UK providing a progressive route from the delivery of low level skills within the workplace through to high level skills provision within the University, and Universitybus which is now the largest independent bus company in the region carrying over 5.5 million passengers per annum.

The income from the subsidiary companies is becoming an ever more important aspect of the University of Hertfordshire's activity amounting to £62 million in 2008/09, increasing by 7% over the previous year despite the difficult economic climate, and now represents 30% of the total University income. The subsidiaries are all run at an arm's length basis and deliver profits before gift aid and tax in excess of £5.5 million.

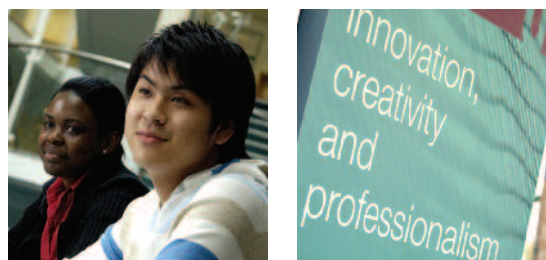
Section 2: Academic Review

Students

Student numbers have increased by 6.7% from a total enrolment of 22,455 in 2007/08 to 23,790 in 2008/09. This includes students based at consortium colleges.

Distribution of Higher Education Students (2008/09)

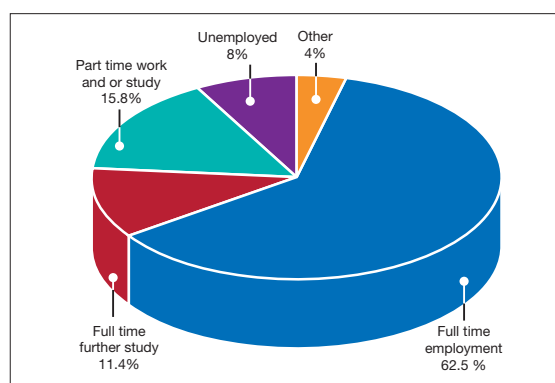
- 55% of the University's students were female in 2008/09
- Over 4,300 of the University's students studying in the UK originate from outside the UK.
- 97% of full time first degree entrants in 2007/08 were from state schools compared to 88% for the sector as a whole.
- 39% of full time first degree entrants in 2007/08 were from socio-economic groups 4, 5, 6 or 7, compared to 30% for the sector as a whole.
- 92% of young full time first degree entrants from low participation neighbourhoods continue or qualify at the University, compared to a sector figure of 87%.



Destination of Leavers from Higher Education (2007/08)

The Destination of Leavers from Higher Education (DLHE) is an annual survey reviewing destinations of students six months after they have left Higher Education. The data below highlights destinations of leavers who completed their studies from January 2008 to July 2008. The next survey will commence November 2009. In this period over 5,000 graduates were surveyed with our highest response rate to date of 79%). Of the responses received almost 90% of all graduates were either in work or study, which is in line with the internal target set for the year.

Destination of UH Students in 2007/08



Other highlights from this survey indicated:

- Most of our graduates are opting to work in London, closely followed by the Hertfordshire area
- The number of graduates working overseas has almost doubled from previous years
- Almost half of our graduates had work experience during their course with their current employer
- The mean average salary for a University of Hertfordshire graduate is £22,530

Research and Knowledge Transfer

The achievement of research awards for the financial year 2008/09 has been excellent and has exceeded the aspirational target level; indeed, it is 30% above the expected target level for awards for the year. Research applications have also reached the expected target level for 2008/09, that outcome being marginally lower than the above aspirational target achieved in the previous financial year.

The above application and award performance is particularly notable in the year the University was seen to deliver outstanding research quality in the context of the grades it obtained in the 2008 Research Assessment Exercise. Submissions in 14 Units of Assessment demonstrated through the external peer review process 11% world-leading research with a further 35% being internationally excellent and with an additional 40% designated as internationally recognised research.

The overall University performance in terms of research quality puts it above all other post-1992 Institutions as well as 4 pre-1992 Universities. It has also resulted in an over 60% increase in Quality Related (QR) funding allocated to the University for the next financial year. A further indication of the research quality delivered by the University is its entry in the Shanghai Jiao Tong league table of the global top 500 Universities. The University gained entry in 2008/09 for the first time and is the first post-1992 UK University to obtain access to this world top University list. At present there are 42 UK Universities in this top 500 league table.

The University continues to focus on applied collaborative research activities which included the achievement of a large research contract as part of an industrial consortium undertaking a research and development project for the Defence Science Technology Laboratories of the Ministry of Defence. In addition, we continue to lead the region in having the highest number of knowledge transfer partnerships and following on from the regional Knowledge Partners East of England (KEEP) scheme we have started to engage with the new short knowledge transfer partnership collaborations. We held a further successful research showcase for our Health and Human Sciences Research Institute providing exposure and publicity for its achievements and its interaction with its partner communities. The events within the showcase were very well attended and received good media coverage. Although the focus of the showcase was the Research Institute located at the University, a successful event was also held at Bio Park Hertfordshire.



Section 3: Corporate Responsibility

Staff

People Management and Development

Current and future human resources initiatives support the University's mission through recruitment and retention of high-calibre staff, by managing, developing, motivating and rewarding them within a structure of effective frameworks and procedures. A submission under the people management self assessment tool was made to HEFCE in May 2008 and the University gained full sign off of our approaches.

The University's Investors in People accreditation ceases in January 2010 and will be replaced by an internal impact assessment of our people management and people development approaches. The results of this assessment will be presented to the board of Governors via the Student, Employment and Quality Committee in November 2010.

The current Human Resources (HR) strategy consists of five dimensions:

- Effective structures and resourcing
- Fulfilling employment experience
- Clear framework for performance
- Skills and capabilities to succeed
- Constructive employment framework

The HR strategy serves as a direction-setter and a tool to integrate various HR initiatives to a common goal and has a lifespan that is in line with the UH Strategic Plan. With a new strategic plan currently in development it is anticipated that the strategy will be reviewed in 2009/10.

2008/09 saw the HR team involved in supporting a number of restructures the largest of which was the review of Inter-disciplinary Studies, Creative and Cultural Industries and Engineering and Information Sciences which resulted in the creation of the new Faculty of Science Technology and Creative Arts. There have also been fundamental restructures in Learning and Information Services and TUPE transfers in Estates.

Employee Involvement

The University of Hertfordshire is committed to its staff and their involvement and development. The University seeks to keep all its staff informed of matters that affect them through the Vice-Chancellor's annual address to staff (also made available online), through its internal journals and newsletters, including e-clips, through the Vice-Chancellor's monthly reviews and updates, through direct briefings at faculty, school and department level by managers and personally, through specific leaflets/mailings. In 2009/10 involvement will be further enhanced by the completion of a staff opinion survey.

Employees are represented on the Board of Governors, internal committees and working parties. Members of senior management meet regularly with representatives of the trade unions recognised to represent the interests of academic, research and professional staff through consultative and negotiating committees.

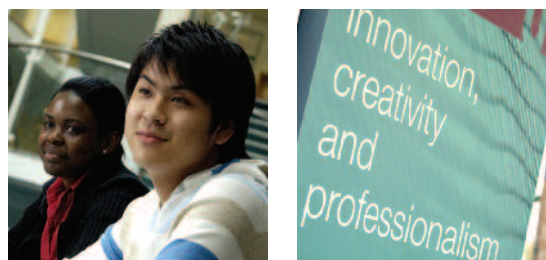
Equality and Diversity

The University promotes an inclusive ethos of fairness, courtesy and respect which encourages differences to be shared, explored and celebrated. This commitment to equality and valuing diversity informs all policies, procedures and activities. Governors, applicants, staff and students are made aware of how the University ensures fair treatment. Through training and development opportunities, provision of disability services and support, the University seeks to ensure everyone has equality of opportunity and meets their personal responsibilities.

The University harmonised the reporting period with the academic year, for annual reporting on progress in promoting race, disability and gender equality. The Board of Governors received:

- the report on progress against the race equality action plan, August 2007-31 July 2008
- the report of progress against the disability action plan, December 2007 – 31 July 2008
- the report of progress against the gender equality action plan, April-31 July 2008.

Annual Report of the Board of Governors



The Employment Committee, which has responsibility for briefing the Board on significant developments and progress, was briefed on:

- legal developments
- trends from employment monitoring.

The University has made more progress in undertaking equality impact assessments of its policies and services, summaries of which are now published on www.go.herts.ac.uk/equality

Disability and mental wellbeing services, which were extended to include in-house mentoring for students with Asperger Syndrome and mental health difficulties, have successfully supported more disabled students and staff. The University successfully bid to participate in the Higher Education Academy/Equality Challenge Unit's Summit Programme to address differences in degree attainment between students of different ethnic groups.

The University reviewed its approach to resolving clashes between students' religious observances and exam timetables. It established an Islamic Reference group, to offer advice to the Chaplain in relation to matters relating to Islam. The extension to the multi-faith Key Centre, to be known as the Olive Hall, opened in July 2009, will better meet the prayer needs of the Muslim community and encourage inter-faith dialogue by bringing people of all faiths together. Through partnership working with the Students' Union, Welwyn Hatfield Ethnic Minority Group and the Herts Partnership Trust, the University offered an extended programme for staff, students and the local community to celebrate Black History Month in October and Lesbian Gay Bisexual Transgender History Month in February. The University continues to work closely with the Welwyn Hatfield Ethnic Minority Group, sponsoring their Kaleidoscope Festival, in July 2009, which is the major multicultural event in Welwyn Hatfield.

Health and Safety

The Board of Governors, through its Employment Committee, reviews performance by receiving an annual report from the University's Director of Health, Safety and Environment.

During the year the University maintained its commitment to providing a safe working environment for all its employees, students and other users of its premises. The incidence rate for accidents, injuries and ill health, as in previous years was below the norm for the higher education sector. This positive performance was achieved by promoting health and safety awareness, identifying and managing risks in work activities and monitoring the effectiveness of risk management procedures. Over this year there has been an emphasis on safety training. The University has provided key staff the opportunity to gain a nationally recognised safety qualifications accredited by the Institute of Occupational Safety and Health.

Consultation with staff and students on health and safety matters was provided for through regular meetings of the University Health and Safety Consultative Committee.

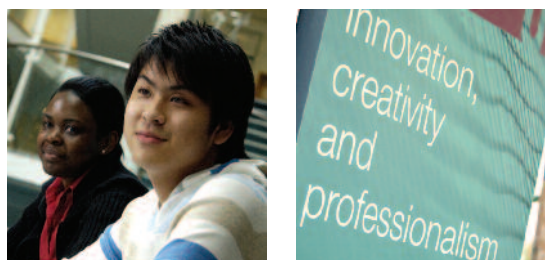
Sustainability and Environment

The University's environment team is actively working to make the University of Hertfordshire a more sustainable place to work and study. The University's environmental policy makes a commitment to reducing the University's environmental impact and making staff, students and visitors aware of the issues and how they can make a difference.

During the year the University has developed a Waste and Resource Management Strategy which aims to see 90% of waste recycled by 2013/14 and a 50% reduction in the volume of waste produced, based on 2007/08 levels. The University is committed to continual improvement in waste minimisation and awareness raising amongst the University community to achieve these ambitious targets. Over the past year recycling rates have doubled and the University has reached the target set out in the strategy of 60%.

