

Annual Report and Accounts | 2011/2012





1952

Elizabeth II becomes Queen
Britain tests first nuclear bomb
NME publishes first UK singles chart
Hatfield Technical College opens with 1,500 students

1958

Opening of UK's first motorway
Donald Campbell breaks water speed record
First edition of Blue Peter
College is redesignated as Hatfield College of Technology



1961

Yuri Gagarin becomes the first man in space
John F Kennedy inaugurated as President of the United States
Construction of the Berlin Wall begins
Hertford College of Technology becomes one of twenty five regional colleges in England and Wales

1969

Neil Armstrong becomes the first man to walk on the moon
The Beatles have their finale on the rooftop of Apple HQ
Concorde flies for the first time
Hatfield College of Technology redesignated as Hatfield Polytechnic



1976

Apple Computers launched
First commercial flight by Concorde
The United States celebrates its bicentennial
Hatfield Polytechnic takes over Balls Park

1988

Hubble Space Telescope operational
Australia celebrates its bicentennial
Summer Olympics held in Seoul
Hatfield becomes one of only eight polytechnics to be accredited for research degrees



1992

Bill Clinton becomes US President
Major fire at Windsor Castle
First SMS sent from Newbury in Berkshire
Hatfield Polytechnic becomes the University of Hertfordshire

2002

Euro becomes the official currency of 12 European Union members
Queen Elizabeth II celebrates her Golden Jubilee
Congestion charge launched in the UK
University of Hertfordshire celebrates its 50th Anniversary

2010

First Coalition Government since World War II
Icelandic volcano causes major air traffic disruption in Europe
Winter Olympics in Vancouver, Canada
University named Times Higher Education Entrepreneurial University of the Year



2012

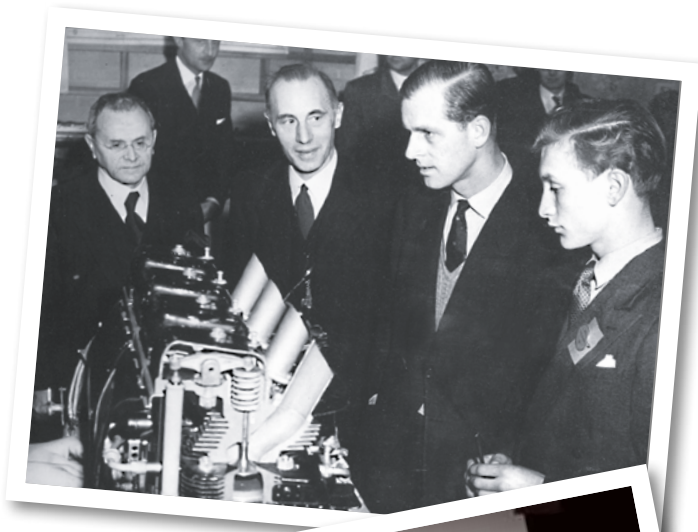
Queen Elizabeth II celebrates her Diamond Jubilee
London 2012 Olympic and Paralympic Games
100th anniversary of the sailing of the Titanic
University of Hertfordshire celebrates 60 years of excellence in higher education

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Chairman's statement



2012 has been a momentous year for our University. In 1952, the Hatfield Technical College was opened on the College Lane site by HRH Prince Philip The Duke of Edinburgh and 2012 marks the 60th anniversary of the University and its predecessor institutions. Throughout the year, we have celebrated our 60 years of achievement with a series of events and initiatives. A keynote event was our Alumni Associateship re-union, where over 500 alumni from institutions that predate the University attended a series of ceremonies to receive an award of Associateship of the University of Hertfordshire (AUH). The award recognised the contribution that those who attended our predecessor institutions have made to the development of the University. A history of the University, assembled by a team led by our historians, was published to mark our 60 years, and the stories told as the history unfolds demonstrates clearly the ethos of the University and why we have developed into the leading business-facing university in the country.

Chairman's statement



2012 was also a momentous year for our country as we celebrated the Queen's Diamond Jubilee and the 2012 Olympics. The University contributed to the great success of the Olympics. Hertfordshire was the home of the white water events in the Lea Valley Park and the University played an

active role in the preparations made by the county. We provided park-and-ride facilities for the white water events and played host to over 1,500 police officers from all over the United Kingdom, who provided reinforcements to the Metropolitan Police over the games period. The police stayed in the University's halls of residence making it one of the busiest summers ever for our residences team. Some of our elite sports performance facilities were used by several of the teams and finally, last but not least, a number of buses from our UNO buses fleet joined the Olympic Games transport fleet.

In the higher education sector it is a time of great change and much of the year was dominated by consideration of the impact of the new student fees regime upon the University and the sector as a whole. The Board has determined that the University will build on its distinctive position as the leading business-facing university and ensure the University is even more relevant to the needs of society and students.

An important investment in shaping the future development of the University is our 2020 vision for the University estate. We have selected a preferred bidder for the exciting project to rebuild our residences at College Lane replacing them with 3,000 study bedrooms and supporting communal facilities. Communal learning and circulation space has been created in the Atrium outside the Weston Auditorium of our de Havilland campus over this recent summer and the Board has agreed plans to replace many of our teaching buildings on the College Lane campus. Earlier in the year HRH The Duke of Gloucester opened the £13 million Law Court Building on the de Havilland campus.

Equally, the University needs a sound financial base for the development of our distinctive mission and for improving our residential, teaching and research facilities and thereby enhancing the quality of the

students' experience. These accounts declare a surplus of £17.7 million, which even taking into account the better than expected FRS17 statement, is a substantial achievement. Coupled with last year's good results, it places the University in a strong position even with the evidence of more variable recruitment arising from the introduction of the new fees regime.

Our confidence in the future has been reinforced further by our ranking in two world league tables. The Times Higher World University Rankings for 2011/12 placed the University in the top 350 and, therefore, in the top 4% of the over 7,500 universities in the world. We also featured in the Times Higher top 100 under 50 (years old) world university rankings where we were placed 62nd out of the thousands of universities in the world founded after 1962. Having the University appear in the Shanghai Jiao Tong Academic Rankings of world universities, which is a ranking of the top 500 research intensive universities in 2008 and 2009, means that the University is the only post-1992 institution in the UK to have appeared in three separate world rankings. This recognition has confirmed our international standing and reputation and should do much to maintain strong international recruitment - despite all the issues surrounding the pronouncement of the UK Border Agency on other universities.

Our students have also posted many successes notably:

Student Scott Paulin spent two months collecting research data in the Antarctic. His research focused on nutritional and stress hormone profiling of elite athletes taking part in the South Pole Ultra-Endurance Challenge. In the Centenary Race to the South Pole (2012), to commemorate Captain Scott's Antarctic journey, post-graduate Scott has made his own history as he became the first student to not only undertake this type of research but also the first student to be funded by the race sponsor company, Extreme World Races.

Masters students on our Journalism and Media Communications Programme collaborated with local charity Act for Change to write articles and design a teenage appropriate layout for three editions of the magazine Get Ahead. The innovative new publication was designed to increase aspirations amongst local school pupils and the programme is one of the few postgraduate courses where students have been given the opportunity to launch and promote a new magazine.

Chairman's statement

Our innovative approach to the student learning experience was clearly demonstrated in the 'Imagine an App' competition launched in February, which encouraged students to submit ideas for an App designed to improve the study experience. The finalists were invited to pitch their idea to a panel and the result of the first UK Higher Education University-wide competition was the winning entry 'Buddy Study'.

Our Fashion Design and Marketing students have shown the industry their talent, designing and producing an entire autumn outfit for international fashion retailer, Boden. The University teamed up with Boden to create an industry based project for second year students and sixty-six students faced the challenges of real-life fashion design and production to create an outfit which met industry standards.

Fittingly, our students and staff have been recognised within the sector for their entrepreneurial and enterprise activity. We won two awards at the National Enterprise Educator Awards (NEEA) recognising our commitment to supporting student and graduate entrepreneurship. As the only institution to be nominated in three categories, staff and student teams were rewarded for their excellence

in enterprise at the International Entrepreneurship Educators Conference (IEEC). Team Venture, led by University academics, won the Enterprise Educators award for transforming the enterprise curriculum and the Herts Entrepreneurs, a student led enterprise society, won the Student Educators award for supporting peer learning and development. The Enterprise Team also received a highly commended award in the Enterprise Society Champions category for supporting, growing and engaging their student enterprise societies.

All these achievements would not be possible without the commitment and talents of the staff of the University, to whom the Board and I express our gratitude especially amongst the challenges of a changing environment for higher education. My thanks also go to the on-going commitment of the Board of Governors who freely give of their time and experience to ensure the continuing success of the University.



Mrs Jo Connell
Chairman
Board of Governors



Operating and Financial Review

Strategic Plan

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, commerce and the public sector. 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.

This academic year the Vice-Chancellor has undertaken a mid-term review of the 2012 Strategic Plan. The revised strategic plan is based upon the excellent 2010/2015 strategy and has not radically changed but embraces activities that have taken place over the last three years. The refreshed plan reflects key institutional and sector changes, such as Student Charter, Graduate Attributes and increased undergraduate tuition fees.

In addition, the Board of Governors had asked the Chief Executive's Group to review the 2010/2015 strategy to ensure a more coherent flow from the strategic plan to the sub-strategies with clearer linkage to the University's Key Performance Indicators (KPIs) and the revised plan incorporates these changes. The 2012/2015 strategic plan will be in use for the next three years until we develop the new 2015/2020 strategy.

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

To be 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 is supported by a detailed strategy and action plan. A set of Key Performance Indicators for each area provides the basis for monitoring progress and help to define the future size, shape and profile of the University.

Key Performance Indicators (KPIs)

The University has adopted a revised set 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, general management and organisational development. Key facts and figures relating to student recruitment are set out on pages 8 to 10 and financial data on page 11 to 18.

The KPIs are monitored constantly by the Board of Governors and are updated on an annual basis. The Group has committed to meet its financial targets and its UK undergraduate tariff target.

Operating and Financial Review

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, a number of 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, 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 Board of Governors receives a risk report as part of the normal business of their meetings. We have appointed a risk manager who has collated all of the updated risk registers from each of the business units. This process informs the top risks register compiled by the Vice-Chancellor and discussed by the Board at each meeting.

The current economic climate and events pose a significant financial risk to all businesses 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.

Student facts and figures

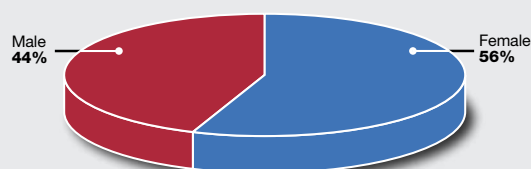
Student profile

Student numbers have decreased slightly from a total enrolment of 27,700 in 2010/11 to 27,230 in 2011/12. This includes students based at consortium colleges and other partner institutions. The student population has stabilised over recent years in accordance with the strategic plan.

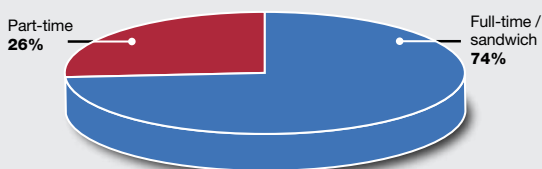
Distribution of Higher Education students in 2011/12 compared with 2010/11 was as follows and is illustrated in the tables and charts below.

- 56% (2011: 56%) of the University's students were female
- 74% (2011: 74%) were full-time/sandwich of which 78% (2011: 73%) were first degree students
- 26% (2011: 26%) were part-time, 41% (2011: 41%) of whom were postgraduate (taught (PGT) and research (PGR))
- The University continues to offer a very wide range of subject mix with business and subjects allied to medicine being the most popular. There has been growth in the areas of education and the creative arts.
- The student ethnic mix also continues to be diverse.