Other achievements during the year include maintaining a high profile in the People and Planet Green League for environmental performance and receiving a highly commended award for continuous improvement over a 5 year period by the sectors prestigious Green Gown awards, the judging panel included Forum for the Future, the Higher Education Academy, HEFCE, the Learning and Skills Council, NUS Services and Universities that Count.

Annual Report of the Board of Governors



Community

The University works with the community in many different ways to support the social, economic and education development of our region. We strive to develop and promote our position within the local and regional community through our Community Engagement Strategy. This includes our extensive interaction with Hertfordshire primary and secondary education schools and colleges through our innovative educational engagement strategy. We encourage our students and staff to undertake voluntary work, for example our Law Clinic, our extensive School Governor programme and active involvement in a range of county-wide festivals, events and environmental activities. We have strong and positive links and regular interaction with key community stakeholders, including residents, local authorities, East of England Development Agency and members of the University Court. Our arts programme promotes links with our local community. For example, we hold an annual Open Exhibition where local artists show their work in the university galleries, as well as performances by community groups in The Weston Auditorium. One of the most exciting initiatives currently under way is the Hertfordshire Singing Strategy. The University and the Hertfordshire Music Service have joined forces to launch a county wide singing strategy that aims to ensure primary school children are provided with stimulating opportunities to sing.

Our Hertfordshire Sports Village is a state-of-the-art sports facility for use by complete beginners to elite and professional sports people. Principally for student use, the sports village is also open to the local community who can access the facilities and services. We also deliver strength and conditioning support to over 100 talented, potential world class and elite athletes. We actively work with a range of sporting partners ranging from the English Institute of Sport, Talent Athlete Support Scheme, Elite Athlete Support Scheme through to Arsenal Ladies and England Badminton. We deliver football coaching and training to nearly all of the primary schools in Hertfordshire, as well as an ongoing range of activities for children throughout the year,

particularly during half term and school holidays. Most recently, we have launched a healthy campus initiative to encourage staff to become more physically active and a programme for obese children and their parents to tackle this important national problem.

We are unique in the sector through our ownership and management of our own bus company, which is a member of the Intalink partnership which comprises Hertfordshire County Council, District Councils and the county's bus operators to promote a high quality passenger transport network for the entire county. We have recently launched a Centre for Sustainable Communities which will provide a focus for many of community and sustainability activities.

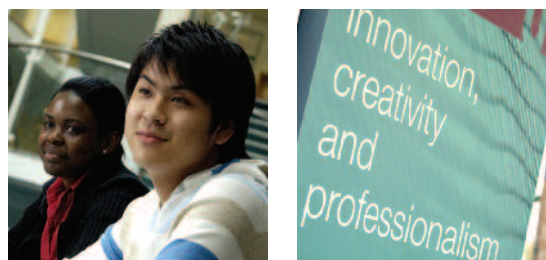
Section 4: Financial

The current economic climate and events pose a significant financial risk to all business and universities alike. As stated in our investment policy below, the University manages its investment portfolio and cash reserves in such a way as to mitigate this risk as far as possible. However the falls in the stock market and current instability will have a negative impact on the value of the pension scheme deficits, which are outside of the University's immediate control. The value of the pension scheme liability at 31 July 2009 amounted to £62.9 million.

The Financial Statements

The financial statements presented by the Board comprise the consolidated results of the University and its subsidiary companies, associates and joint ventures (the Group). The group companies undertake activities which, for legal or commercial reasons, are more appropriately channelled through a limited company. These subsidiaries and their activities are listed in note 13. Where possible the wholly owned subsidiary companies pay their taxable profits to the University under the Gift Aid scheme.

Annual Report of the Board of Governors



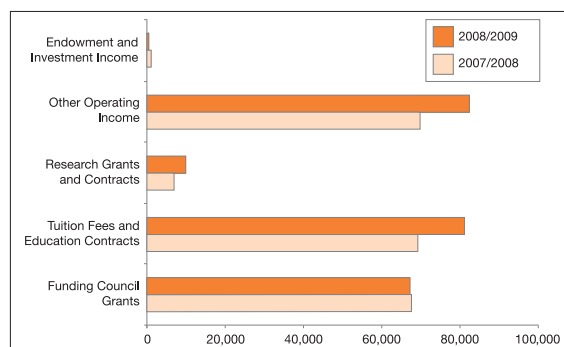
Results for the Year

The consolidated results for the University and its subsidiary companies for the year to 31 July 2009 are summarised in the following table.

	2009	2009	2008	2008
	£'000	£'000	RESTATED	RESTATED
	(after	(before	£'000	£'000
	FRS 17)	FRS 17)	(after	(before
			FRS 17)	FRS 17)
Income	235,141	235,141	209,101	208,924
Less: share of income from joint ventures	(24,802)	(24,802)	(13,513)	(13,513)
Expenditure	208,891	208,512	195,862	194,650
Surplus/(deficit) on continuing operations	1,448	1,827	(274)	761
Share of operating profit in joint ventures	372	372	-	-
Surplus on sale of fixed assets	528	528	2,223	2,223
Surplus before restructuring and taxation	2,348	2,727	1,949	2,984
Exceptional restructuring costs	(3,533)	(3,533)	(2,138)	(2,138)
Taxation	(23)	(23)	(77)	(77)
(Deficit)/surplus for the year	(1,208)	(829)	(266)	769

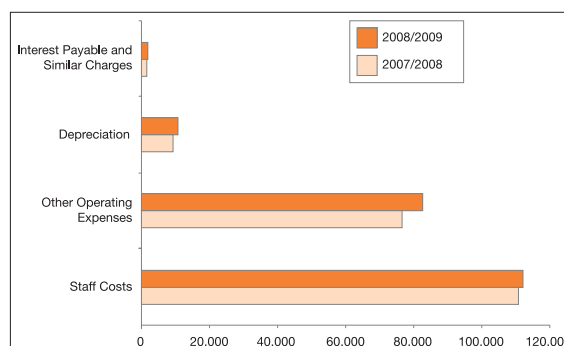
The University's total income, including the share of income from joint ventures, has increased by 12.4% over the previous year. Growth in research activities continues with income rising from £6.5 million to £9.6 million (46.8%). This significant rise is mainly due to an increase in research income from the European Commission and in addition; reflects our success in our research application conversion rate. The increase in the number of undergraduate students paying the variable tuition fee and a stabilisation of overseas student numbers are reflected in an overall increase of tuition fees and education contract income of 17.3%. Other income has increased significantly during the year from £67.7 million to £79.9 million. This is primarily due to the growth in commercial activity within the subsidiary companies, and within the Exemplar Holdings group in particular.

Income £'000



Total expenditure has increased by 6.7% over the previous year. Other operating expenses have increased from £76.5 million to £82.8 million reflecting the additional expenditure on the increased commercial activity income.

Expenditure £'000



Capital Projects

During the year the University invested £47 million in major capital projects. £44 million of this amount was spent on major capital projects across the University's estate to upgrade and improve the condition of facilities across both campuses. This included £4 million in respect of major MIS systems changes in finance, HR, academic registry and student finance and will continue throughout 2009/10.

Throughout 2008/09 the construction of the new Student Forum building continued on the College Lane campus. This is on target and was completed ready for the start of the 2009/10 academic year, and expenditure remains within budget. The University has secured a loan facility of £40 million to fund the entire project, which encompasses the redevelopment of the main student social and commercial centre.

Annual Report of the Board of Governors



Continued refurbishment of the older facilities on the College Lane campus has taken place throughout the year in line with the University's Estates Strategy to recondition or replace the majority of mature buildings over the next 12 years. The refurbishment programme will continue as anticipated into 2009/10.

In October 2008 the University completed the strategic acquisition of Titan Court at a cost of £15 million. This building is adjacent to the MacLaurin Building and extends the campus further onto the Hatfield Business Park. In addition to accommodating several of the University's professional departments, the building is also occupied by external companies on a leasehold basis thus generating a revenue stream to support the capital cost of the building.

Private Finance Initiative

The University Group has, under the terms of the agreement with Ellenbrook, permanent use of 1,600 student residences at the de Havilland Campus. This development has been provided by the private sector through a Private Finance Initiative for which the University pays an annual unitary charge for facilities management over the next 24 years. At the end of this period (2032/33) ownership of the residences will revert to the University.

Investment Policy and Performance

The investment policy of the University provides that deposits are only made to major clearing banks, their wholly owned subsidiaries, or the top twenty building societies. The deposit limits are £5 million with any one financial institution.

Cash Flow

The consolidated cash flow statement shows there was a decrease in cash for the year of £777,000.

Section 5: Corporate Governance

In accordance with the University's Articles of Government, the Board of Governors is responsible for the administration and management of the University's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group, and for ensuring that the

financial statements are prepared in accordance with the Instrument and Articles of Government, the Statement of Recommended Practice: Accounting for Further and Higher Education 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 (HEFCE) and the Board of Governors of the University of Hertfordshire, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University of Hertfordshire and Group and of the surplus or deficit and cash flows for that year.

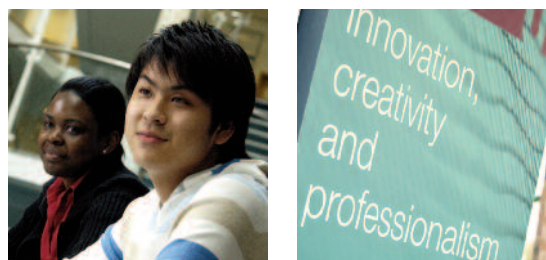
In preparing those financial statements, the Board of Governors is required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to
- presume that the Group will continue in operation.

The Board of Governors has taken reasonable steps to:

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

Annual Report of the Board of Governors



The University endeavors to conduct its business in accordance with the seven Principles identified by the Committee on Standards in Public Life and with the guidance to institutions of higher education provided by the Committee of University Chairmen (CUC). The Board is satisfied that it is in compliance with the revised 'Guide for Members of Higher Education Governing Bodies in the UK' published by the CUC in November 2004.

The University maintains a Register of Interests of members of the Board of Governors and of members of the Office of the Vice-Chancellor, which may be consulted by arrangement with the Secretary and Registrar. Also at the beginning of each meeting of the Board and its committees an item headed 'Declaration' allows for those attendees to make known any conflicts or associations with the matters under consideration.

The University is an independent corporation, established as a Higher Education Corporation under the provisions of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set in the Articles of Government, which were approved in 1989 by the Secretary of State for Education. The current version of the Articles was approved by the Privy Council in 1993.

The Articles require the University to constitute a Board of Governors and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Board of Governors is the executive governing body, responsible for the finance, property and staffing of the University. It is specifically required to determine the educational character and mission of the University and to set its general strategic direction.

The Board has a majority of independent members, chosen in line with strict criteria contained in the legislation. It is customary for the Chairman of the Board to be elected from the independent members. There is also provision for the appointment of co-opted members, some of whom may be members of the staff of the University, and for representatives of the Academic Board and of the student body. No members of the Board, apart from staff members, will receive any reimbursement for the work they do for the Board.

Subject to the overall responsibility of the Board of Governors, the Academic Board has oversight of the academic affairs of the University and draws its membership entirely from the staff and students of the University. It is particularly concerned with general issues relating to the teaching and research work of the University.