Gender 2011/2012



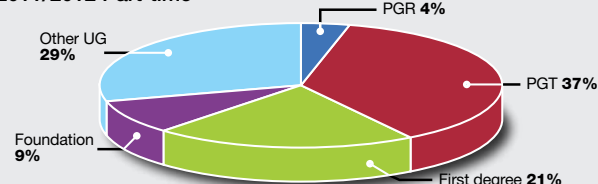
2011/2012 Mode split



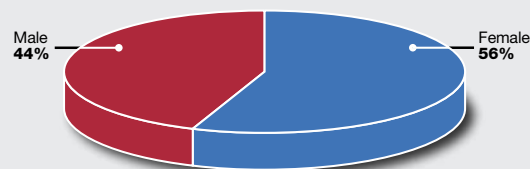
2011/2012 Full-time / sandwich



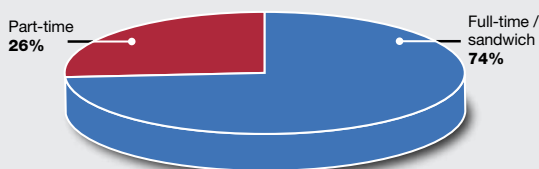
2011/2012 Part-time



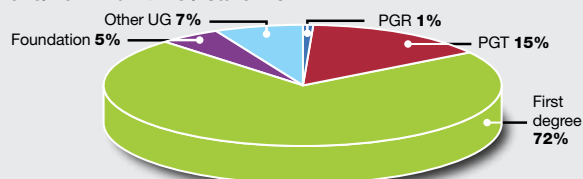
Gender 2010/2011



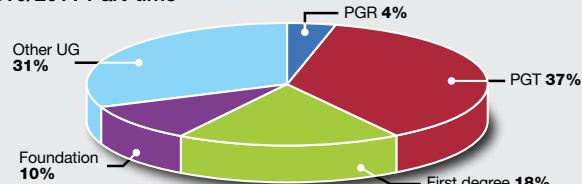
2010/2011 Mode split



2010/2011 Full-time / sandwich

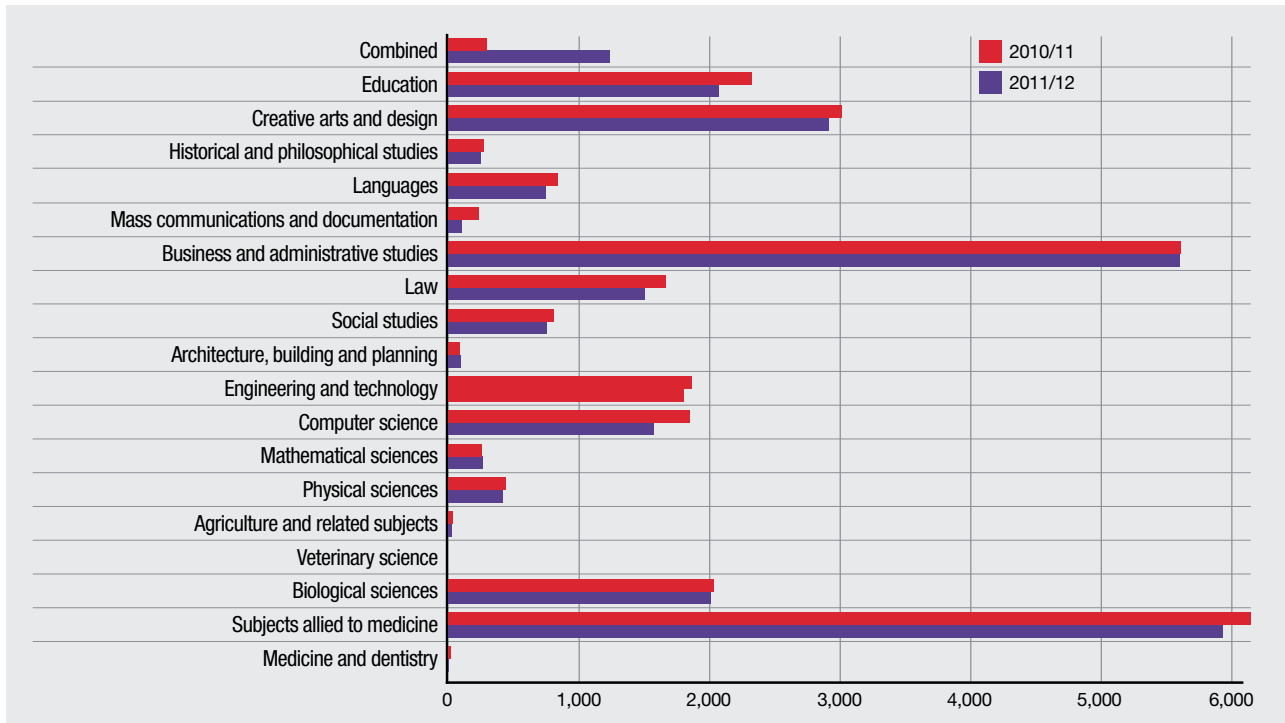


2010/2011 Part-time



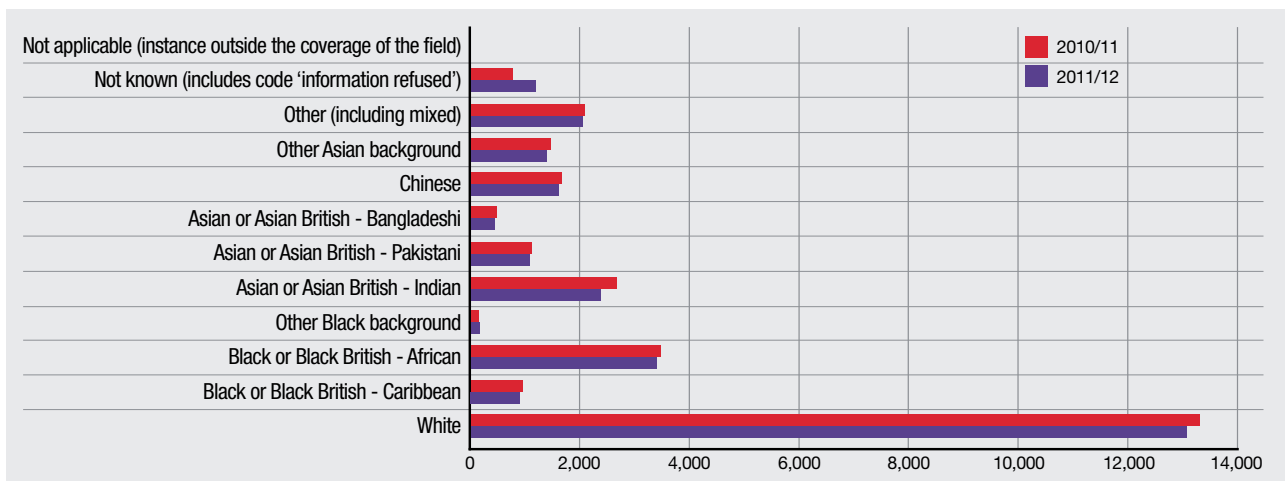
Operating and Financial Review

Total number of students by subject area



During the year the University re-classified its joint honours provision as combined.

Total number of students by ethnicity



Additionally:

- 97.5% of young full-time first degree entrants in 2010/11 were from state schools compared to 88.7% for the sector as a whole (*total UK*).
- 40.3% of young full-time first degree entrants in 2010/11 were from socio-economic groups 4, 5, 6 or 7, compared to 30.6% for the sector as a whole (*total UK*).
- 86.6% of young full-time first degree entrants from low participation neighbourhoods continue or qualify at the University, compared to a sector figure of 87.7% (*total UK excluding institutions in Scotland*).

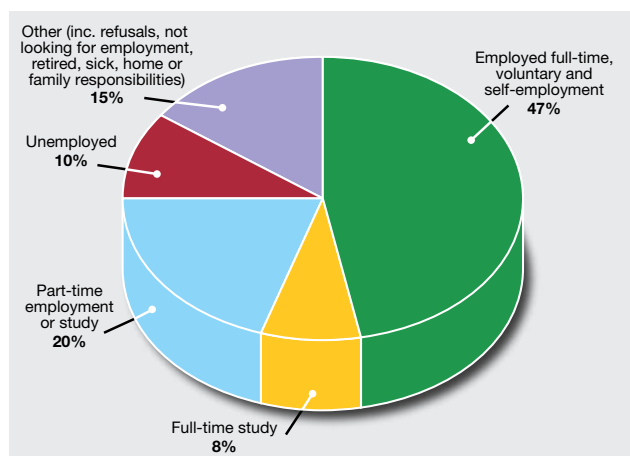
Operating and Financial Review

Destination of Leavers from Higher Education (2010/11 students surveyed in 2011/12)

The Destination of Leavers from Higher Education (DLHE) is an annual survey reviewing destinations of students six months after they have left higher education, in this case between August 2010 and July 2011. In this period all graduates were surveyed with a response rate of 85%. Of the responses received the cohort that determines our Times graduate employment league table position is the home, full-time, first degree students. The employment rate for this group is 86.6%, a slight fall from the 88.5% of the previous year.

Employment status of full-time, first degree, UK domiciled only graduates

The chart shows only the full-time, UK, undergraduates, UK domiciled. This is the subset most frequently analysed by publishers such as The Times and Guardian.



Other highlights from this survey indicated that:

- Most of our graduates are opting to work in the East, followed by London and the South East. There are 37 graduates working overseas.
- 48% of graduates work for large organisations (more than 250 employees).
- There is a slight increase in self-employment, 133 graduates this year compared to 118 last year.
- The average salary band is similar to last year, between £20,000 and £24,999.

Research and Knowledge Transfer

The University continues to focus its research activities on applied research in collaboration with and in support of external organisations, with the wide-ranging impacts from its research projects highlighted in a new publication entitled, *Shaping the Future*, which was extensively circulated in the UK and abroad.

In a difficult external economic climate the University's research income held steady at £8.4 million, despite a significant fall in income, signalled last year, from Knowledge Transfer Partnerships. Researchers in the health disciplines secured more than £1.7 million in research funding from the National Institute of Health Research and NHS Trusts. The University was also awarded substantial research contracts from the Defence Science Technology Laboratories of the Ministry of Defence, the Department for the Environment, Food and Agriculture, the Environment Agency and the Food Standards Agency. These awards will facilitate future research impact in the following years.

The University has continued to be successful with the UK Research Councils, winning research grants with a total value in excess of £1.4 million across a diverse range of disciplines including the Arts and Humanities, Agriculture, Astronomy, Computer Science, and Physics. This was against a background of Demand Management policies intended to reduce the number of grant applications to the Research Councils, which the University has embraced implementing an enhanced mentoring approach designed to improve the quality of its bids.

It is pleasing to note that the University's European Union (EU) research income increased by 27% in the past year to £2.8 million. Success has been achieved across a range of EU funding streams including a Marie Curie Fellowship and two EU research tenders in Life Sciences, an ICT collaborative project in Computer Science, and a Lifelong Learning project in Social Work.

The University is well advanced in its preparations for the 2014 Research Assessment Framework (REF) assessment of research. A first mock REF exercise has been undertaken which has involved sixteen trial submissions being sent out to over 40 external assessors for their expert review. All assessors have been members of previous research assessment panels. A second mock REF will take place early in 2013. In addition, a Research Impact Editorial Consultant has been appointed to support the development of the necessary research impact case studies which are a new feature of the funding councils' research assessment.

As a sign of its long-standing commitment to excellent practice in research, the University agreed to support the work of the UK Research Integrity Office, who provided a training session to staff and students which was well attended. Other training

Operating and Financial Review

provided to researchers included a European Research Information day, facilitated by the UK Research Office, and workshops focused on the development of research proposals. The University's strategy and plan for deploying Higher Education Innovation Fund (HEIF) funding during 2011/2015, including knowledge transfer activity, was one of only seven specially commended by HEFCE, and is now published on their website as an exemplar. As part of this HEIF strategy the University has begun to access European knowledge transfer funds as the EU moves to implement its Innovation Union policy objectives. Using this process the first EU Knowledge Transfer Programme led by the University was submitted, under the pilot phase of the new Knowledge Alliances programme.

Some of the negative effects the Comprehensive Spending Review had on public funding for knowledge transfer have now abated, however, confidence amongst businesses is lower than for many years. This had led to a reduction in new partners engaging with knowledge transfer projects and the University's own in-house Knowledge for Business (K4B) scheme. To seek to reverse this trend the University has engaged a specialist telesales partner for promotion of specific activities such as Knowledge Transfer Partnerships (KTP), and established three Business Development Centres focussing on Science and Technology, Health and Social Care, and Creative and Society, each to be led by a development manager.

The University has also launched its own innovation voucher scheme which provides an initial first step for smaller companies to engage, with the intention that they may progress to a KTP programme. Meanwhile the Technology Strategy Board has now relaxed certain funding constraints (for instance around follow-on KTP programmes with established partners) which will be fully exploited in the future.

Finally, to support innovation, the UH Invest scheme provided backing to a further two projects (Pathways2Wellbeing and the QB2 Cube), made two patent applications, secured three trademarks and obtained Registered Design status for the Cube in preparation for licensing opportunities. It also completed investment agreements with one spin-out company and two other ventures.

Financial Review

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.

Results for the year

The consolidated results for the Group for the year to 31 July 2012 are summarised in the following table:

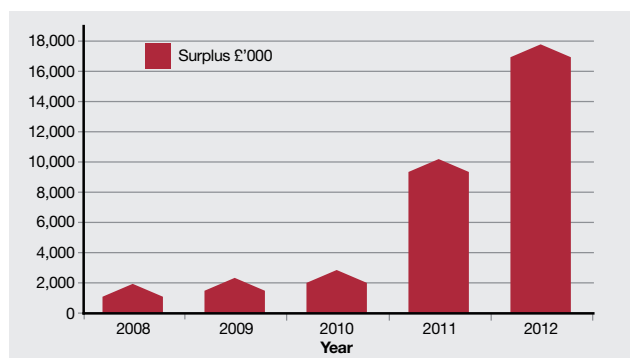
	2012 £'000 (after FRS 17)	2012 £'000 (before FRS 17)	2011 £'000 (after FRS 17)	2011 £'000 (before FRS 17)
Income	237,827	237,827	254,732	254,732
Less: share of income in joint ventures	(4,991)	(4,991)	(23,898)	(23,898)
Total income	232,836	232,836	230,834	230,834
Expenditure	(215,292)	(217,648)	(216,639)	(219,127)
Surplus on continuing operations	17,544	15,188	14,195	11,707
Share of operating profit/(loss) in joint ventures	86	86	(779)	(779)
Taxation	(94)	(94)	(159)	(159)
Minority interest	162	162	-	-
Impairment of fixed assets	-	-	(5,187)	(5,187)
Surplus on sale of fixed assets	12	12	1,974	1,974
Surplus for the year	<u>17,710</u>	<u>15,354</u>	<u>10,044</u>	<u>7,556</u>

The results above are presented before and after the adjustments made under FRS17 to give a clearer understanding of the impact of accounting for retirement benefits. These adjustments increased the group surplus for the year by £2.4million (2011: £2.5 million). Further details can be seen in note 33.

Operating and Financial Review

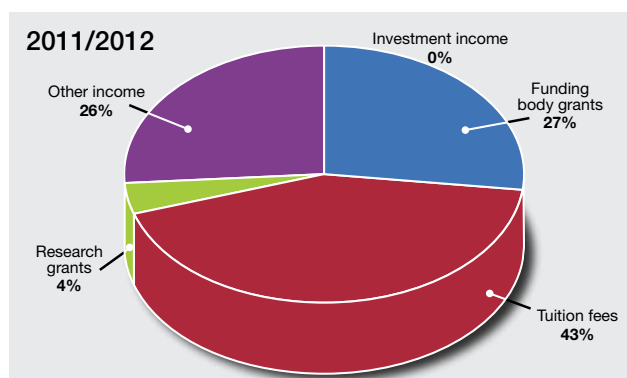
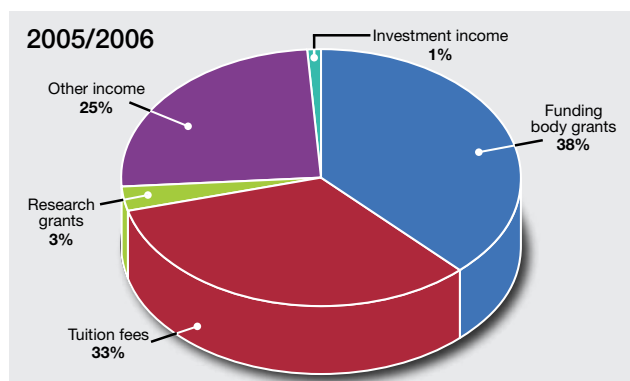
The financial results of the Group for the year show a surplus of £17.7 million, a margin of 7%, and cash of £46 million and demonstrate a strong position in advance of the uncertainties surrounding student choices in September 2012. With the exception of 2003/04, when the outcome was boosted by asset sales of £15 million, the results are the best in the history of the Group.

Group surplus/deficit 2008/2012



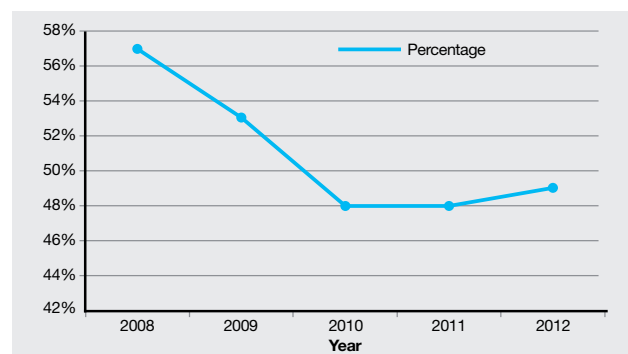
Following the announcement by the Government of substantial reductions in public funding, the Group has embarked on several initiatives to reduce ongoing non-staff costs through enhanced procurement activity, re-specification of its requirements and delivery of several measures to eliminate waste. Investment in financial management has also enhanced the decision-making abilities of senior management. The Finance department was shortlisted for the Times Higher Leadership and Management award in the category of Outstanding Finance department of the year, recognising its contribution to the Group's success.

Changes in income source 2005/06 compared to 2011/2012



Staff costs as a proportion of income remain some of the lowest in the sector.

Staff costs as a percentage of total income 2008/2012



The University continued to deliver its academic and research portfolio, achieving targets in many of its key non-financial measures. UH Holdings Limited, which owns the various commercial subsidiary companies, also delivered a profit in a very demanding economic climate. The activities of the subsidiary companies are detailed on pages 14 to 16.

The deficit in the local government pension scheme, which most non-academic members of staff are members of, has deteriorated to £33 million, as detailed in note 33, due mainly to a substantial fall in the discount rate used to calculate scheme liabilities as Government policy on quantitative easing and the recession generally have impacted the corporate bond market.

The University is mindful of its responsibilities to future students and set its undergraduate fees for UK and EU students starting in September 2012 below the maximum permitted by Government and within the £7,500 average suggested by Government. A tiered approach has been adopted to offer some choice to students in deciding where to study, and the Board believes that this represents very good value for the quality of the experience delivered. A package of support for eligible students will also be offered.

Operating and Financial Review

As a result of this strategy, the University was allocated a further 340 places for students under the core-and-margin arrangement set out by Government.

Capital projects

The Group invested £16.1 million in capital projects including equipment purchases for academic areas, its HR and Student IT systems, on improvements to the BioPark facility in Welwyn Garden City and on a number of vehicle purchases for its bus company, Uno. A plan for redevelopment of the University's

for-profit accommodation operator, Derwent Living. Planning consent and final commercial details will be concluded during 2012/13 and it is expected that work will commence on site in 2013. 3,000 new rooms will be available at the conclusion of the project in 2016, which constitutes 1,500 more than are currently on the College Lane campus. The accommodation is being delivered in three phases from 2014.

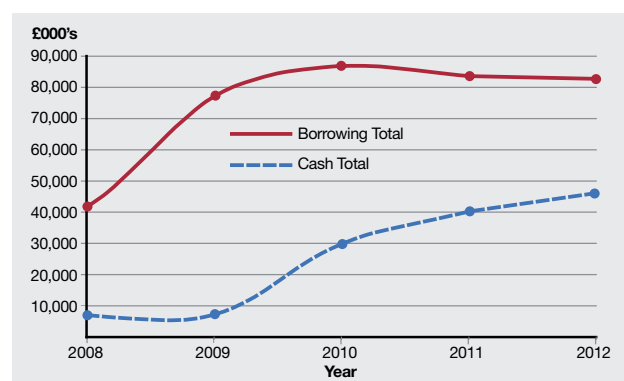
Private Finance Initiative

The Group has, under the terms of the agreement with the PFI provider, 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 Group pays an annual unitary charge for facilities management over the next twenty-one years. At the end of this period (2032/33) ownership of the residences will revert to the University.

Cash flow

Cash during the year increased by £6 million to £46 million as a result of the strong trading performance and lower than expected capital expenditure incurred during project planning stages. Loans and other financing of £2.3 million have been repaid during the year in respect of The Forum, Hertfordshire Sports Village, residences and buses. The graph below shows the Group's cash and borrowings position over the last five years.

Last five years borrowing and cash (Group)



Investment policy and performance

The investment policy of the University provides that deposits are made on the basis of the long-term credit rating assigned by the Fitch global rating agency to the financial institution with which the proposed investment is to be made. Deposit limits with one financial institution range from £1 million to £10 million depending on the rating.



campus facilities and accommodation over the next decade - the £200 million '2020 Estates Vision' - has been formulated and significant management time has been invested in planning each sub-project. The initial sub-project, at the de Havilland site, comprising a new mezzanine informal learning and social space, was completed in Autumn 2012. Work at the College Lane site will commence during 2012 on a new student learning zone.

A project to rebuild student accommodation at College Lane has been developed and the work was awarded to ULiving, a Consortium made up of major developer Bouygues Development and not-

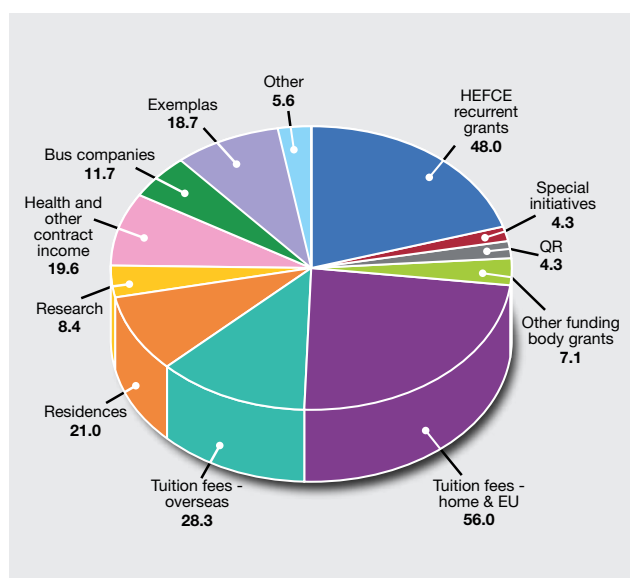
Operating and Financial Review

Commercial activity

In accordance with its business-facing strategy, the University has grown its income from the delivery of a wide range of services to the business community and the general public through its subsidiary companies. The group also holds investments in some small start-up companies and is the majority shareholder in Exemplas Holdings Limited.

The income from the subsidiary companies is an important aspect of the Group's activity amounting to £42 million in 2011/12, and represents 17% of the total Group income.

Source of total Group income 2011/12 (£ million)



The University's main trading subsidiaries with details of their activities in the year are as follows (see also note 13).

Uno

Uno is the trading name of two trading companies, Universitybus Limited and Uno Buses Limited, which together employ over 200 staff. Established in 1992, Uno was designed as a bus service for the University of Hertfordshire. With the continued success of the company and the ever increasing expansion of the route network, Uno was opened to all members of the public and is now a leading public transport operator for Hertfordshire, transporting on average 18,000 passengers on a daily basis. The network extends from Luton in the North to London Victoria in the South with 100 buses operating 75,000 miles per week. Uno is recognised as a major regional transport operator throughout Hertfordshire and surrounding

areas. Uno is a member of the Intalink partnership which brings together Hertfordshire County Council, district councils and the county's bus operators to promote a high quality passenger transport network for the entire county. Uno tenders for routes into London and surrounding urban environments, which will link with existing routes. It remains central to the University in that it ensures that substantial numbers of students and staff can access the University where otherwise they might not.

In 2011/12 the company traded profitably making £847,000 profit before tax. Investment in the fleet continued, notably with the addition of five bendy-buses to be used predominately on the inter-campus route in Hatfield.

The activities of Uno Buses Limited have been incorporated into Universitybus Limited with effect from 1 August 2012, and in September 2012, through a joint venture with the University of Northampton, the company commenced services in Northampton with its prime focus on transporting students to the campuses.

Polyfield Property Limited - Hertfordshire Sports Village

Hertfordshire Sports Village provides opportunities for students, staff and the wider community to get fit, get competitive or just do something different. The Sports Village is actively involved in improving the health and wellbeing of students and staff. In the past year the Sports Village has been a key partner in implementing year one of a three-year Active Students Project (funded from a £350,000 grant from Sport England). The project was required to get an additional 2,500 students active in 2011/12 and we achieved over 3,000 additional Active Students, an excellent result and attributable to the hard work and innovative approach taken by the project team.

The Sports Village has implemented two significant projects aimed at improving the health and wellbeing of University staff. The first was a project working with 50 staff from the department of estates and the second involves working with 60 staff from across the University (and its subsidiary companies). Both projects use an ActiPed (accelerometer) designed to measure activity levels, calories burned and distance covered to motivate participants and include a comprehensive health MOT at the start and end of the intervention to measure improvements. The Sports Village has also continued to offer free health MOTs to staff generally and completed the projects

Operating and Financial Review

with the UNO bus drivers which saw significant improvements, including a significant reduction in sickness absence costs.

The Sports Village also hosts and works with a variety of community and elite sports organisations including Arsenal Ladies FC (women's football), Hertfordshire Mavericks (superleague netball), Hatfield Swim Club (swimming), the English Institute of Sport, Saracens Sport Foundation and the Herts Sports Partnership.

In the Olympic year the Sports Village welcomed the Olympic torch relay, has hosted teams of athletes and officials from Afghanistan, British Virgin Islands and St Kitts & Nevis, a visit from the Head of State of Saint Lucia and has provided excellent health and fitness facilities to the thousands of police personnel based on the de Havilland campus and hosted both the Herts Youth and the Herts School Games (mini-Olympics for young children).

Key achievements in 2011/12 included: over achieving the year one Active Students target by over 20%, the largest ever increase in student gym membership numbers and income, the number of external events held was sustained despite difficult financial times and significant Athletic Union success including our first ever British Universities athletics gold medal (in the Olympic stadium) and our first ever women's football cup final contested against Loughborough University.

Exemplas

For nearly 20 years Exemplas has been at the leading edge in the delivery of business and enterprise support programmes and work based learning activities which focus on the skills development of individuals. Exemplas operates at a local, regional and national level and has three main areas of strategic focus:

- **Into Employment** – Exemplas are one of 32 organisations on the Department for Work and Pensions (DWP) procurement framework the focus of which is to help move individuals into employment. In addition to helping individuals develop the skills and attitudes for PAYE employment, Exemplas also specialises in helping individuals become more economically active through self employment. Exemplas also works with a number of organisations to help unemployed graduates identify and prepare themselves for graduate level employment.
- **Skills Development** – Exemplas has an extensive portfolio of skills development and training programmes. Most of these programmes are delivered in the workplace and largely focus around helping individuals to acquire work base skills particularly around apprenticeship frameworks. Exemplas recently acquired a specialist apprenticeship delivery company to provide seamless progression for individuals from apprenticeships through higher apprenticeships and into foundation degrees. Exemplas also has an extensive portfolio of programmes to help managers and leaders across all sectors improve their performance.
- **Business Services** – Exemplas currently delivers two UKTI regional trade contracts helping SME's identify and access export markets. In addition to this Exemplas provides extensive business information advice and support by either working directly with individuals or through an online platform to a large range of individuals and also through a number of strategic channel partners.

Exemplas is one of the largest providers of business information and advice into the social enterprise sector and they are currently working with a number of strategic partners to deliver a national service.

Exemplas manages one of the largest bio incubator facilities in the UK in the form of BioPark. This facility is currently 85% occupied and has in excess of 30 tenants. In addition to providing incubation facilities, Exemplas also has a state of the art data centre facility that has all the necessary levels of security, resilience and back up for it to become one of the highest specification data centres in the UK and certainly one of the most environmentally friendly. This is seen as a business segment with significant growth potential.

Exemplas has a growing international consultancy business with a number of well-established partners in Saudi Arabia, Oman, Turkey, Kazakhstan, Bahrain and Abu Dhabi. The Exemplas international business focuses on professional qualifications and strategic consultancy. Exemplas also provides advice to Governments on capacity building and advice to private sector clients on performance improvement.

In a tough trading environment, the group broke-even for 2011/12. Having restructured its cost base and with several new bids in progress, Exemplas anticipates returning to profit in 2012/13.

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Evalu8 Transport Innovations Limited

Having been established to accelerate the development and uptake of electric vehicles in the East of England, Evalu8 Transport Innovations Limited has set up the Source East network of 200 charging points across the region with this number set to double in the coming year. Working with both the public sector and commercial enterprises and with its adjacent Plugged-in-Places projects in London, Milton Keynes and the Midlands, it has been tackling head on the issues faced by a new industrial sector.