The Vice-Chancellor, as Chief Executive Officer, is the head of the University and has a general responsibility to the Board of Governors for the organisation, direction and management of the University. Under the terms of the formal Financial Memorandum between the University and HEFCE, the Vice-Chancellor is the designated officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

The Board of Governors meets at least four times in each academic year. During the year, average attendance at ordinary meetings was approximately 86%. Whilst certain matters such as approval of the strategic plan, the annual budget, major investments and the sale and purchase of land, are reserved matters for the Board, much of its detailed work is handled initially by committee, in particular the Finance and General Purposes Committee, Employment Committee, Nominations Committee (the Vice-Chancellor is a member of these Committees) and the Audit and Remuneration Committees. Other than the Development and Audit Committees, whose compositions include a staff governor nominated by the Board of Governors, the memberships of these committees are composed of independent and co-opted external members of the Board. The decisions of all of these committees are reported formally to the Board. In addition, these committees may establish sub-committees and groups.

The Board of Governors conducts regular effectiveness reviews of itself and its committees. These reviews include an analysis of attendance, the work undertaken and the views of members so that changes can be introduced as appropriate during the next cycle.

As Chief Executive, the Vice-Chancellor exercises considerable influence upon the development of University strategy, the identification and planning of new developments and the shaping of the University ethos. Members of the Office of the Vice-Chancellor, currently the two Deputy Vice-

Annual Report of the Board of Governors



Chancellors, the Deputy Vice-Chancellor and Director of Finance and the Secretary and Registrar, all contribute in various ways to this aspect of the work but the ultimate responsibility to the Board rests with the Vice-Chancellor.

In accordance with the Articles of Government of the University, the University Secretary and Registrar has been designated Secretary to the Board and in that capacity provides independent advice on matters of governance to all Board members.

The Board of Governors is satisfied that the University 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. It acknowledges its responsibility for ensuring that an effective system of internal financial control is maintained and operated by the University of Hertfordshire.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

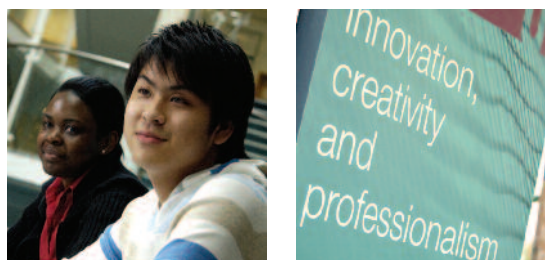
The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board of Governors
- regular reviews by the Board of Governors of periodic and annual financial reports which indicate financial performance against budgets and forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines where appropriate.

The Board of Governors has established the processes to comply with the revised direction from HEFCE for the identification, evaluation and management of risks the University faces. The following is a statement of the University's internal control and risk management policy:

- As the Board of Governors of the University of Hertfordshire, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the charter and statutes/instrument and articles and the Financial Memorandum with HEFCE.
- The system of internal control 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.
- The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been formally documented during the year to the extent that the University considers that it has embraced the broad principles of British Universities Finance Directors Group (BUFDG) guidance on 'Corporate Governance for Higher Education' and has in place comprehensive risk management policies and procedures as at 31 July 2009 and up to the date of approval of the financial statements, and accords with HEFCE guidance.
- As the Board of Governors, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:
 - We have met at regular intervals to consider performance reports, operational plans and the strategic direction of the University
 - We receive periodic reports from the Chairman of the Audit Committee concerning internal control, and we require regular reports from

Annual Report of the Board of Governors



managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects

- We have requested the Audit Committee to provide an oversight of risk management
- The Audit Committee receives regular reports from the internal audit service, which includes the internal audit service's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement
- A programme of risk awareness training has been completed. All new managers will receive training in risk management as part of the New Managers programme and Core Skills. This will be one of the mandatory aspects within our Management Development Strategy
- A system of key performance and risk indicators has been developed
- A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis has been established
- An organisation-wide risk register is maintained
- Reports are received from budget holders, department heads and project managers on internal control activities.
- Our review of the effectiveness of the system of internal control is informed by the work of the internal audit service, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in March 2005. The HEFCE Audit Service visited again in February 2006 to carry out 'Evaluation of Risk Management, Control, and Governance Arrangements'. The overall conclusion of the Audit Service report was that the University achieved a 'high level of assurance'.

Our review of the effectiveness of the system of internal control is also informed by the work of the Office of the Vice-Chancellor within the institution, which has 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 Audit Committee oversees the work of the internal audit service. The work of the internal audit service is informed by an analysis of the risks to which the University is exposed, and annual internal audit plans are based on this analysis. The Board of Governors endorses the analysis of risks and the internal audit plans on the recommendations of the Audit Committee. The head of internal audit provides the Audit Committee with an annual report on internal audit activity in the University and is required to provide the Board and the Vice-Chancellor with an opinion on the adequacy and effectiveness of the University's risk management, control and governance processes. A full discussion on the risk management effectiveness takes place within the Audit Committee with questioning by members of the head of internal audit and officers in attendance. Within this context the head of internal audit, based upon the work undertaken for the twelve months ended 31 July 2009, gave the opinion that the University has adequate and effective risk management, governance and control processes to manage the achievement of the organisation's objectives.

The University has demonstrated that it has proper arrangements in place to promote economy, efficiency and effectiveness.

As of 1 August 2008, the University has opted to develop its own Internal Audit department in place of that previously contracted out to a third party provider, with a view to further increasing the added value that the department can offer across the University. The Audit Committee has reported to the Board of Governors that it is satisfied with these arrangements.

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors of the University for this purpose will be proposed at the meeting of the Audit Committee of the Board of Governors.

By Order of the Board

P E Waters
Secretary

Independent Auditor's Report to the Board of Governors of the University of Hertfordshire

We have audited the group and university financial statements (the 'financial statements') of the University of Hertfordshire for the year ended 31 July 2009 which comprise consolidated income and expenditure account, the group and university balance sheets, the consolidated cash flow statement, the statement of group total recognised gains and losses, the statement of group historical cost surpluses and deficits, the reconciliation of group reserves and endowments and notes 1 to 36. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the governing body, in accordance with the University's instrument and articles of government and section 124 of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University's Board of Governors and auditors

The governing body's responsibilities for preparing the Annual Report of the Board of Governors and the group financial statements in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out on pages 17 to 19.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to

you whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England, the Training and Development Agency for Schools and the Learning and Skills Council. We also report to you whether in our opinion the Annual Report of the Board of Governors is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Annual Report of the Board of Governors and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures.

Basis of opinion

We have conducted our audit in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for England.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the governing body in preparing the financial statements and whether the accounting policies are appropriate to the group and University's circumstances, consistently applied and adequately disclosed.

Independent Auditor's Report to the Board of Governors of the University of Hertfordshire

We planned and have performed our audit so as to obtain all the information and explanations we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the group as at 31 July 2009 and of the Group's deficit of expenditure over income for the year then ended;
- the financial statements have been properly prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.
- in all material respects, income from the funding council, the Training and Development Agency for Schools and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2009 have been applied for the purposes for which they were received
- in all material respects, income during the year ended 31 July 2009 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the funding council, the funding agreement with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
Registered Auditor
Chartered Accountants
Hemel Hempstead, England
Date:

26 November 2009

Consolidated Income & Expenditure Account

Year Ended 31 July 2009

	Notes	2009 £'000	2008 RESTATED £'000
Income			
Funding council grants	1	66,483	66,743
Tuition fees and education contracts	2	78,387	67,052
Research grants and contracts	3	9,610	6,545
Other operating income	4	80,154	67,669
Endowment and investment income	5	507	1,092
		235,141	209,101
Less: share of income from joint ventures		(24,802)	(13,513)
Total income		210,339	195,588
Expenditure			
Staff costs	6	112,213	108,877
Other operating expenses	8	82,793	76,493
Depreciation	12	10,467	9,059
Interest and other finance costs	10	3,418	1,433
Total expenditure	8	208,891	195,862
Surplus/(deficit) after depreciation of tangible fixed assets at valuation and before taxation		1,448	(274)
Share of operating profit in joint ventures		372	-
Exceptional item: continuing operations			
Surplus on disposal of fixed assets		528	2,223
Surplus after depreciation of tangible fixed assets at valuation, disposal of fixed assets and before restructuring costs and taxation		2,348	1,949
Exceptional item: restructuring costs	6	(3,533)	(2,138)
Deficit after depreciation of tangible fixed assets at valuation, disposal of fixed assets, restructuring costs and before taxation		(1,185)	(189)
Taxation	9	(23)	(77)
Deficit after depreciation of tangible fixed assets at valuation, disposal of fixed assets, restructuring costs and taxation		(1,208)	(266)
Surplus/(deficit) for the year transferred to accumulated income in endowment funds		74	(14)
Deficit for the year retained within general reserves		(1,134)	(280)

All results are from continuing operations.

Statement of Group Historical Cost Surpluses and Deficits

	Notes	2009 £'000	2008 £'000
Deficit after depreciation of assets at valuation and taxation		(1,208)	(266)
Difference between historical cost depreciation charge and actual charge on revalued amount of fixed assets	25	<u>774</u>	<u>767</u>
Historical cost (deficit)/surplus for the year after taxation		<u>(434)</u>	<u>501</u>

Statement of Group Total Recognised Gains and Losses

		2009 £'000	2008 £'000
Deficit after depreciation of tangible fixed assets at valuation, disposal of fixed assets, restructuring costs and taxation before share of operating profit in joint ventures		(1,580)	(266)
Share of operating profit in joint ventures		372	-
Depreciation of endowment asset investments	24	(138)	(202)
Net endowment income	24	205	67
Actuarial loss relating to pension scheme	32	(30,562)	(8,611)
Total recognised losses since last report		<u>(31,703)</u>	<u>(9,012)</u>

Reconciliation of Group Reserves and Endowments

		2009 £'000	2008 £'000
Opening reserves and endowments		108,269	117,281
Total recognised losses for the year		<u>(31,703)</u>	<u>(9,012)</u>
Closing reserves and endowments		<u>76,566</u>	<u>108,269</u>

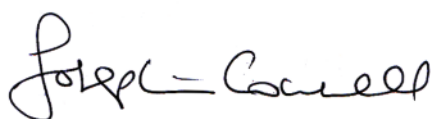
Balance Sheets as at 31 July 2009

		2009 Group	2009 University	2008 Group	2008 University
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Goodwill	14	1,655	-	1,744	-
Tangible assets	12	266,140	198,872	231,031	163,686
Investments	13	1,604	69,119	133	68,873
Investment in joint ventures:					
Share of gross assets		7,183	-	2,925	-
Share of gross liabilities		(6,768)	-	(2,925)	-
		269,814	267,991	232,908	232,559
Endowment asset investments	15	2,171	592	2,178	579
Current assets					
Stock and work in progress	16	214	83	248	92
Debtors - within one year	17	26,220	21,904	16,455	16,878
- more than one year	17	-	3,599	-	1,604
Short term deposits		1,876	306	1,178	-
Cash at bank and in hand		4,708	1,176	5,515	982
		33,018	27,068	23,396	19,556
Creditors: amounts falling due within one year	19	(70,715)	(70,360)	(43,534)	(40,698)
Net current liabilities		(37,697)	(43,292)	(20,138)	(21,142)
Total assets less current liabilities		234,288	225,291	214,948	211,996
Creditors: amounts falling due after more than one year	20	(55,942)	(41,809)	(40,695)	(31,330)
Provisions for liabilities	22	(2,035)	(765)	(508)	(508)
Pension scheme liability	32	(62,893)	(60,734)	(31,952)	(31,847)
Total net assets		113,418	121,983	141,793	148,311