It now provides additional consultancy to organisations aiming to set up their own networks and specialist training for transport planners. The network itself has already developed into a “living” resource to support research and development in eMobility.

Its work complements the fuel cell research in the School of Engineering and Technology and the wider transport expertise in the Centre for Sustainable Communities.

UH Ventures Limited

The Company now comprises three distinct brands – Cimtech, ConferenceHertfordshire, and academic work undertaken for external clients. This follows substantial corporate restructuring during 2011 to rationalise the number of subsidiary companies in order to improve efficiency. Cimtech’s main area of business is in document management solutions whilst ConferenceHertfordshire manages the Group’s portfolio of residences and conference venues for customers other than students.

Despite exceptionally difficult market conditions, a strong summer conference season and tight cost control resulted in both ConferenceHertfordshire and Cimtech divisions making profits for the year.

ConferenceHertfordshire hosted a large booking for the Metropolitan Police Service and the British Transport Police, with numbers of police officers peaking at over 2,000 on both campuses during the Olympic Games period. Over 45,000 bednights were provided on both de Havilland and College Lane campuses during a nine week period. The success of this booking was a huge achievement for the small events team in view of the logistical challenges posed.

During the year the Bidding and Project Management team secured the University’s first corporate degree with a City-based futures trading and investment

company. The first cohort of students starts their MSc in October 2012. This will complement the on-line distance learning course material that is being developed. Work with a dozen or so major employers offering them a broad range of training and skills development services is being undertaken.

Corporate responsibility

People and culture

The People and Culture enabler underpins the 2010/2015 Strategic Plan.

During 2011/12 the University conducted a major internal re-organisation under the title of ‘Project Agile’. This involved the removal of the faculty layer within the University which had widespread consequences for both the organisational and regulatory structure. The project has presented an opportunity to ensure that academic line management is delivered in a consistent manner. The removal of the faculty structure has been used as a basis to form academic management groups consisting of no more than 15 staff. Four clear line management responsibility statements have been developed which will be part of the job description of any member of staff with the responsibility for people management. This is aimed at providing a much clearer line of sight between a manager and a member of staff and should facilitate the review of teaching and scholarly activity as well as ensuring that appraisal discussions and development plans can become meaningful activities. One of the priorities identified in the 2010 staff survey was managing change, and this influenced the change management approach that was undertaken to deliver Agile. Eight work-stream groups were developed with trade union and staff representation and over 200 staff were involved in focus groups led by the various work-stream groups.

During 2011/12 HR and Occupational Health have been working closely together to develop an approach to managing work related stress. A revised Stress Management Policy and guidance document has been produced in consultation with the recognised trade unions. The aim is that individuals will feel supported at an early stage thus minimizing the possibility of a longer term adverse impact on individual health and work performance.

A wellbeing framework has been established with the aim of bringing co-ordination and direction to the wellbeing related activities and expertise that reside across the University so as to provide a range

Operating and Financial Review

of wellbeing related products and services for staff and students. The group is chaired by the Director of Human Resources. The traditional wellbeing week concept has been developed into a programme of Wellbeing Wednesday's to run throughout the year.

An inaugural University managers conference was held in September 2011 and attended by over 130 managers and leaders from across the institution. The theme of the conference was 'preparing for the future' and briefings were provided from key functions across the University alongside updates on legislation and bite size leadership skills sessions. The evaluations showed 91.5% of attendees felt the conference met their expectations and 93% said they would attend again.

The 12 month pilot for the Professional Staff Development Scheme is now complete. The scheme consisted of a large project, shadowing and sessions on the higher education sector and key functions of the University. For their project the participants organised a very successful staff and student Christmas fair raising nearly £2,000 for charity.

The University hosted the 4th Eastern Region Technical Managers' Network event in February. The theme was leading technical staff in higher education and the Vice-Chancellor, Professor Quintin McKellar, was a guest speaker. This event was attended by 25 technical staff and HR development professionals from nine different institutions.

HR is responsible for ensuring that the University remains compliant with changing employment law. Over the recent period HR has been heavily engaged in ensuring the removal of the default retirement age is handled effectively as well as changes to immigration legislation for international staff recruitment.

There is a close working relationship with the recognised trade unions via formal Joint Negotiating Committees, chaired by a Pro Vice-Chancellor. We have recently reviewed the policy portfolio with the new University and College Union (UCU) executive. The recognised trade unions were involved on the work stream groups for Agile and a new six step process for addressing issues raised at strategic business unit level is under development.

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 promoting equality and valuing diversity, which informs all policies, procedures and activities, is made known to Governors, students and staff, applicants and visitors. The University provides development opportunities on equality for Governors, staff and students.

The University continued to keep policies and practices under review to ensure compliance with the Equality Act 2010. Governors adopted a revised Equality and Diversity Policy, which includes our equality objectives from 2012. Equality policies, and other information showing how the University is meeting the Public Sector Equality Duty, are published at www.herts.ac.uk/equality

The University continues to work closely with a range of partners and networks, including the Equality Challenge Unit, Hertfordshire County Council, Welwyn Hatfield Borough Council, Hertfordshire Partnership NHS Foundation Trust, Hertfordshire Equality Council, Hertfordshire Lesbian, Gay, Bisexual & Transgender Partnership and Hertfordshire Carer Champions for Learning, to advance equality and to foster good community relations.

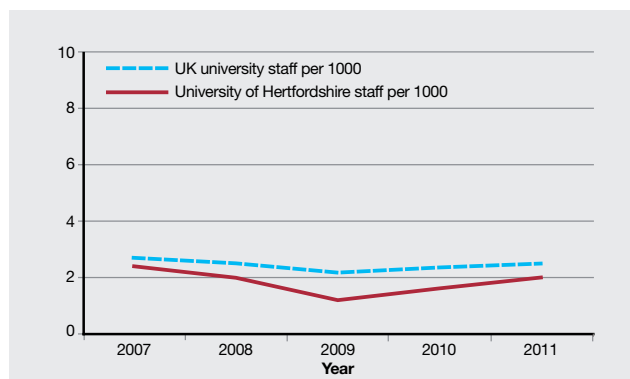
Health and safety

The University has continued to promote a positive safety culture which has been underpinned by focusing on three main themes for safety management. The key themes are: leadership; risk control; and engagement with staff. These main themes have been the core principles used to review safety management during the University structure changes through 'Project Agile'. The Occupational Health and Safety Office have been maintaining an oversight of the Government reviews on safety and responding to them and their impacts for the University.

The University has maintained a low staff accident rate compared to the sector average (see graph below). Different safety monitoring techniques are used to establish assurances that sit alongside a comprehensive safety development programme to support the management of the University's safety risks. This year the University's safety management system was audited and it can be reported that the University has substantial levels of assurance for the control of its health and safety risks.

Operating and Financial Review

Staff accidents compared to UK university average



The University Health and Safety Consultative Committee (HSCC) met three times over the course of 2011/12 with an opportunity for consultation with staff representatives and recognised trade unions, to review and discuss the work of the Occupational Health and Safety Office.

Occupational Health has increased the provision for wellbeing services this year which have included:

- A seasonal flu vaccination programme for the third year running which has been taken up by approximately 20% of staff.
- An occupational physiotherapy service which allows staff to have early access to treatment based on meeting specific criteria.
- Other services include reflexology and chair massages which are available at a negotiated corporate rate to staff.

Sustainability and environment

The University's Environment and Sustainability Team, part of the Centre for Sustainable Communities, and the Department of Estates have shared responsibility for making the University as energy efficient and sustainable as possible. These responsibilities are reflected in the work being carried out at the University and the carbon reduction KPI on which the Environment and Sustainability Team reports via the Infrastructure and Sustainability Group. This year we reported that we reduced our carbon emissions by 14% since 2009/10. The 2020 Estates Vision for development of the University's estate will have a major beneficial impact on our carbon emissions and will further contribute to our sustainability commitments. The new Law Court building is an excellent example of how a very low carbon footprint can be achieved, and it sets the standard for future University developments. The University achieved a First Class People and Planet Green League Award for its work in sustainability this year. The University

is currently in the final stages of implementing EcoCampus, an Environmental Management System (EMS) specifically designed for universities and colleges and which is closely aligned to ISO 14001. The Environment and Sustainability Policy underpins the work carried out under the EMS and is made publically available on our website.

The Infrastructure and Sustainability Group oversees and coordinates the activities of Estates, The Office of the Chief Information Officer, the Environment Team and Procurement in relation to sustainability.

Community

The University's Community Engagement Strategy is based on key areas of activity: social enterprise support, schools outreach, local community support, culture and sport, public engagement, and strategic partnerships.

The Social Enterprise Unit's contribution to local organisations over the year had a value in excess of £57,000. More than 800 students supported 49 organisations. Activities included providing volunteers for projects in local charities, fundraising, management, research and consultancy, and hosting meetings and events for local organisations.

Our UK Recruitment and Outreach and Widening Participation teams are very active in local schools and colleges. They hosted the Hertfordshire Higher Education Convention with over 12,000 students visiting the University. Over 400 University students engaged with outreach activity. The University worked with around 450 schools and colleges and engaged more than 40,000 young people with learning activities on campus, including a STEM fair, a residential summer school and a range of masterclasses. The University is a partner in various school trusts and is a major sponsor of The Elstree University Technical College, due to open in September 2013. The University's School Governor Forum helps staff in the University to take on a leadership role in schools and colleges.

The Community Partnership Office (CPO) works with the Police, local council, the University's Students' Union, and others to foster good relationships between the local community and the University. The University funds a joint project with the borough council to tackle issues of noise, rubbish disposal and inconsiderate behaviour and, with the council, launched an innovative Accreditation Scheme for Private Landlords. CPO projects included: Christmas visits and lunch organised by the students for elderly

Operating and Financial Review

and vulnerable Hatfield residents; a safety awareness event for over 6,500 young people; a Diamond Jubilee Fete for local residents.

The University's arts programme, UHArts now has over 100 internal, external, regional, national and international partnerships. These include county, district and other regional authorities, funding bodies such as Creative England and Arts Council England, theatres, concert venues, museums, galleries, commercial and professional artistic partners, and the de Havilland Philharmonic. Eighteen music events and eleven theatre and dance events were staged. Supporting workshops for young people ran alongside many of the events. Film was represented by 38 events and UHArts has presented seven visual arts exhibitions. The opening of a new gallery in the Museum of St Albans led to the showing of five major exhibitions. Attendance at exhibitions has been around 12,000 visits; over 3,300 people have attended theatre events; over 2,100 people attended film events; and over 5,000 people have attended music performances.

The University is valued by its community for the expertise of its staff and takes its expertise into the community through a large number of public lectures, masterclasses, exhibitions, performances, and other activities open to the general public. Major public lectures have included: Contemporary Issues in the NHS; Francis Bacon Lecture Series; Healthcare Forum; Vice-Chancellor's Annual Lecture; and the Chancellor's Lecture (Lord Hennessy).

The University has formal partnerships with local councils. Projects with Herts County Council include: a successful bid for The Elstree UTC; development of teacher training initiatives; and development of a climate change strategic framework. With St Albans District Council, the University is a leading partner in Network St Albans, a programme to develop

an integrated public transport system; the two organisations have worked together on moving the Margaret Harvey Gallery to the Museum of St Albans, and are in discussions about the further development of cultural activities in the City. The University's Centre for Sustainable Communities is leading the Welwyn Hatfield Task and Finish Group on Climate Change and has started a project on food security and wellbeing. The Vice-Chancellor is a member of the Hertfordshire Local Enterprise Partnership Board and the University is represented on three of the four programme groups which report to the Board.

Charitable Trust

On 21 October 2009 the University became the sole trustee of the University of Hertfordshire Charitable Trust whose objects are to support the advancement of teaching and research and students at the University. Major corporate donors of the Charitable Trust are shown on Page 71.

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.



P E Waters
Secretary



A Moffat
Group Finance Director

Date: 27 November 2012

Statement of the responsibilities of the Board of Governors and internal control

The Board of Governors is responsible for keeping adequate 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 accountable officer, 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. At the University of Hertfordshire the designated accountable officer has been identified as the Vice-Chancellor.

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 and 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 and other funding bodies 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 prevent and detect fraud and other irregularities
- secure the economical, efficient and effective management of the University's resources and expenditure.

In so far as each of the Governors is aware:

- there is no relevant audit information of which the University's auditors are unaware; and
- the Governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Statement of internal control

The Board of Governors acknowledges its responsibility for ensuring that an effective system of internal financial control is maintained and operated by the University of Hertfordshire Group. 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 using KPIs as appropriate
- 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:

Statement of the responsibilities of the Board of Governors and internal control

- 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 2012 and up to the date of approval of the financial statements, and accords with HEFCE guidance.
- 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 Making Sense of Leading. This is 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.

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 managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- The Audit Committee provides an oversight of risk management.

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'. A further visit was scheduled for September 2012 by HEFCE as part of its HEFCE Assurance review programme. The overall conclusion of the Auditor following this visit was that at this time, they were able to place reliance on the University's accountability information.

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.

Statement of the responsibilities of the Board of Governors and internal control

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 2012, 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, and a value for money programme has been approved.

Returns to HEFCE and HESA (Higher Education Statistics Agency)

As part of the annual accountability return to the funding council, from autumn 2009 the Chairman of the Audit Committee was required to complete and sign various documents before submission. Discussion with the Funding Council took place over 2009/10 who confirmed that they sought assurance on the process. The Audit Committee can give full assurance on the processes associated with these returns submitted during 2011/12 and this assurance is also confirmed in the Annual Report of the Audit Committee to the Board of Governors for 2011/12. This has also formed part of the HEFCE Assurance Review visit in September 2012.



Statement of Corporate Governance

The following statement is provided to enable readers of the financial statements of the University to obtain a better understanding of the governance and legal structure of the University.

The University endeavours 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, and is a charity exempt from registration. 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. Minor changes to the Instrument and Articles of Government were approved by the Privy Council to take effect on 1 September 2012.