Balance Sheets as at 31 July 2009

		2009	2009	2008	2008
		Group	University	Group	University
Notes		£'000	£'000	£'000	£'000
Deferred capital grants	23	<u>36,852</u>	<u>36,852</u>	<u>33,524</u>	<u>33,281</u>
Endowment funds					
Expendable		-	-	415	-
Permanent		<u>2,171</u>	<u>592</u>	<u>1,763</u>	<u>579</u>
	24	<u>2,171</u>	<u>592</u>	<u>2,178</u>	<u>579</u>
Reserves					
Income and expenditure account excluding pension reserve	25	<u>102,777</u>	<u>111,902</u>	102,758	112,153
Pension reserve	25	<u>(62,893)</u>	<u>(60,734)</u>	<u>(31,952)</u>	<u>(31,847)</u>
Income and expenditure reserve including pension reserve		<u>39,884</u>	<u>51,168</u>	70,806	80,306
Revaluation reserve	25	<u>34,511</u>	<u>33,371</u>	<u>35,285</u>	<u>34,145</u>
Total endowment funds and reserves		<u>76,566</u>	<u>85,131</u>	<u>108,269</u>	<u>115,030</u>
Total funds		<u>113,418</u>	<u>121,983</u>	<u>141,793</u>	<u>148,311</u>

The Financial Statements on pages 23 to 57 were approved by the Board of Governors on 25 November 2009 and signed on their behalf by:



Mrs J L Connell DL
Chairman



Professor R J T Wilson
Vice-Chancellor



Mr T M Neville
Deputy Vice-Chancellor

Consolidated Cash Flow Statement

Year Ended 31 July 2009

	Notes	2009 £'000	2008 £'000
Net cash inflow from operating activities	26	6,027	5,146
Return on investments and servicing of finance	27	(2,423)	(526)
Taxation – UK corporation tax paid		(118)	(140)
Capital expenditure and financial investment	28	<u>(38,848)</u>	<u>(19,958)</u>
<i>Cash outflow before use of liquid resources and financing</i>		(35,362)	(15,478)
Management of liquid resources	29	(698)	3,317
Financing	30	<u>35,283</u>	<u>14,950</u>
<i>(Decrease)/increase in cash for the period</i>		<u>(777)</u>	<u>2,789</u>
 Reconciliation of Net Cash Flow to Movement in Net Debt/Net Funds			
		2009 £'000	2008 £'000
(Decrease)/increase in cash in the period		(777)	2,789
Cash used to increase liquid resources	29	698	(3,317)
New loans		<u>(35,283)</u>	<u>(14,923)</u>
<i>Change in net debt</i>	31	(35,362)	(15,451)
<i>Opening net funds at 1 August</i>	31	<u>(33,580)</u>	<u>(18,129)</u>
<i>Closing net funds at 31 July</i>	31	<u>(68,942)</u>	<u>(33,580)</u>

Statement of Principal Accounting Policies

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable Accounting Standards.

The accounting policies are unchanged compared with the prior year and have been applied consistently in dealing with items considered material in the financial statements.

Basis of Accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings.

Basis of Consolidation

The consolidated financial statements incorporate those of the University and its subsidiary undertakings for the year ended 31 July 2009. The University and its wholly owned subsidiaries prepare statutory accounts to 31 July, whereas Exemplas Holdings Limited and its subsidiary companies and joint ventures prepare statutory accounts to 31 March. Management accounts for the year to 31 July 2009 for Exemplas Holdings Limited have been consolidated within the University's financial statements. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation.

The Group's share of the results of associate undertakings is included in the consolidated income and expenditure account from operating surplus onwards.

Joint ventures are included under the gross equity method.

In accordance with FRS2, the activities of the Students' Union have not been consolidated as there is not a relationship of dominant influence.

Recognition of Income

Recurrent grants from funding councils are recognised in the period in which they are receivable.

Fee income is credited to the income and expenditure account over the period in which the students are studying. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for as expenditure.

Income from research grants, contracts and other services rendered is included to the extent of completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs. Any payments received in advance of such performance are recognised on the balance sheet as liabilities. Any future predicted losses on individual long-term contracts are recognised immediately.

Non-recurrent grants from funding councils or other bodies received 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.

Charitable Donations

a) Unrestricted donations

Charitable donations are recognised in the accounts under other operating 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. They are expendable within three years.

b) Endowment funds

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

- 1) 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.
- 2) Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income.
- 3) 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.

For all the above endowment funds the capital is shown as an asset on the balance sheet. The income and expenditure are recognised in the income and expenditure account on a receivable basis in the period.

Statement of Principal Accounting Policies

Maintenance of Premises

The cost of routine corrective maintenance is charged to the income and expenditure account as incurred. Where a commitment has been entered into prior to 31 July and not expended, a provision is made for work done up to the year end.

Foreign Currency Translations

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the year end rates and the resulting surplus or deficit transferred to the income and expenditure account.

Pension Schemes

The two principal pension schemes for the University's staff are the Teachers Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). Additionally, the University has agreed with the Universities Superannuation Scheme (USS) that designated employees may be eligible to become members of that scheme. These defined benefit schemes are externally funded and contracted out of the State Second Pension.

It is not possible to identify the University's share of the underlying assets and liabilities in the TPS and USS schemes and hence, using the exemption under FRS 17 (Retirement Benefits), contributions to the scheme are accounted for as if they were defined contribution schemes. The employer contributions payable to the scheme are charged as expenditure in the period in which they relate to.

The University is able to identify its share of the underlying assets and liabilities of the LGPS and thus fully adopts FRS17. The scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the group.

The current service costs and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs/income. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

Staff employed by Exemplar Holdings Limited and its subsidiary companies are either members of the LGPS or are members of the group administered personal pension plan, which is a defined contribution scheme. The costs of providing retirement and related benefits for the group administered personal pension plan are charged to the income and expenditure account over the periods during which the members are employed.

The pension scheme liability also takes account of the University's unfunded pension liability. This liability, which relates to pension enhancements payable to staff who have taken early retirement, was previously included in the accounts as a provision before the full adoption of FRS 17.

Tangible Fixed Assets

(a) Land and Buildings

Land and buildings are stated at cost or at valuation. On adoption of FRS 15, the Institution followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future.

These values are retained subject to the requirement to test assets for impairment on an annual basis in accordance with FRS 11. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to the income and expenditure account. The valuation of land and buildings on 31 July 1996 was £80 million and was performed by Fuller Peiser.

Depreciation on buildings is provided on a straight-line basis over the estimated useful lives as follows:

Freehold buildings	30 - 40 years
Refurbishments	10 years

Leasehold land and buildings are amortised over the life of the lease up to a maximum of 50 years. Freehold land is not depreciated.

Assets in the course of construction represent those assets which have not yet been brought into use. These assets are transferred to the relevant category of asset and depreciated from the date they are substantially complete at the appropriate rate for that category.

Land and buildings inherited from Hertfordshire County Council are stated in the balance sheet at valuation on the basis of depreciated replacement cost and were revalued on July 1996.

Statement of Principal Accounting Policies

(b) Equipment

Capitalised equipment is stated at cost and depreciated over its useful life on a straight line basis as follows:

Plant and machinery	1 - 12 years
Fixtures, fittings and equipment	3 - 10 years

Leases

Leasing agreements that transfer substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term and the useful economic lives of equivalent owned assets.

Operating leases are charged against income on a straight-line basis over the lease term. Benefits received as an incentive to sign an operating lease, are spread on a straight line basis over the shorter of the lease term or the first review date, at which the rent is first expected to be adjusted to the prevailing market rate.

Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment of their value. Endowment asset investments are included in the balance sheet at market value. Current asset investments are included at the lower of cost and net realisable value.

Investments in subsidiary and associated companies are valued at the lower of cost or net realisable value.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes staff time, direct materials and attributable overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such within the meaning of Section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 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. 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.

Deferred Tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date.

Timing differences are differences between the taxable profits and the results as stated in the financial statements. Deferred tax is measured at the average tax rates expected to apply in the periods in which the timing differences are expected to reverse based on rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

Provisions

Provisions are recognised when the institution 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.

Agency Arrangements

Funds the institution receives and disburses as paying agent on behalf of a funding body or other body, where the institution is exposed to minimal risk or enjoys minimal economic benefit related to the receipt and subsequent disbursement of the funds, are excluded from the income and expenditure of the institution.

Statement of Principal Accounting Policies

Goodwill

Goodwill represents the difference between the cost of an acquired operation and the aggregate of the fair values of that operation's identifiable assets and liabilities. Positive purchased goodwill is capitalised and classified as an asset on the balance sheet. Where goodwill is regarded as having limited useful economic life, it is amortised over that life up to a maximum of 20 years. Currently Goodwill is amortised over a period of 20 years. Impairment tests are carried out at the end of the first year and thereafter subject to normal periodic reviews for indications of impairment.

Cash Flows and Liquid Resources

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

Liquid resources comprise assets held as readily disposable store of value. They include term deposits, government securities and loan stock held as part of the Institution's treasury management activities. They exclude any such assets held as endowment asset investments.

Joint Ventures and Associates

Investments in joint ventures and associated undertakings are carried in the consolidated balance sheet at the group's share of their net assets at the date of acquisition and of their post-acquisition retained profits or losses together with any goodwill arising on the acquisition, net of amortisation. The investor's share of the results is included within the consolidated income and expenditure account.

The income and expenditure account also shows the group's share of the joint venture's turnover and the balance sheet shows the gross assets and liabilities in amplification of the net investment in joint ventures.

1. Funding Council Grants

		2009	2009	Learning	Total	2008
	Notes	Higher Education Funding Council: England £'000	Training and Development Agency for Schools £'000	and Skills Council £'000	Funding Council Grants £'000	Total Funding Council Grants £'000
Recurrent grants		54,127	3,761	5	57,893	56,392
Selective initiatives		5,823	716	-	6,539	7,855
Release of deferred capital grants:						
Buildings	23	1,693	-	-	1,693	2,066
Equipment	23	358	-	-	358	430
		<u>62,001</u>	<u>4,477</u>	<u>5</u>	<u>66,483</u>	<u>66,743</u>

2. Tuition Fees and Education Contracts

	2009	2008
	£'000	£'000
UK higher education students	42,601	32,430
European Union (EU) (excluding UK) students	1,117	1,196
Non-EU students	17,895	17,359
UK further education students	64	123
	<u>61,677</u>	<u>51,108</u>
Total fees paid by or on behalf of individual students		
Education contracts	16,710	15,944
	<u>78,387</u>	<u>67,052</u>

3. Research Grants and Contracts

	2009	2008
	£'000	£'000
Research councils	2,046	1,893
UK based charities	321	320
European Commission	2,880	1,180
Other grants and contracts	4,363	3,152
	<u>9,610</u>	<u>6,545</u>

4. Other Operating Income

	2009	2008
	£'000	£'000
Residences, catering and conferences	15,259	14,842
Other services rendered	58,288	41,804
Release of capital grant	483	1,257
Other income	6,124	9,766
	<u>80,154</u>	<u>67,669</u>

5. Endowment and Investment Income

	Notes	2009	2008
		£'000	£'000
Income from expendable endowments		-	9
Income from permanent endowments		66	72
Interest receivable		441	834
Net return on pension scheme	32	-	177
		<u>507</u>	<u>1,092</u>

6. Staff Costs

The average weekly number of full time equivalent (FTE) employees (including senior post-holders) during the year was made up as follows:

	2009	2008
	No's	No's
Teaching departments	1,291	1,326
Teaching support services	168	163
Other support services	28	34
Administration and central services	388	408
Premises	158	173
Other	425	350
	<u>2,458</u>	<u>2,454</u>

The aggregate payroll costs of these employees were as follows:

	2009	2008
	£'000	RESTATED £'000
Teaching departments	69,594	66,423
Teaching support services	6,516	6,533
Other support services	1,333	1,349
Administration and central services	17,885	18,660
Premises	3,608	5,187
Other	13,277	10,725
	<u>112,213</u>	<u>108,877</u>

6. Staff Costs (continued)

	2009	2008
	£'000	RESTATED £'000
Staff costs:		
Wages and salaries	92,946	91,008
Social security costs	7,583	7,017
Other pension costs	11,684	10,852
	<u>112,213</u>	<u>108,877</u>
	2009	2008
	£'000	RESTATED £'000
Employment costs for staff on permanent contracts	89,770	86,185
Employment costs for staff on short-term contracts	22,443	22,692
	<u>112,213</u>	<u>108,877</u>

During early Summer 2009, the University undertook a review of the existing Faculty structure resulting in the streamlining of the number of faculties to four. In addition the University offered a Voluntary Severance Scheme to staff. The costs of these restructuring exercises are shown on the consolidated income and expenditure account as an exceptional item.

Remuneration of higher paid staff other than the Vice-Chancellor, excluding employer's pension and national insurance contributions but including benefits, fall within the following bands:

	2009	2008
	No's	No's
£100,000 - £110,000	3	6
£110,001 - £120,000	4	3
£120,001 - £130,000	2	1
£130,001 - £140,000	3	2
£140,001 - £150,000	-	1
£150,001 - £160,000	1	1
£160,001 - £170,000	1	-
	<u>14</u>	<u>14</u>

Governors did not receive any payments except for reimbursement of travel and subsistence expenses incurred in the course of their duties.

7. Emoluments of the Vice-Chancellor

Emoluments of the Vice-Chancellor, excluding national insurance contributions

	2009	2008
	£'000	£'000
Salary	247	217
Benefits in kind	2	2
Pension contributions	35	31
	<u>284</u>	<u>250</u>

The University's pension contribution to the Teachers Pension Scheme is paid at the same rate for the Vice-Chancellor as for other academic staff. In the year the Vice-Chancellor donated £17,893 (2008:£18,800) to the University of Hertfordshire Charitable Trust.

8. Analysis of Expenditure by Activity

	Staff	Other	Interest	2009	2008
	Costs	Operating	Payable	Total	RESTATED
	£'000	Expenses	£'000	£'000	Total
		£'000			£'000
Academic departments	64,570	26,116	-	90,686	76,446
Academic services	6,516	5,172	-	11,688	11,437
Administration*	15,811	10,122	-	25,933	37,213
Premises	3,608	8,206	235	12,049	13,678
Residences, catering and conferences	3,284	10,312	463	14,059	15,229
Research grants and contracts	4,634	3,285	-	7,919	5,829
Other expenses	13,790	19,580	2,720	36,090	26,971
	<u>112,213</u>	<u>82,793</u>	<u>3,418</u>	<u>198,424</u>	186,803
Depreciation				<u>10,467</u>	<u>9,059</u>
				<u>208,891</u>	<u>195,862</u>

The depreciation charge has been funded by:

	2009	2008
	£'000	£'000
	2,088	2,582
	774	767
	7,605	5,710
	<u>10,467</u>	<u>9,059</u>

* Administration expenses include internal auditors remuneration of £nil (2008: £79,000) and external auditors remuneration of £155,000 (2008: £120,000). The external auditors remuneration includes £13,000 in respect of non-audit work (2008: £12,000).

Notes to the Accounts

9. Taxation

	2009	2008
	£'000	£'000
Current tax:		
UK corporation tax on deficit for the year	<u>23</u>	<u>77</u>
Tax on deficit on ordinary activities	<u>23</u>	<u>77</u>
	2009	2008
	£'000	£'000
Current tax reconciliation:		
Deficit on ordinary activities before tax	<u>(1,185)</u>	<u>(189)</u>
Loss on ordinary activities multiplied by standard rate in the UK (28%) (2008: 29.34%)	(332)	(55)
Effects of:		
Depreciation for the period in excess of capital allowances	220	(156)
Non taxable income	143	(77)
Expenses not deductible for tax purposes	116	216
Release of provision not taxable	-	(107)
Tax losses	(13)	339
Other timing differences	(117)	(117)
Tax at marginal rate	(5)	6
Timing differences relating to pension liability	<u>11</u>	<u>28</u>
Current tax charge for the year	<u>23</u>	<u>77</u>

The above taxation charge relates to the profits of Exemplas Holdings Limited and its subsidiary companies.

10. Interest Payable and Other Finance Costs

		2009	2008
	Notes	£'000	£'000
On bank loans, overdrafts and other loans:			
Repayable within five years, by instalments		-	266
Repayable within five years		473	-
Repayable wholly or partly in more than five years		463	382
Finance leases		769	783
Other interest payable		-	2
Net charge on pension scheme	32	<u>1,713</u>	<u>-</u>
		<u>3,418</u>	<u>1,433</u>

11. Deficit on Continuing Operations for the Period

The University made a deficit on continuing operations for the period after the depreciation of tangible fixed assets, disposal of assets and taxation of £1,343,000 (2008: surplus of £11,981,000). This deficit includes a profit arising on the sale of fixed assets of £854,000 (2008: £15,847,000) and exceptional restructuring costs of £3,533,000 (2008: £2,138,000).

12. Tangible Fixed Assets

Group	Land and Buildings		Assets in the course of Construction	Fixtures Fittings and Equipment	Plant and Machinery	Total
	Freehold	Long Leasehold				
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 August 2008	234,781	16,083	26,617	24,822	6,687	308,990
Additions at cost	22,049	-	19,543	4,666	560	46,818
Transfers between accounts	-	-	(2,406)	2,406	-	-
Less disposals in year	<u>(1,447)</u>	<u>-</u>	<u>-</u>	<u>(16,277)</u>	<u>-</u>	<u>(17,724)</u>
At 31 July 2009	<u>255,383</u>	<u>16,083</u>	<u>43,754</u>	<u>15,617</u>	<u>7,247</u>	<u>338,084</u>
Depreciation						
At 1 August 2008	52,341	2,122	-	20,273	3,223	77,959
Charge for the year	6,932	420	-	2,428	687	10,467
Less disposals in year	<u>(205)</u>	<u>-</u>	<u>-</u>	<u>(16,277)</u>	<u>-</u>	<u>(16,482)</u>
At 31 July 2009	<u>59,068</u>	<u>2,542</u>	<u>-</u>	<u>6,424</u>	<u>3,910</u>	<u>71,944</u>
Net book value						
At 31 July 2009	<u>196,315</u>	<u>13,541</u>	<u>43,754</u>	<u>9,193</u>	<u>3,337</u>	<u>266,140</u>
At 31 July 2008	<u>182,440</u>	<u>13,961</u>	<u>26,617</u>	<u>4,549</u>	<u>3,464</u>	<u>231,031</u>
Inherited	35,637	-	-	-	-	35,637
Financed by capital grant	35,180	-	244	109	-	35,533
Other	<u>125,498</u>	<u>13,541</u>	<u>43,510</u>	<u>9,084</u>	<u>3,337</u>	<u>194,970</u>
Net book value						
At 31 July 2009	<u>196,315</u>	<u>13,541</u>	<u>43,754</u>	<u>9,193</u>	<u>3,337</u>	<u>266,140</u>

Buildings with a net book value of £72.3 million and a cost of £82.8 million have been partly funded from Treasury sources. Should these particular buildings be sold, the University would either have to surrender part of the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Higher Education Funding Council for England.

12. Tangible Fixed Assets (continued)

University	Land and Buildings		Assets in the course of Construction	Fixtures Fittings and Equipment	Plant and Machinery	Total
	Freehold	Long Leasehold				
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 August 2008	185,248	-	18,240	20,951	-	224,439
Additions at cost	19,948	-	19,543	4,426	-	43,917
Transfers between accounts	-	-	(2,406)	2,406	-	-
Less disposals in the year	<u>(1,447)</u>	<u>-</u>	<u>-</u>	<u>(16,277)</u>	<u>-</u>	<u>(17,724)</u>
At 31 July 2009	<u>203,749</u>	<u>-</u>	<u>35,377</u>	<u>11,506</u>	<u>-</u>	<u>250,632</u>
Depreciation						
At 1 August 2008	42,561	-	-	18,192	-	60,753
Charge for the year	5,496	-	-	2,096	-	7,592
Less disposals in the year	<u>(205)</u>	<u>-</u>	<u>-</u>	<u>(16,380)</u>	<u>-</u>	<u>(16,585)</u>
At 31 July 2009	<u>47,852</u>	<u>-</u>	<u>-</u>	<u>3,908</u>	<u>-</u>	<u>51,760</u>
Net book value						
At 31 July 2009	<u>155,897</u>	<u>-</u>	<u>35,377</u>	<u>7,598</u>	<u>-</u>	<u>198,872</u>
At 31 July 2008	<u>142,687</u>	<u>-</u>	<u>18,240</u>	<u>2,759</u>	<u>-</u>	<u>163,686</u>
Inherited	35,637	-	-	-	-	35,637
Financed by capital grant	35,180	-	244	109	-	35,533
Other	<u>85,080</u>	<u>-</u>	<u>35,133</u>	<u>7,489</u>	<u>-</u>	<u>127,702</u>
Net book value	<u>155,897</u>	<u>-</u>	<u>35,377</u>	<u>7,598</u>	<u>-</u>	<u>198,872</u>

12. Tangible Fixed Assets (continued)

The above includes assets held under finance leases. The net book value of these assets as at 31 July 2009 was:

Group and University	2009 £'000	2008 £'000
Buildings	<u>13,549</u>	<u>13,948</u>

The depreciation charge for the year was:

	2009 £'000	2008 £'000
Buildings	<u>398</u>	<u>398</u>

An external valuation of the University's land and buildings as at 31 July 1996 was carried out by Fuller Peiser, qualified Chartered Surveyors, in accordance with the Practice Statements of the Royal Institute of Chartered Surveyors Appraisal and Valuation manual. The valuation represented the surveyor's opinion of the values of the freehold and leasehold interests in the land and buildings comprising the various properties on the basis of existing use value, depreciated replacement cost or open market value as appropriate, resulting in a valuation of £80 million. The surplus was transferred to the revaluation reserve.

The major site at Hatfield, east of College Lane, is subject to a deed of gift and conveyance dated 12 December 1946 for the purposes of education to the charity called Hatfield Polytechnic. The charity is part of the assets transferred from Hertfordshire County Council and trusteeship now rests with the Board of Governors of the University. Any proposed change in use or ownership is subject to the agreement of the Charity Commission.

It is a condition of funding, imposed by the Secretary of State and the Treasury, that no transaction involving either the acquisition of land and buildings to be maintained with the aid of funding from the Higher Education Funding Council for England or the disposal of land and buildings purchased with the aid of public funds, shall be entered into without the prior approval of the Council.