The Board of Governors is the overall 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. The full list of the Board of Governors is shown on page 68.

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, 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 accountable 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 met eight times during the academic year. Average attendance 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 was handled initially by committee, in particular the Finance and Employment Committee and the Governance and 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, these committees are composed of independent and external co-opted members of the Board. The decisions of all of these committees are reported formally to the Board.

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 Deputy Vice-Chancellor, the Group Finance Director 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.

Statement of Corporate Governance

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.

Activities of the Board

The Board met on seven occasions during the year (18 October 2011, 22 November 2011, 31 January 2012, 20 March 2012, 8 May 2012, 12 June 2012 and 9 July 2012) and also for an Awayday in February 2012 where it considered the academic portfolio of the University. It again proved a busy year for the Board as it focussed its attention upon the likely changes to the University and the sector with the introduction of the new student fees regime in September 2012.

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 first meeting of the Board in October considered the annual report of the Vice Chancellor to the Board where he reflected upon an exceptional performance for the University in 2010/11 with a strong financial showing and the exceeding of many of the Key Performance Indicators (KPIs) set by the Board. KPIs were approved and updated for 2011/12.

The Board was briefed thoroughly on student recruitment for 2011/12 and was pleased to learn that the University had recruited within the numbers set for funded home undergraduate students by the Higher Education Funding Council for England (HEFCE). International recruitment had also been satisfactory. However, the Board considered the main risks for the University and the sector at large remained both home and overseas student recruitment especially in the light of the impending introduction of higher student fees from September 2012.

With this in mind the Board emphasised the importance of the distinctiveness of the University as a business-facing institution, its reputation and standing through evidence such as the various world and national university league tables, the National Student Survey (NSS), and the quality of the experience it offered to its students. Accordingly, there was much focus on student related issues. Presentations were made on the student experience and a Student Experience Strategy, employment and

entrepreneurship, innovation and enterprise, learning and teaching and the development of the estate under the 2020 Estates Vision to create an outstanding environment in which individuals could study, learn and research. The Board approved further stages of Phase 1 of the project to upgrade the teaching facilities at College Lane and at the July 2012 meeting approved a ground breaking project with commercial partners to completely redevelop the residences at College Lane creating 3,000 student study bedrooms and communal facilities - one of the largest projects of its kind in UK Higher Education.

An academic collaboration with one of the University's long standing college partners was agreed to create a venture which would be able to attract those who might otherwise seek their higher education in the growing private sector. The venture would eventually take the form of a University College and would, it was hoped, be able to seek its own awarding powers after it had established itself.

The Students' Union gave a presentation on the expanding scope of its work with the student body and how, with the growing success of the Forum as an event and social space for not only the student body but the wider community, the Union was making real progress in generating a real sense of community amongst the student body. A particular initiative was the re-establishment of house (which were halls based) societies to foster identity amongst students as soon as they arrived at the University.

The Board was particularly pleased to learn of the University's placings in various league tables as reported in the Chairman's Statement. Such acknowledgement was important given the continued public attention to the pronouncements of UKBA on migration and student visa issues. Without a strong international reputation the University would struggle to recruit overseas students. A presentation was given to the Board on the development of the University's broader international agenda which involved strengthening links with selected institutions abroad and further work on on-line delivery. There was considerable discussion on how best to develop the relationship with a long standing partner in Greece albeit in the context of the difficult economic climate in that country.

Presentations were also made on other central aspects of the life and work of the University. Progress on developing the research profile of the University was reported as was implementation of the community engagement strategy and the Board

Statement of Corporate Governance

debated and agreed an update of the Strategic Plan to link the plan with its key underpinning strategies. Close attention was paid to the financial health of the institution particularly with the demands of the 2020 Estates Vision and the Board at each meeting received the Financial Management Report. The Board considered the accounts and the budget and the five year forecast for submission to the Funding Council. A close eye was also kept on risk with each meeting receiving an updated strategic risk register. Developments in the companies were kept abreast of with the Board being particularly pleased of initiatives to set up a bus joint venture with the University of Northampton and of the role of the University as a member in a new University Technical College in Elstree. The Board considered a revised Equality and Diversity Policy and the annual health and safety report.

During 2011/12 the University conducted a major internal re-organisation under the title of 'Project Agile'. This involved the removal of the Faculty layer within the University which had widespread consequences for both the organisational and regulatory structure and the Board received regular reports and agreed a number of consequential constitutional changes. A revised composition of the Academic Board and its committees were agreed as were revised arrangements for academic appeals and student discipline and appeals.

Measures agreed by the Board as part of its five year review of its own effectiveness completed in session 2010/11 continued to be implemented and the Board progressed its submission to the Privy Council to revise the Instrument and Articles of Government. The Board carried out a review of the operation of the University's Charitable Trust of which the Board was the corporate trustee and agreed that the Charitable Trust should combine its work with much of the work undertaken by the Board's Development Committee and that the Board appoint separate trustees from amongst its own number to supervise the activities of this combined body.

Membership

The Board, through its Governance and Nominations Committee and involving the independent members where required by the Instrument and Articles of Government, considered a whole range of membership issues. Lady Staughton began a term as an independent member for a further term of office until 31 August 2012. Professor Sir Graeme Davies joined the Board as a co-opted member serving in the capacity of a person with experience of education.

Mrs Sharon Harrison-Barker commenced a term of office as the member elected from the professional staff of the University and following his re-election Dr Les Mitchell commenced a further term of office elected from the teaching staff of the University. Ms Erika Masfield joined the Board as a student of the University nominated by the Trustees of the Students' Union.

Proposals from the Governance and Nominations Committee for membership from 1 September 2012 were approved. Mr David Goodridge, Mr Colin Gordon and Mr John Heywood were re-appointed as independent members for further periods of office from 1 September 2012. Ms Jane McCue was re-appointed as a co-opted member for a further term of office. Following her re-election as President of the Students' Union Ms Erika Masfield re-joined the Board to serve as the student of the University nominated by the Trustees of the Students' Union for the period 1 July 2012 to 30 June 2013. The recommendation that Mr Colin Gordon be re-appointed for a further term as Vice-Chairman of the Board and Chairman of the Finance and Employment Committee was also agreed. Mr John Heywood was also re-appointed Chairman of the Audit Committee for a further term.

The Board, at its annual dinner in June 2012, paid tribute to its retiring members. Lady Staughton stood down after many years membership of the Board. Latterly she had served as Chairman of the Development Committee and had been a key member of the link between the wider community, particularly the Court, and the Board. Dr Lyn Karstadt completed her term of office as a teacher nominated by the Academic Board.

Finally the Board established a process by which it could identify and appoint a new Chairman when the term of office of the present incumbent, Mrs Jo Connell, concludes on 31 August 2013. Accordingly the Governance and Nominations Committee had established a search committee led by the Chancellor, the Marquis of Salisbury, and following extensive enquiry and deliberation recommendations were, through the Governance and Nominations Committee, made to the July 2012 meeting of the Board. The Board agreed unanimously to appoint Mr Richard Beazley, Vice Lord Lieutenant of the County of Hertfordshire as Chairman of the Board of Governors for a term of office from 1 September 2013. It was also agreed that Mr Beazley join the Board as an independent member from 1 January 2013.

Statement of Corporate Governance

Public Benefit

The University performs its responsibilities as set out in legislation to carry out teaching and research and in relation to this the University has regard to the Charity Commissioner's Guidance on Public Benefit. The University admits students to its full-time undergraduate programmes on the basis of merit and potential to benefit, and has in place an agreement with the Office for Fair Access (OFFA) to demonstrate that access should not be limited on the grounds of individual financial circumstances. The University engages enthusiastically in a wide range of activities to not only advance education but to the benefit of its wider communities. A statement on charitable status now appears on the governance section of the University website in accordance with HEFCE guidance as regulator on behalf of the Charity Commission.

Going Concern

The Board of Governors is satisfied that the University has adequate resources to continue in operation for the foreseeable future and for this reason the Board consider that the accounts of the Group should be prepared on a going concern basis. The Group has made increasing surpluses in each of the past three years and has cash reserves

at a record high level. The budget for 2012/13 is also indicating the achievement of a surplus and the medium and long-term cash forecasts demonstrate financial sustainability. The University has set fee levels for 2012 entrants at levels which it believes will continue to attract a high level of applications. In each of the past three years, more than six applications were made for each place for UK and EU based undergraduates. The banded fee approach has proved to be attractive for prospective students, giving them a real choice, with the average annual fee for these students being set at less than £7,500.

Investments in fixed assets are carefully reviewed prior to approval. The Executive only undertake such investments with the knowledge that the Group will remain solvent, and will have added value as a result of the investment. Although no new external borrowing is likely to be required in the near-term, the Board is confident that funding would be available from its lenders should the need arise.

The commercial subsidiary companies return payments to the University as Gift Aid each year, further sustaining the academic organisation.





Report of the independent auditor to the Board of Governors of the University of Hertfordshire

We have audited the financial statements of the University of Hertfordshire for the year ended 31 July 2012 which comprise the consolidated income and expenditure account, the statement of Group total recognised gains and losses, the statement of Group historical cost surpluses and deficits, the University and Group balance sheets, the consolidated cash flow statement, the statement of principle accounting policies, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Governing Body, in accordance with the University's articles of government, section 124B (3) of the Education and Reform Act 1988. Our audit work has been undertaken so that we might state to the University's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Governing Body and auditor

As explained more fully in the Governing Body's Responsibilities Statement on pages 20 to 22, the Governing Body are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Education and Reform Act 1988 and report in accordance with that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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 respect, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England ('the Funding Council'), the Teaching Agency.

We read the Chairman's Statement, the Operating and Financial Review, the Statement of the responsibilities of the Board of Governors and internal control, and the Statement of Corporate Governance 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 Statement of Corporate Governance) 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.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and of the University's affairs as at 31 July 2012 and of the Group's incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters

In all material respects:

- income from the funding council, the Teaching Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2012 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2012 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 Teaching Agency.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
202 Silbury Boulevard
Central Milton Keynes
MK9 1LW

Date: 28 November 2012

Consolidated income and expenditure account

Year ended 31 July 2012

	Notes	2012 £'000	2011 £'000
Income			
Funding body grants	1	63,614	66,595
Tuition fees and education contracts	2	103,914	99,035
Research grants and contracts	3	8,354	8,323
Other operating income	4	61,308	80,481
Endowment and investment income	5	637	298
Total income		237,827	254,732
Less: Share of income from joint ventures continuing operations		(679)	(23,898)
Less: Share of income from joint ventures discontinuing operations		(4,312)	-
Net income		232,836	230,834
Expenditure			
Staff costs	6	114,252	110,747
Other operating expenses	8	84,459	89,464
Depreciation	8	12,747	18,147
Interest and other finance costs	10	3,834	3,468
Total expenditure	8	215,292	221,826
Surplus after depreciation of tangible fixed assets at valuation and before tax		17,544	9,008
Share of operating profit/(loss) in joint ventures continuing operations		26	(779)
Share of operating profit/(loss) in joint ventures discontinuing operations		60	-
Taxation	9	(94)	(159)
Surplus after depreciation of assets at valuation and tax		17,536	8,070
Minority interest		162	-
Surplus before exceptional items		17,698	8,070
Exceptional item: continuing operations			
Surplus on disposal of fixed assets		12	1,974
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		17,710	10,044
(Deficit)/surplus for the year transferred to accumulated income in endowment funds		(6)	15
Surplus for the year retained within general reserves		17,704	10,059

Other than where shown all results are from continuing operations.

Statement of Group historical cost surpluses and deficits

	Notes	2012 £'000	2011 £'000
Surplus on continuing operations before taxation		17,804	10,203
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	25	563	786
Amount in respect of the impairment of revalued assets		<u>-</u>	<u>2,172</u>
Historical cost surplus for the year before taxation		<u>18,367</u>	<u>13,161</u>
Historical cost surplus for the year after taxation		<u>18,273</u>	<u>13,002</u>

Statement of Group total recognised gains and losses

	Notes	2012 £'000	2011 £'000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		17,710	10,044
Appreciation of endowment asset investments	24	58	111
New endowments	24	81	34
Transfer from endowments to income	24	(16)	-
Actuarial (loss) relating to pension scheme	33	(11,852)	(2,558)
Total recognised gains for the year		<u>5,981</u>	<u>7,631</u>
Reconciliation of group reserves and endowments			
		2012 £'000	2011 £'000
Opening reserves and endowments		117,510	109,879
Total recognised gains for the year		<u>5,981</u>	<u>7,631</u>
Closing reserves and endowments		<u>123,491</u>	<u>117,510</u>

Balance sheets as at 31 July 2012

	Notes	2012 Group £'000	2012 University £'000	2011 Group £'000	2011 University £'000
Fixed assets					
Intangible assets	14	1,718	-	1,475	-
Tangible assets	12	268,922	202,038	265,576	198,154
Investments	13	823	67,240	2,226	68,501
Investment in joint ventures:					
Share of gross assets		559	-	-	-
Share of gross liabilities		(540)	-	-	-
		<u>271,482</u>	<u>269,278</u>	269,277	266,655
Endowment assets	15	2,656	631	2,527	614
Current assets					
Stock and work in progress	16	609	191	558	127
Debtors - within one year	17	22,441	17,229	17,812	19,234
- more than one year	17	-	2,807	-	3,004
Short term deposits		33,444	33,444	14,445	14,445
Cash at bank and in hand		<u>12,448</u>	<u>9,298</u>	<u>25,157</u>	<u>15,271</u>
		68,942	62,969	57,972	52,081
Creditors: amounts falling due within one year	19	<u>(60,246)</u>	<u>(60,764)</u>	<u>(58,579)</u>	<u>(54,238)</u>
Net current assets/(liabilities)		<u>8,696</u>	<u>2,205</u>	<u>(607)</u>	<u>(2,157)</u>
Total assets less current liabilities		282,834	272,114	271,197	265,112
Creditors: amounts falling due after more than one year	20	(80,195)	(65,066)	(82,376)	(71,699)
Provisions for liabilities	22	<u>(1,802)</u>	<u>(1,313)</u>	<u>(2,641)</u>	<u>(1,834)</u>
Total net assets excluding pension liability		200,837	205,735	186,180	191,579
Pension scheme liability	33	<u>(32,939)</u>	<u>(33,545)</u>	<u>(23,443)</u>	<u>(24,263)</u>
Total net assets including pension liability		<u>167,898</u>	<u>172,190</u>	<u>162,737</u>	<u>167,316</u>