The University entered into a Private Finance Initiative scheme, through its subsidiary company Polyfield Property Limited, with a contractor for the construction of sports facilities and for the facilities management of those premises for a period of 30 years. These facilities, known as the Hertfordshire Sports Village, were completed in September 2003. Under the terms of the scheme the contractor raised the finance for the construction of buildings which have subsequently been let on a long lease to Polyfield Property Limited. The transactions for the sports facilities have been reflected in the accounts for the University Group and Polyfield Property Limited as a fixed asset under Land and Buildings (Long Leasehold) at a net book value of £13.5 million with a consequential, and matching, finance lease as a long-term creditor. At the end of the lease period ownership of the property will revert to Polyfield Property Limited.

13. Investments

	2009	2009	2008	2008
	Group	University	Group	University
	£'000	£'000	£'000	£'000
Balance at 1 August	133	68,873	52	55,610
Additions	1,566	55,647	96	13,530
Disposals	(95)	(55,401)	(15)	(232)
Write down of investment in subsidiary undertaking	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35)</u>
Balance at 31 July	<u>1,604</u>	<u>69,119</u>	<u>133</u>	<u>68,873</u>
Representing:				
Subsidiary undertakings	-	69,081	-	13,434
Capital contribution to subsidiary undertaking	-	-	-	55,307
Associated undertakings	-	-	95	95
Other	<u>1,604</u>	<u>38</u>	<u>38</u>	<u>37</u>
	<u>1,604</u>	<u>69,119</u>	<u>133</u>	<u>68,873</u>

The University's subsidiaries (all of which are registered in England and Wales) and its percentage shareholding in each are as follows:

Company	Nature of Business	Shareholding £1 Ordinary Shares	No. of Shares
UH Holdings Limited	Holding Company	100%	69,111,946
Student Forum Limited	Dormant	100%	Limited by guarantee

The University consolidates the results of the University of Hertfordshire Charitable Trust, and those of The Building Hub Limited (a company limited by guarantee), in which the University has a 50% interest and exercises dominant influence.

During the year the University's associated undertaking, Restaurant Innovations Limited (registered in England and Wales) ceased trading. The University's investment has been written off through the income and expenditure account.

The University does not consolidate the accounts of the Students' Union as there is not a relationship of dominant influence and all decisions are exercised by the Students' Union Executive.

13. Investments (continued)

During the year the University of Hertfordshire sold its shareholdings in its remaining operating companies to its subsidiary company, UH Holdings Limited, by means of a share for share exchange at market value.

UH Holdings Limited also acquired the shares in UH Global Education (Asia-Pacific) shb bdn, a company registered in Malaysia.

The subsidiary companies of UH Holdings Limited (all registered in England and Wales except as stated above) and its percentage shareholding in each is as follows:

Company	Nature of Business	Shareholding £1 Ordinary Shares	No. of Shares
Cimtech Limited	Consultancy	100%	2
UH Health Limited	Health care training	100%	2
UH Ventures Limited	Training and consultancy	100%	2
Universitybus Limited	Transport services	100%	2
Unisecure Limited	Security services	100%	3
UH Hospitality Limited	Conference services	100%	3
Exemplas Holdings Limited	Business advice and support	98%	98
UH Recordings Limited	Music recording	100%	2
Uno Buses Limited	Transport services	100%	1
Polyfield Property Limited	Provision of property services	100%	16,099,854
UH Global Education (Asia-Pacific) shb bdn	Overseas student recruitment	100%	2
UH Invest Limited	Investment in spin-off companies	100%	2

UH Holdings Limited has one associated undertaking, The FIT Corporation Limited (registered in England and Wales) in which it holds 34%. The principal activities of this company are human resource management development. Since 31 July 2009 UH Holdings Limited has been in discussion with the remaining shareholders of The FIT Corporation Limited with a view to acquiring the remaining shareholding in this company.

Unisecure Limited ceased to trade with effect from 1 August 2009.

The subsidiary companies of Exemplas Holdings Limited (all of which are registered in England and Wales) and its percentage shareholding in each are as follows:

Company	Nature of Business	Shareholding £1 Ordinary Shares	No. of Shares
Hertfordshire Business Centre Services Limited	Provision of services to business	100%	2
Exemplas Limited	Provision of services to business	100%	2
BioPark Hertfordshire Limited	Letting of property	100%	2
Herts IDB Limited	Provision of services to business	100%	2
Polyfield Services Limited	Provision of services to business	100%	14
London Brokerage Limited	Provision of services to business	100%	2
Hertfordshire Business Centre Limited	Dormant	100%	2
Hertfordshire Development Organisation Limited	Dormant	100%	2
Employer Training Services	Dormant	100%	2
South East IDB Limited	Dormant	100%	2
Exemplas Training limited	Dormant	100%	2
East of England Brokerage Limited	Dormant	100%	2

All of the above subsidiaries are consolidated in the group accounts.

Exemplas Holdings Limited also has a 50% interest in East of England IDB Limited and Yorkshire & Humberside IDB Limited, which run the Business Link Contracts for the East of England and Yorkshire & Humberside respectively. East of England IDB Limited and Yorkshire & Humberside IDB Limited began trading on 1 April 2007 and 1 April 2008 respectively. These have been accounted for as joint ventures.

Notes to the Accounts

14. Intangible Fixed Assets

	2009 Group £'000	2009 University £'000	2008 Group £'000	2008 University £'000
Balance at 1 August	1,744	-	1,781	-
Amortisation	<u>(89)</u>	<u>-</u>	<u>(37)</u>	<u>-</u>
Balance at 31 July	<u>1,655</u>	<u>-</u>	<u>1,744</u>	<u>-</u>

15. Endowment Asset Investments

	2009 Group £'000	2009 University £'000	2008 Group £'000	2008 University £'000
Balance at 1 August	2,178	579	2,299	558
New endowments invested	205	-	67	-
(Decrease)/increase in cash balances held for endowment funds	(74)	17	13	28
Decrease in market value of investments	<u>(138)</u>	<u>(4)</u>	<u>(201)</u>	<u>(7)</u>
Balance at 31 July	<u>2,171</u>	<u>592</u>	<u>2,178</u>	<u>579</u>
Represented by:				
Securities	1,199	46	1,236	50
Cash at bank held for endowment funds	<u>972</u>	<u>546</u>	<u>942</u>	<u>529</u>
Total	<u>2,171</u>	<u>592</u>	<u>2,178</u>	<u>579</u>

16. Stocks and Work in Progress

	2009 Group £'000	2009 University £'000	2008 Group £'000	2008 University £'000
Work in progress	<u>214</u>	<u>83</u>	<u>248</u>	<u>92</u>

17. Debtors

	2009 Group £'000	2009 University £'000	2008 Group £'000	2008 University £'000
Amounts falling due within one year:				
Trade debtors	12,597	9,947	9,248	6,274
Other debtors	713	66	667	180
Deferred tax	2	-	14	-
Amounts due from subsidiaries	-	7,159	-	8,110
Prepayments and accrued income	<u>12,908</u>	<u>4,732</u>	<u>6,526</u>	<u>2,314</u>
	<u>26,220</u>	<u>21,904</u>	<u>16,455</u>	<u>16,878</u>
Amounts falling due after more than one year:				
Amounts due from subsidiaries	<u>-</u>	<u>3,599</u>	<u>-</u>	<u>1,604</u>
	<u>26,220</u>	<u>25,503</u>	<u>16,455</u>	<u>18,482</u>

Notes to the Accounts

18. Deferred Tax Asset

	2009	2009	2008	2008
	Group	University	Group	University
	£'000	£'000	£'000	£'000
Other timing differences	<u>2</u>	<u>-</u>	<u>14</u>	<u>-</u>

The above deferred tax asset relates to Exemplas Holdings Limited and its subsidiary companies.

19. Creditors: Amounts Falling Due Within One Year

		2009	2009	2008	2008
	Notes	Group	University	Group	University
		£'000	£'000	£'000	£'000
Bank loan and overdraft	21a	20,324	20,324	222	222
Obligation under finance lease	21b	313	-	298	-
Payments received on account		8,360	8,360	3,904	3,904
Research and other commercial activity payments received in advance		6,684	6,684	7,225	7,225
Trade creditors		3,259	3,137	3,996	4,465
Other creditors		3,348	3,174	1,753	1,478
Amounts due to subsidiaries		-	15,299	-	6,201
Corporation tax		64	-	77	-
Other taxation and social security		3,209	2,848	3,305	3,020
Accruals and deferred income		22,702	8,140	19,543	10,972
Deferred revenue grants		2,452	2,394	3,211	3,211
		<u>70,715</u>	<u>70,360</u>	<u>43,534</u>	<u>40,698</u>

The corporation tax creditor relates to Exemplas Holdings Limited and its subsidiary companies.

20. Creditors: Amounts Falling Due After More than One Year

		2009	2009	2008	2008
	Notes	Group	University	Group	University
		£'000	£'000	£'000	£'000
Bank loan and overdraft	21a	41,809	41,809	26,330	26,330
Other creditors		81	-	-	-
Obligation under finance leases	21b	14,052	-	14,365	-
Amounts due to subsidiaries		-	-	-	5,000
		<u>55,942</u>	<u>41,809</u>	<u>40,695</u>	<u>31,330</u>

21. Borrowings

a. Bank loans and overdrafts and other loans

	2009 Group £'000	2009 University £'000	2008 Group £'000	2008 University £'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	20,324	20,324	222	222
Within two and five years	3,192	3,192	1,623	1,623
In five years or more	38,617	38,617	24,707	24,707
	<u>62,133</u>	<u>62,133</u>	<u>26,552</u>	<u>26,552</u>
Group loans are repayable as follows:				
In one year or less	-	8,000	-	-
Within two and five years	-	-	-	5,000
In five years or more	-	-	-	-
	<u>-</u>	<u>8,000</u>	<u>-</u>	<u>5,000</u>

The outstanding bank loans as at 31 July 2008 were two unsecured loan facilities, a 25-year term loan facility for £11 million and a 34-year revolving term facility for £40 million. These facilities, which are linked to the base rate, offer the option to fix part of the loan at certain times. The term loan facility of £11 million was drawn down fully at 31 July 2008, £5.9 million of this had been fixed at a rate of 5.44%. As at 31 July 2009 £31.3 million of the £40 million facility had been drawn down. Of this balance £8 million has been fixed at a rate of 5.39%, £2.3 million at 5.2% and £20 million at 4.5%. During the year a further £20 million fixed term loan was arranged at a rate of 1.5% renewable on a quarterly basis.

b. Finance leases

The net finance lease obligations to which the Group is committed are:

	2009 Group £'000	2009 University £'000	2008 Group £'000	2008 University £'000
In one year or less	313	-	298	-
Between two and five years	1,423	-	1,353	-
In five years or more	12,629	-	13,012	-
	<u>14,365</u>	<u>-</u>	<u>14,663</u>	<u>-</u>

The above represents the finance lease in respect of the Hertfordshire Sports Village.

22. Provision for Liabilities

Group	Balance at 31 July 2009 £'000	Provision Utilised £'000	Increase £'000	Balance at 1 August 2008 £'000
Long term maintenance provision	765	(482)	739	508
VAT capital goods scheme provision	<u>1,270</u>	<u>-</u>	<u>1,270</u>	<u>-</u>
	<u>2,035</u>	<u>(482)</u>	<u>2,009</u>	<u>508</u>

University	Balance at 31 July 2009 £'000	Provision Utilised £'000	Increase £'000	Balance at 1 August 2008 £'000
Long term maintenance provision	<u>765</u>	<u>(482)</u>	<u>739</u>	<u>508</u>

The long term maintenance provision is for costs in relation to the maintenance programme for premises occurring around the year end.

The VAT capital goods scheme provision is in respect of VAT claw back on building costs of one of the University's Learning Resource Centre buildings.

Notes to the Accounts

23. Deferred Capital Grants

Group	Funding Council Grants £'000	Other Grants £'000	Total £'000
At 1 August 2008			
Buildings	22,554	8,049	30,603
Equipment	<u>2,596</u>	<u>325</u>	<u>2,921</u>
	<u>25,150</u>	<u>8,374</u>	<u>33,524</u>
Cash received:			
Buildings	5,649	-	5,649
Equipment	<u>-</u>	<u>263</u>	<u>263</u>
	<u>5,649</u>	<u>263</u>	<u>5,912</u>
Released to income and expenditure:			
Buildings	1,693	213	1,906
Equipment	<u>358</u>	<u>320</u>	<u>678</u>
	<u>2,051</u>	<u>533</u>	<u>2,584</u>
At 31 July 2009			
Buildings	26,510	7,836	34,346
Equipment	<u>2,238</u>	<u>268</u>	<u>2,506</u>
	<u>28,748</u>	<u>8,104</u>	<u>36,852</u>
University	Funding Council Grants £'000	Other Grants £'000	Total £'000
At 1 August 2008			
Buildings	22,554	8,049	30,603
Equipment	<u>2,596</u>	<u>82</u>	<u>2,678</u>
	<u>25,150</u>	<u>8,131</u>	<u>33,281</u>
Cash received:			
Buildings	5,649	-	5,649
Equipment	<u>-</u>	<u>263</u>	<u>263</u>
	<u>5,649</u>	<u>263</u>	<u>5,912</u>
Released to income and expenditure:			
Buildings	1,693	213	1,906
Equipment	<u>358</u>	<u>77</u>	<u>435</u>
	<u>2,051</u>	<u>290</u>	<u>2,341</u>
At 31 July 2009			
Buildings	26,510	7,836	34,346
Equipment	<u>2,238</u>	<u>268</u>	<u>2,506</u>
	<u>28,748</u>	<u>8,104</u>	<u>36,852</u>

Notes to the Accounts

24. Endowment Funds

Group	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2009	2008
					Total £'000	Total £'000
Balance at 1 August						
Capital	890	451	1,341	393	1,734	2,084
Accumulated income	394	28	422	22	444	215
	1,284	479	1,763	415	2,178	2,299
New endowments	-	205	205	-	205	67
Investment income	37	29	66	-	66	81
Expenditure	(115)	(25)	(140)	-	(140)	(67)
Transfer between funds	-	415	415	(415)	-	-
Decrease in market value of investments	(73)	(65)	(138)	-	(138)	(202)
Balance at 31 July	1,133	1,038	2,171	-	2,171	2,178
Represented by:						
Capital	817	984	1,801	-	1,801	1,950
Accumulated income	316	54	370	-	370	228
Total	1,133	1,038	2,171	-	2,171	2,178

The transfer between funds represents the reclassification of the general fund following review of the funds held in the University of Hertfordshire Charitable Trust. Additionally the allocation of the opening balance between capital and accumulated income has been reanalysed.

University	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2009	2008
					Total £'000	Total £'000
Balance at 1 August						
Capital	506	-	506	-	506	513
Accumulated income	73	-	73	-	73	45
	579	-	579	-	579	558
New endowments	-	-	-	-	-	-
Investment income	17	-	17	-	17	28
Expenditure	-	-	-	-	-	-
Decrease in market value of investments	(4)	-	(4)	-	(4)	(7)
Balance at 31 July	592	-	13	-	592	579
Represented by:						
Capital	502	-	502	-	502	506
Accumulated income	90	-	90	-	90	73
Total	592	-	592	-	592	579

25. Reserves

Group	Income & Expenditure Reserve £'000	Pension Reserve £'000	Revaluation Reserve £'000	Total £'000
At 1 August 2008	102,758	(31,952)	35,285	106,091
Transfer to endowments	74	-	-	74
Transfer to income and expenditure	379	(379)	-	-
Contributions to depreciation	774	-	(774)	-
Deficit after depreciation of assets at valuation and tax	(1,208)	-	-	(1,208)
Actuarial loss	-	(30,562)	-	(30,562)
At 31 July 2009	<u>102,777</u>	<u>(62,893)</u>	<u>34,511</u>	<u>74,395</u>

The consolidated income and expenditure reserves include £4.4 million in respect of Exemplas Holdings Limited and its subsidiary companies. According to that company's Memorandum of Association, these reserves cannot be transferred to the shareholders by way of dividend, bonus or other distribution.

Of this amount £400,000 represents the Exemplas Holdings Limited group share of Business Link Yorkshire Limited reserve. This is a contract cessation reserve which is intended to cover potential liabilities that may arise over the life of the Business Link contract. It is anticipated that the wind-up liability will principally accrue in relation to personnel costs. A target figure for this reserve represents the company's share of 100% of the estimated contract cessation costs. By virtue of the company's main contract, this reserve may only be used for this specific purpose.

University	Income & Expenditure Reserve £'000	Pension Reserve £'000	Revaluation Reserve £'000	Total £'000
At 1 August 2008	112,153	(31,847)	34,145	111,451
Transfer from endowments	(17)	-	-	(17)
Transfer to income and expenditure	335	(335)	-	-
Contributions to depreciation	774	-	(774)	-
Deficit after depreciation of assets at valuation and tax	(1,343)	-	-	(1,343)
Actuarial loss	-	(28,552)	-	(28,552)
At 31 July 2009	<u>111,902</u>	<u>(60,734)</u>	<u>33,371</u>	<u>84,539</u>

Notes to the Accounts

26. Reconciliation of Net Cash Flow from Operating Activities

	Notes	2009 £'000	2008 £'000
Operating deficit before tax		(1,185)	(189)
Investment income		(441)	(834)
Endowment income		(66)	(81)
Release of deferred capital grant	23	(2,584)	(3,753)
Depreciation	12	10,467	9,059
Amortisation of goodwill	14	89	37
Profit on sale of fixed assets		(528)	(2,223)
Interest payable		1,705	1,433
Pension costs		379	1,035
Decrease in stocks		34	127
(Increase)/decrease in debtors		(9,764)	4
Increase in creditors		6,394	3,764
Increase/(decrease) in provisions		1,527	(3,233)
Net cash inflow from operating activities		6,027	5,146

27. Returns on Investments and Servicing of Finance

		2009 £'000	2008 £'000
Income from endowments		30	21
Other interest received		360	834
Interest paid		(2,813)	(1,381)
Net cash inflow from returns on investments and servicing of finance		(2,423)	(526)

28. Capital Expenditure and Financial Investment

		2009 £'000	2008 £'000
Payments to acquire tangible fixed assets		(44,856)	(31,638)
Investments acquired		(1,566)	-
Endowment asset investments acquired		(204)	(67)
Receipts from sales of tangible fixed assets		1,866	3,335
Deferred capital grant received	23	5,912	8,412
Net cash outflow from capital expenditure and financial investment		(38,848)	(19,958)

29. Management of Liquid Resources

		2009 £'000	2008 £'000
(Deposits to)/withdrawals from short term deposits		(698)	3,317
Net cash (outflow)/inflow from management of liquid resources		(698)	3,317

Notes to the Accounts

30. Financing

	2009	2008
	£'000	£'000
Debt due beyond a year:		
New long term loans/(bank loan repayment)	35,581	15,205
Capital element of finance lease repayments/principal	(298)	(255)
Net cash inflow from financing	<u>35,283</u>	<u>14,950</u>

31. Analysis of changes in Net Debt/(Net Funds)

		2008	Cashflows	Other	2009
		Group		Changes	Group
	Notes	£'000	£'000	£'000	£'000
Cash at bank and in hand		5,515	(807)	-	4,708
Endowment bank balance	15	<u>942</u>	<u>30</u>	-	<u>972</u>
		6,457	(777)	-	5,680
Debt due over more than 1 year:					
Long term loans	20	(26,330)	-	(15,479)	(41,809)
Obligations under finance lease	20	(14,365)	-	313	(14,052)
Debt due under 1 year:					
Bank loan		(222)	(35,581)	15,479	(20,324)
Obligation under finance lease	19	(298)	298	(313)	(313)
Short term deposits		<u>1,178</u>	<u>698</u>	-	<u>1,876</u>
		<u>(33,580)</u>	<u>(35,362)</u>	-	<u>(68,942)</u>

32. Pension Schemes

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). Additionally, the University has agreed with the Universities Superannuation Scheme (USS) that designated employees may be eligible to become members of that scheme. The assets of the schemes are held in separate administered funds.

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate (SCR) is determined. This is the contribution, expressed as a percentage of the salaries of

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

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

As from 1 January 2007, and as part of the cost-sharing agreement between employers and teachers representatives, the SCR has been assessed at 19.75%, and the supplementary contribution rate has been assessed to be 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. The cost-sharing agreement has also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

A copy of the GA's 2004 valuation report can be found on the TeacherNet website at:
www.teachernet.gov.uk/pensions

Universities Superannuation Scheme (USS)

The USS is a defined benefits scheme which is externally funded and contracted out of the State Second Pension. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify the University's share of the underlying assets and liabilities in the scheme and hence, using the exemption under FRS 17, contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost, recognised within the deficit for the year in the income and expenditure account, is equal to the contributions payable to the scheme in respect of

32. Pension Schemes (continued)

the accounting period. The pensions cost is assessed every three years. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuations Actuarial method	31 March 2008 Projected unit method	
	Past Service Liabilities	Future Service Liabilities

Investment returns per annum	6.4%	6.1%
Salary scale increases per annum	4.3%	3.9%
Pensions increases per annum	3.3%	2.9%
Market value of assets at date of last valuation	£28,842 million	
Value of schemes technical provisions at date of last valuation	£28,135 million	
Surplus	£707million	

Proportion of member's accrued benefits covered by the actuarial value of the assets

103%

Surplus or deficits which arise at future valuations may impact on the institution's future contribution commitment. During the year, the employer contribution rate was maintained at 14%.

Local Government Pension Scheme (LGPS)

The LGPS is regulated by statute, with separate regulations for (a) England and Wales and (b) Scotland. The benefits of the LGPS are determined nationally by regulation and meet the definition of a defined benefit scheme. It is a funded scheme, with some 99 separate funds administered locally by administering authorities. Each fund has many employing authorities. The Hertfordshire County Council is the administering authority with the District Councils in their County, and other bodies, for example the University, being employing authorities within that scheme. The University's wholly owned subsidiary company Universitybus Limited, whose employees are members of the LGPS, is an admitted body to the fund. All other wholly owned subsidiary companies contribute to the scheme through the University. Staff employed

by Exemplas Holdings Limited and its subsidiary companies are either members of the LGPS or are members of the group administered personal pension plan, which is a defined contribution scheme.

The LGPS is not therefore a national multi-employer scheme, but each separate LGPS fund is a multi-employer scheme.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. An assumption has been made for the 31 July 2009 valuation for FRS17 purposes that 50% of future retirements will elect to take a tax-free cash sum up to HMRC limits.