Balance sheets as at 31 July 2012

	Notes	2012 Group £'000	2012 University £'000	2011 Group £'000	2011 University £'000
Deferred capital grants	23	44,572	44,431	45,227	45,315
Endowments - Permanent	24	2,656	631	2,527	614
Reserves					
Income and expenditure account excluding pension reserve	25	133,760	141,799	117,849	126,213
Pension reserve	25	(32,939)	(33,545)	(23,443)	(24,263)
Income and expenditure reserve including pension reserve		100,821	108,254	94,406	101,950
Revaluation reserve	25	20,014	18,874	20,577	19,437
Total endowments and reserves		120,835	127,128	117,510	122,001
Minority interest		(165)	-	-	-
Total funds		167,898	172,190	162,737	167,316

The Financial Statements were approved by the Board of Governors on 27 November 2012 and signed on their behalf by:



Mrs J L Connell
Chairman



Professor Q A McKellar
Vice-Chancellor



Mr A Moffat
Group Finance Director

Consolidated cash flow statement

Year ended 31 July 2012

	Notes	2012 £'000	2011 £'000
Net cash inflow from operating activities	26	24,411	28,578
Return on investments and servicing of finance	27	(2,519)	(2,609)
Taxation – UK corporation tax (paid)/received		44	(362)
Capital expenditure and financial investment	28	(13,427)	(13,412)
Acquisitions and disposals	29	(313)	-
<i>Cash inflow before use of liquid resources and financing</i>		8,196	12,195
Management of liquid resources	30	(18,999)	(6,494)
Financing	31	(2,286)	(1,897)
<i>Increase in cash for the year</i>		(13,089)	3,804
<i>Reconciliation of net cash flow to movement in net debt</i>			
		2012 £'000	2011 £'000
Increase in cash for the year		(13,089)	3,804
Cash used to increase liquid resources	30	18,999	6,494
New loans		2,286	1,897
<i>Change in net debt</i>	32	8,196	12,195
<i>Opening net debt at 1 August</i>	32	(43,763)	(55,958)
<i>Closing net debt at 31 July</i>	32	(35,567)	(43,763)

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 United Kingdom 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 2012. The University and its wholly owned subsidiaries prepare statutory accounts to 31 July. Exemplas Holdings Limited and its subsidiary companies and joint ventures changed their accounting reference date during the year from 31 March to 31 July. The consolidated group accounts include the results of the Exemplas Holdings Group for the year ended 31 July 2012. 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.

Investments in joint ventures and associated undertakings are carried in the consolidated balance sheet at the Group's share of their net assets/liabilities 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.

Under the gross equity method 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. Where gross assets are greater than gross liabilities this is shown

in fixed asset investments; where gross liabilities are greater than gross assets the balance is shown in provisions.

In accordance with FRS2 (Accounting for subsidiary undertakings), the consolidated financial statements do not include those of the University of Hertfordshire Students' Union, as it is a separate organisation in which the University has no control or significant influence over policy decisions.

Recognition of income

Recurrent grants received from the Higher Education Funding Council for England and the Teaching Agency are recognised in the period to which they relate.

Fee income is credited to the income and expenditure account over the period in which the students are studying and is shown net of discount. Bursaries and scholarships are accounted for as expenditure in accordance with the SORP.

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.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied or the terms of the contract have been satisfied.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

Statement of principal accounting policies

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

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 started prior to the year end.

Foreign currency transactions

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.

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.

Taxation status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 (formerly Schedule 2 of the Charities Act 1993) and as such within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 of the Corporation Taxes Act 2009 and sections 471 and 478-488 of the Corporation Taxes Act 2010 (formerly enacted in section 505 of the Income and Corporation Taxes Act 1988), or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

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.

Derivative financial instruments

The Group uses derivative financial instruments designated as hedging to reduce exposure to changes in fuel prices to acceptable levels. The initial contracts were introduced in March 2010 within its bus operations. No more than 75% of future estimated annual consumption is contracted. Any resulting gains or losses on these contracts are recognised in the income and expenditure account as they arise.

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 twenty years. Impairment tests are carried out at the end of the first year and thereafter subject to normal periodic reviews for indications of impairment.

Tangible fixed assets

(a) Land and buildings

Land and buildings, other than investment properties, are stated at cost. On adoption of FRS 15, the institution followed the transitional provision to retain the book value of land and buildings, which

Statement of principal accounting policies

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.

Investment properties are stated at market value with an annual revaluation and are not depreciated.

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

Freehold buildings	30 - 50 years
Refurbishments	10 years

Leasehold land and buildings are amortised over the life of the lease up to a maximum of fifty 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.

Finance costs are capitalised where they can be directly attributable to the construction of tangible fixed assets and only for the period of construction.

Donated assets are included within the relevant heading within tangible fixed assets with a corresponding amount shown as a deferred capital grant amortised over the useful economic life of the asset to match depreciation.

(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 - 15 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.

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. Gains and losses on revaluations of endowment assets are recognised in the statement of total recognised gains and losses.

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.

Where trade and net assets have been transferred from subsidiaries to the University as the parent, the value of the transferred net assets has been recorded as an investment to reflect the fact that the value of the remaining business has been retained by the University.

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.

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 twenty-four hours without penalty. No other investments, however liquid, are included as cash.

Liquid resources comprise assets held as readily disposable store of value. They consist of term deposits held as part of the institution's treasury management activities. They exclude any such assets held as endowment asset investments.

Statement of principal accounting policies

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 two 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 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.

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.

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 schemes are accounted for as if they were defined contribution schemes. The employer contributions payable to the schemes 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 LGPS pension scheme figures include the University's unfunded pension liability, which relates to pension enhancements payable to staff who have taken early retirement. 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 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 costs of providing retirement and related benefits for the group administered personal pension plan are charged to the income and expenditure account as incurred.

Notes to the accounts

1. Funding body grants

		Higher Education Funding Council for England £'000	Teaching Agency £'000	2012 Total funding body grants £'000	2011 Total funding body grants £'000
	Notes				
Recurrent grants		52,255	3,224	55,479	57,109
Selective initiatives		4,309	915	5,224	6,502
Release of deferred capital grants:					
Buildings	23	2,212	-	2,212	2,335
Equipment	23	699	-	699	649
		<u>59,475</u>	<u>4,139</u>	<u>63,614</u>	<u>66,595</u>

2. Tuition fees and education contracts

		2012 £'000	2011 £'000
UK Higher Education students		54,059	51,455
European Union (EU) (excluding UK) students		1,986	1,933
Non-EU students		<u>28,315</u>	<u>26,223</u>
Total fees paid by or on behalf of individual students		84,360	79,611
Education contracts		<u>19,554</u>	<u>19,424</u>
		<u>103,914</u>	<u>99,035</u>

3. Research grants and contracts

		2012 £'000	2011 £'000
Research councils		2,006	2,165
UK based charities		133	100
European Commission		2,935	2,235
Other grants and contracts		<u>3,280</u>	<u>3,823</u>
		<u>8,354</u>	<u>8,323</u>

Notes to the accounts

4. Other operating income

	2012 £'000	2011 £'000
Residences, catering and conferences	20,955	17,678
Other services rendered	33,854	56,330
Release of capital grant	409	241
Other income	6,090	6,232
	<u>61,308</u>	<u>80,481</u>

5. Endowment and investment income

	2012 £'000	2011 £'000
Income from permanent endowments	65	60
Interest receivable	572	238
	<u>637</u>	<u>298</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:

	2012 Numbers	2011 Numbers
Academic	812	793
Research	120	129
Professional	866	846
Technical	115	109
Other	445	452
	<u>2,358</u>	<u>2,329</u>

The aggregate payroll costs of these employees were as follows:

	2012 £'000	2011 £'000
Academic	56,410	55,712
Research	5,748	6,444
Professional	39,122	36,709
Technical	4,010	3,714
Other	8,962	8,168
	<u>114,252</u>	<u>110,747</u>

Notes to the accounts

6. Staff costs (continued)

	2012 £'000	2011 £'000
Staff costs:		
Wages and salaries	93,204	90,565
Social security costs	8,033	7,678
Other pension costs	13,015	12,504
	<u>114,252</u>	<u>110,747</u>
	2012 £'000	2011 £'000
Employment costs for staff on permanent contracts	101,764	97,970
Employment costs for staff on short-term contracts	12,488	12,777
	<u>114,252</u>	<u>110,747</u>

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:

	2012 Numbers	2011 Numbers
£100,000 - £110,000	4	8
£110,001 - £120,000	4	2
£120,001 - £130,000	-	2
£130,001 - £140,000	2	-
£150,001 - £160,000	-	1
£160,001 - £170,000	1	1
£170,001 - £180,000	1	-
	<u>12</u>	<u>14</u>

7. Emoluments of the Vice-Chancellor

Emoluments of the current Vice-Chancellor, appointed on 1 January 2011, excluding national insurance contributions:

	2012 £'000	2011 £'000
Salary	251	132
Benefits in kind	2	1
Pension contributions	37	21
	<u>290</u>	<u>154</u>

Notes to the accounts

7. Emoluments of the Vice-Chancellor (continued)

Emoluments of the previous Vice-Chancellor, who retired on 31 December 2010, excluding national insurance contributions:

	2012 £'000	2011 £'000
Salary	-	96
Benefits in kind	-	1
Pension contributions	-	3
	<u>-</u>	<u>100</u>

The University's pension contributions are paid at the same rate for the Vice-Chancellor as for other staff.

During the year the Vice-Chancellor donated fees of £68,000 (2011: £nil) to the University of Hertfordshire Charitable Trust. In 2011, the retiring Vice-Chancellor donated £14,000 to the University of Hertfordshire Charitable Trust.

8. Analysis of expenditure by activity

	Staff costs £'000	Other operating expenses £'000	Interest payable £'000	2012 Total £'000	2011 Total £'000
Academic departments	62,357	26,749	-	89,106	90,574
Academic services	6,509	5,026	-	11,535	11,336
Administration*	17,768	8,053	-	25,821	26,783
Premises	2,885	14,439	2,570	19,894	20,359
Residences, catering and conferences	3,239	15,433	324	18,996	17,132
Research grants and contracts	5,010	1,660	-	6,670	6,778
Other expenses	16,484	13,099	940	30,523	30,717
	<u>114,252</u>	<u>84,459</u>	<u>3,834</u>	<u>202,545</u>	203,679
Depreciation**				<u>12,747</u>	<u>18,147</u>
				<u>215,292</u>	<u>221,826</u>

The depreciation charge has been funded by:

	Notes	2012 £'000	2011 £'000
Deferred capital grants released	23	3,371	3,275
Revaluation reserve released to fund current year depreciation	25	563	786
Revaluation reserve released to fund asset impairment		-	2,172
General income		8,813	11,914
		<u>12,747</u>	<u>18,147</u>

* Administration expenses include internal auditors remuneration of £nil (2011: £10,200) and external auditors remuneration of £134,000 (2011: £103,000). The external auditors remuneration includes £44,000 in respect of non-audit work (2011: £10,000). Internal audit work is undertaken by an internal department.

** Depreciation includes £nil (2011: £5,187,000) in respect of fixed asset impairment.

Notes to the accounts

9. Taxation

	2012 £'000	2011 £'000
UK corporation tax on surplus for the year	43	159
Adjustment in respect of prior years	(90)	-
Current tax	(47)	159
Deferred tax	141	-
Tax on surplus on ordinary activities	94	159
	2012 £'000	2011 £'000
Current tax reconciliation:		
Surplus on ordinary activities before tax	17,804	10,203
Surplus on ordinary activities multiplied by standard rate in the UK (25.33%) (2011: 27.33%)	4,512	2,789
Effects of:		
Depreciation for the period in excess of capital allowances	242	203
Non taxable income	(4,140)	(2,296)
Expenses not deductible for tax purposes	203	446
Tax losses	(79)	29
Other timing differences	(94)	(363)
Tax at marginal rate	(4)	(1)
Adjustments in respect of prior years	(108)	20
Additional income taxable	1	-
Revenue expenditure capitalised	(3)	(1)
Timing differences relating to pension liability	(577)	(667)
Current tax (credit)/charge for the year	(47)	159

The above taxation (credit)/charge relates to the profits of a number of the subsidiary companies.

10. Interest payable and other finance costs

	Notes	2012 £'000	2011 £'000
On bank loans, overdrafts and other loans:			
Repayable within five years		425	261
Repayable wholly or partly in more than five years		1,807	1,979
Finance leases		773	737
Other interest payable		50	68
Net charge on pension scheme	33	779	423
		3,834	3,468

Notes to the accounts

11. Surplus on continuing operations for the period for the University

The University made a surplus on continuing operations for the period after the depreciation of tangible fixed assets, disposal of fixed assets and taxation of £17,120,000 (2011: £9,555,000). This surplus includes a loss arising on the sale of fixed assets of £59,000 (2011 profit: £1,940,000) and impairment of fixed assets of £nil (2011: £5,187,000). The impact of the FRS17 adjustment on the University's surplus is a credit of £2,082,000 (2011: £2,257,000).