In calculating the scheme assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

The total contribution made to the LGPS for the year ended 31 July 2009 was as follows:

	Total £'000	Employer £'000	Employee £'000
University	7,954	6,080	1,874
Universitybus	291	203	88
Exemplas	121	97	24
Total	8,366	6,380	1,986

Employer contributions are affected by a surplus or deficit in the scheme. All new entrants to the fund are now single status employees and there is no longer any classification of officer and manual employees. The agreed contribution rates for future years are:

Year ending 31 March	2010	2011	2012
University	19.2%	19.2%	19.2%
Universitybus	18.6%	18.6%	18.6%
Exemplas	27.5%	27.5%	27.5%
Employees	5.25-7.5%	5.25-7.5%	5.25-7.5%

The estimated employer contribution payable for the year ending 31 July 2010 is £5,261,000.

Notes to the Accounts

32. Pension Schemes (continued)

The following information is based upon a full actuarial valuation of the Fund at 31 March 2007 updated to 31 July 2009 by a qualified independent actuary.

	2009	2008	2007
Inflation	3.7%	3.8%	3.3%
Rate of increase in salaries	5.2%	5.3%	4.8%
Rate of increase for pensions	3.7%	3.8%	3.3%
Discount rate for liabilities	6.0%	6.7%	5.8%

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

	Males	Females
Current Pensioners	22.1 years	25.1 years
Future Pensioners	23.2 years	26.1 years

The assets in the scheme (of which the Group's share is estimated at 4.71%) and the expected rates of return were:

	Long-term rate of return expected 2009	Value 2009 £'000	Long-term rate of return expected 2008	Value 2008 £'000	Long-term rate of return expected 2007	Value 2007 £'000
Equities	7.3%	1,213,000	7.8%	1,431,000	8.0%	1,708,000
Bonds	5.3%	373,000	5.7%	299,000	5.2%	263,000
Property	5.3%	75,000	5.7%	99,000	6.0%	126,000
Cash	4.3%	205,000	4.8%	186,000	5.1%	134,000
Total market value of assets		<u>1,866,000</u>		<u>2,015,000</u>		<u>2,231,000</u>

The pension scheme liability detailed below also takes account of the University's unfunded pension liability. This liability, which relates to pension enhancements payable to staff who have taken early retirement, was previously included in the accounts as a provision before the full adoption of FRS 17 in the year ended 31 July 2006.

	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Group's estimated asset share	87,893	94,234	95,664	82,025
Present value of scheme liabilities	(142,544)	(116,506)	(107,434)	(108,623)
Present value of unfunded liabilities	(8,242)	(9,680)	(10,536)	(10,320)
Deficit in the scheme	<u>(62,893)</u>	<u>(31,952)</u>	<u>(22,306)</u>	<u>(36,918)</u>

32. Pension Schemes (continued)

Analysis of the amount charged to income and expenditure account

	2009 £'000	2008 £'000
Service cost	4,477	4,844
Past service cost	79	1,475
Curtailment and settlements	<u>490</u>	<u>183</u>
Total operating charge	<u>5,046</u>	<u>6,502</u>
Analysis of net return on pension assets		
	2009 £'000	2008 £'000
Expected return on pension scheme assets	6,842	7,133
Interest on pension liabilities	<u>(8,555)</u>	<u>(6,956)</u>
Net return on assets	<u>(1,713)</u>	<u>177</u>

Amount recognised in the statement of total recognised gains and losses (STRGL)

	2009 £'000	2008 £'000
Actual return less expected return on pension scheme assets	(17,311)	(11,770)
Experience gains and losses arising on the scheme liabilities	2,004	(9)
Changes in financial and demographic assumptions underlying the present value of liabilities	<u>(15,255)</u>	<u>3,168</u>
Actuarial loss recognised in STRGL	<u>(30,562)</u>	<u>(8,611)</u>

The amount of the actuarial gain relating to changes in financial assumptions for the year ended 31 July 2009 is £15,255,000 (2008: £4917,000). The cumulative actuarial loss recognised in STRGL as at 31 July 2009 is £38,717,000 (2008: loss of £8,155,000).

Movement in deficit during the year

	2009 £'000	2008 £'000
Deficit in scheme at 1 August	(31,952)	(22,306)
Current service cost	(4,477)	(4,844)
Employer contributions	6,380	5,290
Past service costs	(79)	(1,475)
Curtailment and settlements	(490)	(183)
Net return on assets	(1,713)	177
Actuarial loss	<u>(30,562)</u>	<u>(8,611)</u>
Deficit in scheme at 31 July	<u>(62,893)</u>	<u>(31,952)</u>

32. Pension Schemes (continued)

Analysis of movement in the present value of the scheme liabilities

	2009 £'000	2008 £'000
At 1 August	126,186	117,970
Current service cost	4,477	4,844
Contributions by members	1,986	1,795
Past service costs	79	1,475
Curtailment and settlements	437	183
Liabilities extinguished on settlements	(617)	-
Interest cost	8,555	6,956
Actuarial loss/(gain)	13,251	(3,159)
Estimated unfunded benefits paid	(480)	(602)
Estimated benefits paid	(3,087)	(3,276)
At 31 July	150,787	126,186

Analysis of movement in the fair value of the scheme assets

	2009 £'000	2008 £'000
At 1 August	94,234	95,664
Contributions by members	1,986	1,795
Employer contributions	5,900	4,688
Contributions in respect of unfunded benefits	480	602
Assets distributed on settlements	(670)	-
Expected return on assets	6,842	7,133
Actuarial loss	(17,311)	(11,770)
Estimated unfunded benefits paid	(480)	(602)
Estimated benefits paid	(3,087)	(3,276)
At 31 July	87,894	94,234

History of experience gains and losses

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Difference between the expected and actual return on assets	(17,311)	(11,770)	4,143	6,005	7,877
% of scheme assets	(19.7%)	(12.5%)	4.3%	7.3%	11.8%
Experience gains/(losses) on scheme liabilities	2,004	(9)	(1)	(385)	(6,638)
% of scheme liabilities	1.8%	0.0%	0.0%	(0.3%)	(6.3%)
Total actuarial (losses)/gains recognised in STRGL	(30,562)	(8,611)	15,924	(2,215)	(10,162)
% of scheme liabilities	(20.3%)	(6.8%)	13.5%	(1.9%)	(9.7%)

32. Pension Schemes (continued)**Employers and employee total contributions**

	Employer £'000	Employee £'000	2009 Total £'000	2008 Total £'000
Contributions to TPS	5,960	2,831	8,791	8,072
Contributions to LGPS	6,380	1,986	8,366	6,451
Contributions to USS	<u>38</u>	<u>24</u>	<u>62</u>	<u>57</u>
Total contributions	<u>12,378</u>	<u>4,841</u>	<u>17,219</u>	<u>14,580</u>

Employer contributions to LGPS includes £694,000 in respect of contributions made as part of the restructuring exercise.

33. Capital Commitments

	2009 Group £'000	2009 University £'000	2008 Group £'000	2008 University £'000
Commitments contracted at 31 July	6,274	5,095	10,351	6,793
Authorised but not contracted at 31 July	<u>21,163</u>	<u>21,163</u>	<u>32,457</u>	<u>32,457</u>
	<u>27,437</u>	<u>26,258</u>	<u>42,808</u>	<u>39,250</u>

34. Access to Learning Funds

	2009 £'000	2008 £'000
Balance at 1 August	10	33
Funding council grants received	502	646
Interest earned	<u>11</u>	<u>13</u>
	523	692
Disbursed to students	(494)	(664)
Administration charges	<u>(15)</u>	<u>(18)</u>
Balance at 31 July	<u>14</u>	<u>10</u>

Access to Learning Funds are available solely for students; the University acts only as paying agent. The grants and related disbursements are accounted for as agency arrangements and are therefore excluded from the income and expenditure account.

35. Prior Year Adjustment

The income and expenditure account, and associated notes, for 2008 have been restated in respect of the restructuring costs for that year amounting to £2,138,000 which have been reanalysed as an exceptional item and are now shown on the face of the income and expenditure account.

There is no impact on the final deficit or group reserves for 2008 as a result of this restatement.

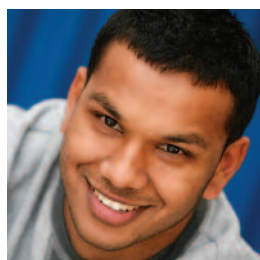
36. Related Party Transactions

All transactions detailed below were undertaken at an arms length basis in accordance with the normal agreements between customers and suppliers. As at 31 July 2009 the University has written off an amount due of £113,000 from the FIT Corporation Limited.

Name of entity	Value of services delivered	Value of services received	Amount outstanding at 31 July
Year ended 31 July 2009			
University of Hertfordshire Students' Union	£849,000*	£14,000	£4,000
East of England IDB Limited	£1,081,000	-	£271,000
Yorkshire & Humberside IDB Limited	£242,000	-	£17,000
Year ended 31 July 2008			
FIT Corporation Limited	-	-	£113,000
University of Hertfordshire Students' Union	£661,000*	£104,000	£32,000
East of England IDB Limited	£1,039,000	-	£789,000

* This includes the Students' Union Subvention of £585,000 (2008: £643,000).

Board of Governors and Committees of the Board Concerned Directly with Finance



Memberships from 1 August 2008

Board of Governors

Independent Members

Mrs J L Connell (*Chairman*)
Professor M Elves
The Rt Revd C R J Foster
Mr D J Goodridge (*from 1.9.09*)
Mr C J Gordon
Mr A P Graham
Mr J T Harrison
Mr J K Heywood
Mr N F Matthews
Mr G Morrison
Mr J F H Park
Mr R J Smith (*to 31.8.08*)
Lady Staughton
Mr P N Woollacott (*to 31.8.08*)

Vice-Chancellor

Professor R J T Wilson

Member Nominated by the Academic Board

Dr H C Barefoot (*to 31.8.09*)
Mrs L Karstadt (*from 1.9.09*)

Students' Union

Mr R Valdiny (*to 30.6.09*)
Miss D S E Hamlet (*from 1.7.09*)

Co-opted Members

His Honour Judge Michael Baker
Mr P L Block (*from 1.9.09*)
Mrs M M Connelly (*to 31.10.09*)
Mr N Dahad (*to 31.8.09*)
Dr G M Dalley (*to 12.2.09*)
Ms L B Haye
Miss J L McCue (*from 1.9.09*)
Dr L Mitchell
Dr A V Stokes
Sir Michael Tomlinson (*to 31.8.09*)

Audit Committee

Mr J T Harrison (*Chairman*)
Mr D J Goodridge (*from 1.9.09*)
Mr A P Graham
Mr J K Heywood (*to 31.08.08*)
Mr N F Matthews
Dr L Mitchell
Dr A V Stokes (*from 1.9.08*)

Remuneration Committee

Mrs J L Connell (*Chairman*)
The Rt Revd C R J Foster
Mr C J Gordon
Mr J T Harrison
Mr N F Matthews (*from 1.9.08*)
Lady Staughton

Finance and General Purposes Committee

The Rt Revd C R J Foster (*Chairman*)
Mr P L Block (*from 1.9.09*)
Mrs J L Connell
Mr N Dahad (*to 31.8.09*)
Professor M Elves
Mr J K Heywood (*from 1.9.08*)
Mr C J Gordon
Miss J L McCue (*from 1.9.09*)
Mr G Morrison
Mr J F H Park
Mr R J Smith (*to 31.8.08*)
Professor R J T Wilson
Mr P N Woollacott (*to 31.8.08*)

Bankers

Barclays Bank Plc, St Albans

Auditors

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Hemel Hempstead





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