12. Tangible assets

Group	Land and buidings Freehold	Long leasehold	Assets in the course of construction	Fixtures, fittings and equipment	Plant and machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 August 2011	302,866	18,859	3,616	25,463	8,371	359,175
Additions at cost	982	435	4,233	8,560	1,887	16,097
Transfers between accounts	-	-	(3,164)	2,923	241	-
Less disposals in year	-	-	-	-	(534)	(534)
At 31 July 2012	303,848	19,294	4,685	36,946	9,965	374,738
Depreciation						
At 1 August 2011	74,776	3,073	-	11,438	4,312	93,599
Charge for the year	6,440	951	-	4,742	614	12,747
Less disposals in year	-	-	-	-	(530)	(530)
At 31 July 2012	81,216	4,024	-	16,180	4,396	105,816
Net book value 2012	222,632	15,270	4,685	20,766	5,569	268,922
At 31 July 2011	228,090	15,786	3,616	14,025	4,059	265,576
Inherited	24,483	-	-	-	-	24,483
Financed by capital grant	39,625	-	-	4,598	574	44,797
Other	158,524	15,270	4,685	16,168	4,995	199,642
Net book value At 31 July 2012	222,632	15,270	4,685	20,766	5,569	268,922

Notes to the accounts

12. Tangible assets (continued)

University	Land and buildings Freehold	Assets in the course of construction	Fixtures, fittings and equipment	Plant and machinery	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2011	242,239	3,606	22,714	360	268,919
Additions at cost	982	4,078	8,338	754	14,152
Transfers between accounts	-	(3,164)	2,922	242	-
At 31 July 2012	243,221	4,520	33,974	1,356	283,071
Depreciation					
At 1 August 2011	60,587	-	10,166	12	70,765
Charge for the year	5,763	-	4,442	63	10,268
At 31 July 2012	66,350	-	14,608	75	81,033
Net book value At 31 July 2012	176,871	4,520	19,366	1,281	202,038
At 31 July 2011	181,652	3,606	12,548	348	198,154
Inherited	24,483	-	-	-	24,483
Financed by capital grant	39,625	-	4,598	-	44,223
Other	112,763	4,520	14,768	1,281	133,332
Net book value At 31 July 2012	176,871	4,520	19,366	1,281	202,038

Notes to the accounts

12. Tangible fixed assets (continued)

The net book value of assets held under finance leases as at 31 July 2012 was:

	2012 Group £'000	2012 University £'000	2011 Group £'000	2011 University £'000
Buildings	12,539	-	12,845	-
Plant and machinery	954	-	1,116	-
	13,493	-	13,961	-

The depreciation charge for the year was:

	2012 Group £'000	2012 University £'000	2011 Group £'000	2011 University £'000
Buildings	306	-	306	-
Plant and machinery	79	-	106	-
	385	-	412	-

Freehold land and buildings includes one investment property purchased on 14 August 2008 at a cost of £234,000. This asset is not depreciated. The value of the property was reassessed at 31 July 2012 by the Director of Estates and the carrying value of £234,000 is still considered to be a reasonable estimate of the market value at that date.

Buildings with 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.

During the year the University and the Group received donated equipment with a value of £1.7 million. This has been accounted for as a fixed asset addition in the year with the corresponding balance in deferred capital grants. The equipment is being depreciated over its useful economic life with a corresponding release of the deferred capital grant to the income and expenditure account. As at 31 July 2012 the net book value of this equipment is £1.6 million.

The amount of finance costs capitalised in the year amounts to £nil (2011: £nil). The accumulated amount of capitalised finance costs is £1.8 million which is included in freehold land and buildings. There were no assets constructed during the year financed by loan capital.

During the year ended 31 July 2012 a review was undertaken of the value of the estate belonging to the University and its subsidiary companies. The review considered the current value in use of all buildings and was conducted by the Director of Estates and his senior management team. The review concluded that none of the University's properties had suffered a permanent diminution in value and all were still suitable for current activities.

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.

Notes to the accounts

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.

During 1999 the University entered into a Private Finance Initiative scheme with a contractor for the construction of residential and sports facilities, and for the facilities management of those premises for a period of thirty years. Construction was completed in September 2003 and under the terms of the scheme the contractor raised the finance for the construction of buildings.

Having reviewed the arrangement on completion, the University deemed that the risk and reward associated with the sports facilities rested with Polyfield Property Limited, and that associated with the residences remained with the PFI contractor. As a result the buildings comprising the Sports Village have been subsequently 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 £12.8 million with a consequential, and matching, finance lease as a long-term creditor. At the end of the lease period ownership of the Sports Village will revert to Polyfield Property Limited.

The buildings comprising the residences on the de Havilland campus do not appear in the Group's balance sheet. The agreement with the PFI provider sets out an annual rental and facilities management charge in respect of these properties which the University is contracted to pay on a monthly basis for the period of the agreement. These costs are benchmarked periodically and subject to variations to base contract dependent on changes in the University's requirements. During the current year the total charge paid to the PFI provider in respect of the residences was £7,099,000 (2011: £6,672,000), and this sum increases annually by a predetermined rate which incorporates both RPI as set by the Office of National Statistics and LPI (subject to a 5% increase cap). These costs are accounted for within other operating expenses. At the end of the contract period, ownership of the residential properties will revert to the University.

Notes to the accounts

13. Investments

	2012 Group £'000	2012 University £'000	2011 Group £'000	2011 University £'000
Balance at 1 August	2,226	68,501	1,545	69,119
Additions	145	-	681	83
Disposals	(1,066)	(1)	-	-
Impairments	(482)	(1,260)	-	(701)
	<u>823</u>	<u>67,240</u>	<u>2,226</u>	<u>68,501</u>
Balance at 31 July				
Representing:				
Subsidiary undertakings	-	67,119	-	68,380
Other	<u>823</u>	<u>121</u>	<u>2,226</u>	<u>121</u>
	<u>823</u>	<u>67,240</u>	<u>2,226</u>	<u>68,501</u>

The impairments are in respect of trading losses made in companies which have ceased to trade completely or where events or changes in circumstances indicate the carrying value of any investments may not be recoverable. Where the trade and net assets have been transferred within the Group, no impairment has been made to reflect the value of the remaining businesses within the Group.

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	Number of shares
UH Holdings Limited	Holding company	100%	13,434,020
Student Forum Limited	Dormant	100%	Limited by guarantee
UH Science and Technology Academy	Dormant	100%	Limited by guarantee

The University consolidates the results of the University of Hertfordshire Charitable Trust on the basis that it exercises dominant influence.

The University does not consolidate the results of The Building Hub, a company limited by guarantee in which the University has a 50% interest, on the basis of immateriality.

Notes to the accounts

13. Investments (continued)

The subsidiary companies of UH Holdings Limited (all registered in England and Wales except UH Global Education (Asia Pacific) Sdn Bhd which is registered in Malaysia and Corporate Fit Science Limited which is registered in Scotland) and its percentage shareholding in each is as follows:

Company	Nature of business	% Shareholding	Number of shares
Exemplas Holdings Limited	Business advice and support	98%	98
Polyfield Property Limited	Provision of property services	100%	7,509,986
Universitybus Limited	Transport services	100%	2
Uno Buses Limited	Transport services	100%	1
UH Ventures Limited	Training, consultancy and conference services	100%	2
Eval8 Transport Innovations Limited	Development of electric vehicles		Limited by guarantee
UH Global Education (Asia-Pacific) Sdn Bhd	Overseas student recruitment	100%	2
Corporate FIT Science Limited	Dormant	100%	60,000
Cimtech Limited	Dormant	100%	2
Unisecure Limited	Dormant	100%	3
UH Hospitality Limited	Dormant	100%	3
UH Recordings Limited	Dormant	100%	2
UH Invest Limited	Dormant	100%	2
The FIT Corporation Limited	Dormant	100%	1,000
UH Health Limited	Dormant	100%	2

Corporate FIT Science Limited ceased to trade with effect from 1 August 2011.

UH Hospitality Limited, UH Health Limited and UH Invest Limited were dissolved on 14 August 2012.

During the year Polyfield Property Limited underwent a capital restructuring to convert £59 million of capital contribution into ordinary shares of £1 each which were issued to its parent company UH Holdings Limited. The company then carried out a capital reduction reducing the ordinary share capital of 75,099,854 ordinary shares of £1 to 7,509,986 ordinary shares of 10p.

With effect from 1 August 2012 the existing activities of Uno Buses Limited were transferred to Universitybus Limited, its parent company. The share capital of Uno Buses Limited was increased from 100 ordinary shares of £1 to 100,000 shares of £1 of which 49,999 were issued to Universitybus Limited and 50,001 to The University of Northampton Enterprises Limited, a subsidiary of the University of Northampton. This new joint venture, to operate bus services in the Northampton area, commenced trading through Uno Buses Limited on 1 September 2012. On 20 September 2012 Uno Buses Limited changed its name to Uno Buses (Northampton) Limited.

Notes to the accounts

13. Investments (continued)

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	Number of shares
Exemplas Limited	Provision of services to business	100%	2
Trade Skills Academy Limited Group Limited	Provision of services to business	66%	66
BioPark Hertfordshire Limited	Provision of facilities management	100%	2
Film Link Limited	Services to the film industry	100%	2
Polyfield Services Limited	Provision of services to business	100%	14
London Brokerage Limited	Provision of services to business	100%	2
Metropolitan Enterprise Limited	Provision of services to business	100%	99
Exemplas Trade Services Limited	Dormant	100%	1
Hertfordshire Local Enterprise Partnership Limited	Dormant	100%	2
Bedfordshire Local Enterprise Partnership Limited	Dormant	100%	2
Corporate Degrees Limited	Dormant	100%	2
Hertfordshire Business Centre Limited	Dormant	100%	2
Hertfordshire Development Organisation Limited	Dormant	100%	2
Exemplas Training Limited	Dormant	100%	2
East of England Brokerage Limited	Dormant	100%	2
Hertfordshire Business Centre Services Limited	Dormant	100%	2
Herts IDB Limited	Dormant	100%	2
Health Skills Academy Limited	Dormant	100%	1
Logistics Skills Academy Limited	Dormant	100%	1
Employer Training Services	Dormant	100%	2
South East IDB Limited	Dormant	100%	2
Passenger Skills Academy Limited	Dormant	100%	1
Security Skills Academy Limited	Dormant	100%	1
Sport Skills Academy Limited	Dormant	100%	1
Asia Management Development Initiative	Dormant	100%	2

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

Exemplas Holdings Limited also holds the following investments:

Company	Nature of business	% Shareholding	Number of shares
Biopark Interactive Limited	Provision of services to business	49%	49
Sales Skills Academy Limited	Provision of services to business	51%	51
Capital Growth Partners Limited	Dormant	50%	1
Centre for Medical Education & Continuing Professional Development	Dormant	50%	1
Apprentice 1st	Dormant	50%	1

Exemplas Holdings Limited also has a 50% interest in East of England IDB Limited and Y & H IDB Limited, which run the Business Link contracts for the East of England and Yorkshire & Humberside respectively. These contracts ceased on 25 November 2011 and the companies are currently in Member's Voluntary Liquidation. In addition Exemplas Holdings Limited has a 50% interest in Enterprise Growth Solutions Limited and East of England Trade Limited. All of these companies have been accounted for as joint ventures.

During the year Exemplas Holdings Limited acquired 66% of Trade Skills Academy Group Limited. No further details are given on the basis of materiality.

Notes to the accounts

14. Intangible assets

	Goodwill £'000	Other £'000	Total £'000
At 1 August 2011	1,475	-	1,475
Arising on acquisition of subsidiary	251	-	251
Addition	-	100	100
Amortisation	<u>(108)</u>	<u>-</u>	<u>(108)</u>
At 31 July 2012	<u>1,618</u>	<u>100</u>	<u>1,718</u>

The addition during the year comprises the purchase of a three year licence agreement which the Exemplas Holdings Group has entered into. This will be amortised over the period of the licence.

The University has no intangible assets.

During the year ended 31 July 2012 Exemplas Holdings Limited acquired the share capital of Metropolitan Enterprises Limited. The goodwill, which is being amortised over a period of 15 years, represents the difference between the consideration paid and the fair value of the net assets of the company at the date of acquisition as outlined below:

	Book and fair value £'000
Tangible fixed assets	117
Debtors	302
Cash	953
Creditors	<u>(357)</u>
Net assets	1,015
Goodwill	<u>251</u>
Consideration	<u>1,266</u>

15. Endowment assets

	2012 Group £'000	2012 University £'000	2011 Group £'000	2011 University £'000
Balance at 1 August	2,527	614	2,397	602
New endowments invested	461	-	-	-
(Increase)/decrease in cash balances held for endowment funds	(390)	3	19	6
Increase in market value of investments	<u>58</u>	<u>14</u>	<u>111</u>	<u>6</u>
Balance at 31 July	<u>2,656</u>	<u>631</u>	<u>2,527</u>	<u>614</u>
Represented by:				
Securities	1,974	62	1,455	59
Cash at bank held for endowment funds	<u>682</u>	<u>569</u>	<u>1,072</u>	<u>555</u>
Total	<u>2,656</u>	<u>631</u>	<u>2,527</u>	<u>614</u>

Notes to the accounts

16. Stocks and work in progress

	2012 Group £'000	2012 University £'000	2011 Group £'000	2011 University £'000
Stock and work in progress	<u>609</u>	<u>191</u>	<u>558</u>	<u>127</u>

17. Debtors

	2012 Group £'000	2012 University £'000	2011 Group £'000	2011 University £'000
Amounts falling due within one year:				
Trade debtors	10,329	8,137	10,788	9,146
Other debtors	2,561	849	1,740	738
Deferred tax	-	-	50	-
Amounts due from subsidiaries	-	3,814	-	6,442
Prepayments and accrued income	<u>9,551</u>	<u>4,429</u>	<u>5,234</u>	<u>2,908</u>
	22,441	17,229	17,812	19,234
Amounts falling due after more than one year:				
Amounts due from subsidiaries	<u>-</u>	<u>2,807</u>	<u>-</u>	<u>3,004</u>
	22,441	20,036	17,812	22,238

18. Deferred tax

	2012 Group £'000	2012 University £'000	2011 Group £'000	2011 University £'000
(Accelerated)/decelerated capital allowances	(56)	-	36	-
Other timing differences	<u>17</u>	<u>-</u>	<u>14</u>	<u>-</u>
	(39)	-	50	-

The above deferred tax (liability)/asset relates to Exemplas Holdings Limited and its subsidiary companies.

19. Creditors: amounts falling due within one year

	Notes	2012 Group £'000	2012 University £'000	2011 Group £'000	2011 University £'000
Bank loan and overdraft	21a	1,477	1,126	1,597	1,158
Obligation under finance lease	21b	533	-	531	-
Payments received on account		12,815	12,815	11,297	11,297
Research and other commercial activity payments received in advance		7,716	7,586	8,285	8,085
Trade creditors		9,546	8,125	6,664	5,853
Other creditors		3,206	2,728	2,675	2,221
Amounts due to subsidiaries		-	11,353	-	5,553
Corporation tax		43	-	82	-
Deferred tax		39	-	-	-
Other taxation and social security		2,562	2,201	2,667	2,574
Accruals and deferred income		19,266	11,787	20,159	12,949
Deferred revenue grants		<u>3,043</u>	<u>3,043</u>	<u>4,622</u>	<u>4,548</u>
		60,246	60,764	58,579	54,238

The corporation tax creditor relates to a number of subsidiary companies.

Notes to the accounts

20. Creditors: amounts falling due after more than one year

		2012 Group £'000	2012 University £'000	2011 Group £'000	2011 University £'000
	Notes				
Bank loan and overdraft	21a	66,546	65,064	68,116	66,197
Other creditors		54	2	67	2
Obligation under finance leases	21b	13,595	-	14,193	-
Amounts due to subsidiaries		-	-	-	5,500
		<u>80,195</u>	<u>65,066</u>	<u>82,376</u>	<u>71,699</u>

21. Borrowings

a. Bank loans and overdrafts and other loans

	2012 Group £'000	2012 University £'000	2011 Group £'000	2011 University £'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	1,477	1,126	1,597	1,158
Within two and five years	7,026	5,544	26,892	24,973
In five years or more	<u>59,520</u>	<u>59,520</u>	<u>41,224</u>	<u>41,224</u>
	<u>68,023</u>	<u>66,190</u>	<u>69,713</u>	<u>67,355</u>
Group loans are repayable as follows:				
In one year or less	-	-	-	-
Within two and five years	-	-	-	5,500
In five years or more	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,500</u>

The outstanding bank loans as at 31 July 2012 are a twenty-five year term loan facility for £11 million, a thirty-four year revolving term facility for £40 million, a seven year chattel mortgage and an unsecured loan facility. 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 is fully drawn down. The outstanding balance at 31 July 2012 was £9.6 million of which £5.3 million is fixed at a rate of 5.44%, the balance charged at a variable rate. £37.9 million of the £40 million facility has been drawn down and as at 31 July 2012 the outstanding balance was £36.6 million. Of this balance £7.8 million is fixed at a rate of 5.39%, £2.2 million at 5.2%, £19.5 million at 4.5% and the balance charged at variable rate. A £20 million fixed term loan, at a rate of 1.5% renewable on a quarterly basis was also outstanding at 31 July 2012. The chattel mortgage is at a fixed rate of 2.6% and £1.8 million was outstanding at 31 July 2012.

Notes to the accounts

21. Borrowings (continued)

b. Finance leases

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

	2012 Group £'000	2012 University £'000	2011 Group £'000	2011 University £'000
In one year or less	533	-	531	-
Between two and five years	2,242	-	2,393	-
In five years or more	11,353	-	11,800	-
	14,128	-	14,724	-

The above represents the finance lease in respect of the Hertfordshire Sports Village and a number of buses.

22. Provision for liabilities

Group	Long-term maintenance £'000	VAT capital goods scheme £'000	Provision for investment in joint ventures £'000	Total £'000
At 1 August 2011	476	2,092	73	2,641
Increase in provision	188	-	-	188
Provision utilised	(476)	(478)	(73)	(1,027)
At 31 July 2012	188	1,614	-	1,802
University		Long-term maintenance £'000	VAT capital goods scheme £'000	Total £'000
At 1 August 2011		476	1,358	1,834
Increase in provision		188	-	188
Provision utilised		(476)	(233)	(709)
At 31 July 2012		188	1,125	1,313

The long-term maintenance provision is for costs in relation to the committed maintenance programme for premises taking place over the summer vacation. Works are scheduled to be carried out over this period as it is the only practical time when certain types of maintenance can be undertaken.

The VAT capital goods scheme provision reflects the current estimate of the VAT liability payable over the next ten years under the capital goods scheme on costs incurred in the construction and refurbishment of various properties within the Group's estate.

Notes to the accounts

23. Deferred capital grants

Group	Funding body grants £'000	Other grants £'000	Total £'000
At 1 August 2011			
Buildings	34,453	7,457	41,910
Equipment	2,979	161	3,140
Plant and machinery	-	177	177
	<u>37,432</u>	<u>7,795</u>	<u>45,227</u>
Cash received			
Buildings	-	-	-
Equipment	680	1,793	2,473
Plant and machinery	-	243	243
	<u>680</u>	<u>2,036</u>	<u>2,716</u>
Released to income and expenditure			
Buildings	2,212	220	2,432
Equipment	699	226	925
Plant and machinery	-	14	14
	<u>2,911</u>	<u>460</u>	<u>3,371</u>
At 31 July 2012			
Buildings	32,241	7,237	39,478
Equipment	2,960	1,728	4,688
Plant and machinery	-	406	406
	<u>35,201</u>	<u>9,371</u>	<u>44,572</u>
University	Funding body grants £'000	Other grants £'000	Total £'000
At 1 August 2011			
Buildings	34,453	7,722	42,175
Equipment	2,979	161	3,140
	<u>37,432</u>	<u>7,883</u>	<u>45,315</u>
Cash received			
Buildings	-	-	-
Equipment	680	1,793	2,473
	<u>680</u>	<u>1,793</u>	<u>2,473</u>
Released to income and expenditure			
Buildings	2,212	220	2,432
Equipment	699	226	925
	<u>2,911</u>	<u>446</u>	<u>3,357</u>
At 31 July 2012			
Buildings	32,241	7,502	39,743
Equipment	2,960	1,728	4,688
	<u>35,201</u>	<u>9,230</u>	<u>44,431</u>

Included in cash received above for both the University and Group is £1,749,000 in respect of donated equipment (see note 12).

Notes to the accounts

24. Endowments

Group

	Unrestricted permanent £'000	Restricted permanent £'000	2012 Total £'000	2011 Total £'000
Balance at 1 August				
Capital	939	1,227	2,166	2,021
Accumulated income	284	77	361	376
	<u>1,223</u>	<u>1,304</u>	<u>2,527</u>	<u>2,397</u>
New endowments	1	80	81	34
Reclassification to income funds	-	(16)	(16)	-
Investment income	33	43	76	60
Expenditure	(46)	(24)	(70)	(75)
Increase in market value of investments	17	41	58	111
	<u>1,228</u>	<u>1,428</u>	<u>2,656</u>	<u>2,527</u>
Balance at 31 July				
Represented by:				
Capital	957	1,332	2,289	2,166
Accumulated income	271	96	367	361
	<u>1,228</u>	<u>1,428</u>	<u>2,656</u>	<u>2,527</u>
Total				
	<u>1,228</u>	<u>1,428</u>	<u>2,656</u>	<u>2,527</u>

University

	Unrestricted permanent	2012 Total £'000	2011 Total £'000
Balance at 1 August			
Capital		515	509
Accumulated income		99	93
		<u>614</u>	<u>602</u>
New endowments		-	-
Investment income		14	6
Expenditure		-	-
Increase in market value of investments		3	6
		<u>631</u>	<u>614</u>
Balance at 31 July			
Represented by:			
Capital		518	515
Accumulated income		113	99
		<u>631</u>	<u>614</u>
Total			
		<u>631</u>	<u>614</u>

Notes to the accounts

25. Reserves

Group

	Income and expenditure reserve £'000	Pension reserve £'000	Income and expenditure reserve including pension reserve £'000	Revaluation reserve £'000	Total £'000
At 1 August 2011	117,849	(23,443)	94,406	20,577	114,983
Transfer from endowments	(6)	-	(6)	-	(6)
Transfer to income and expenditure - depreciation	563	-	563	(563)	-
Transfer to income and expenditure	(2,356)	2,356	-	-	-
Surplus after depreciation of assets at valuation and tax	17,710	-	17,710	-	17,710
Actuarial loss	-	(11,852)	(11,852)	-	(11,852)
At 31 July 2012	<u>133,760</u>	<u>(32,939)</u>	<u>100,821</u>	<u>20,014</u>	<u>120,835</u>

The consolidated income and expenditure reserves include £5.7 million in respect of Exemphas 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.

University

	Income and expenditure reserve £'000	Pension reserve £'000	Income and expenditure reserve including pension reserve £'000	Revaluation reserve £'000	Total £'000
At 1 August 2011	126,213	(24,263)	101,950	19,437	121,387
Transfer from endowments	(15)	-	(15)	-	(15)
Transfer to income and expenditure - depreciation	563	-	563	(563)	-
Transfer to income and expenditure	(2,082)	2,082	-	-	-
Surplus after depreciation of assets at valuation and tax	17,120	-	17,120	-	17,120
Actuarial loss	-	(11,364)	(11,364)	-	(11,364)
At 31 July 2012	<u>141,799</u>	<u>(33,545)</u>	<u>108,254</u>	<u>18,874</u>	<u>127,128</u>

Notes to the accounts

26. Reconciliation of net cash flow from operating activities

	Notes	2012 £'000	2011 £'000
Operating surplus before tax		17,544	9,008
Investment income		(572)	(238)
Endowment income		(65)	(60)
Deferred capital grants released to income	23	(3,371)	(3,275)
Depreciation	12	12,747	12,960
Impairment		-	5,187
Amortisation of goodwill	14	108	91
Interest payable		3,055	3,045
Pension costs		(2,356)	(2,488)
Increase in stocks		(51)	(298)
(Increase)/decrease in debtors		(4,278)	7,719
Increase/(decrease) in creditors		2,416	(3,996)
(Decrease)/increase in provisions		(766)	923
Net cash inflow from operating activities		<u>24,411</u>	<u>28,578</u>

27. Returns on investments and servicing of finance

	2012 £'000	2011 £'000
Income from endowments	76	60
Other interest received	419	228
Interest paid	<u>(3,014)</u>	<u>(2,897)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(2,519)</u>	<u>(2,609)</u>

28. Capital expenditure and financial investment

	2012 £'000	2011 £'000
Payments to acquire tangible fixed assets	(15,060)	(17,593)
Investments acquired	(145)	(671)
New endowments received	81	34
Endowment funds invested	(461)	-
Receipts from sales of tangible fixed assets	68	3,321
Receipts from the sale of investments	1,123	-
Deferred capital grant received	<u>967</u>	<u>1,497</u>
Net cash outflow from capital expenditure and financial investment	<u>(13,427)</u>	<u>(13,412)</u>

Notes to the accounts

29. Acquisitions and disposals

	Notes	2012 £'000	2011 £'000
Purchase of subsidiary undertaking	14	(1,266)	-
Cash acquired with subsidiary undertaking		<u>953</u>	<u>-</u>
Net cash outflow from acquisitions		<u>(313)</u>	<u>-</u>

30. Management of liquid resources

	2012 £'000	2011 £'000
Deposits to short-term investments	<u>(18,999)</u>	<u>(6,494)</u>
Net cash outflow from management of liquid resources	<u>(18,999)</u>	<u>(6,494)</u>

31. Financing

	2012 £'000	2011 £'000
Debt due beyond a year:		
(Repayment of loans)/new long term loans	(1,690)	(1,395)
Capital element of finance lease repayments/principal	<u>(596)</u>	<u>(502)</u>
Net cash outflow from financing	<u>(2,286)</u>	<u>(1,897)</u>

32. Analysis of changes in (net debt)/net funds

	Notes	2011 £'000	Cashflows £'000	Other changes £'000	2012 £'000
Cash at bank and in hand		25,157	(12,699)	-	12,458
Endowment bank balance	15	<u>1,072</u>	<u>(390)</u>	<u>-</u>	<u>682</u>
		26,229	(13,089)	-	13,140
Debt due over more than one year:					
Long-term loans	20	(68,116)	93	1,477	(66,546)
Obligations under finance lease	20	(14,193)	65	533	(13,595)
Debt due under one year:					
Bank loan		(1,597)	1,597	(1,477)	(1,477)
Obligation under finance lease	19	(531)	531	(533)	(533)
Short-term deposits		<u>14,445</u>	<u>18,999</u>	<u>-</u>	<u>33,444</u>
		<u>(43,763)</u>	<u>8,196</u>	<u>-</u>	<u>(35,567)</u>

Notes to the accounts

33. 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 2010. 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 Budgeting and Valuation 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 fifteen 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 also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

Notes to the accounts

33. Pension schemes (continued)

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013/14 and 2014/15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

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. As a result, the amount charged to the income and expenditure account is equal to the contributions payable to the scheme in respect of the accounting period.

The pensions cost is assessed every three years. The latest actuarial valuation of the scheme was at 31 March 2011 and was carried out using the projected unit method.

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

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

As part of the valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

As at the valuation date the scheme was a full final salary scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

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

Notes to the accounts

33. Pension schemes (continued)

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 ninety-nine 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 allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to

HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service. 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 2012 was as follows:

	Total £'000	Employers £'000	Employees £'000
University	8,215	6,301	1,914
Universitybus Limited	310	244	66
Exemplas Holdings Limited	125	108	17
Total	<u>8,650</u>	<u>6,653</u>	<u>1,997</u>

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	2013	2014
University	22.2%	23.7%
Universitybus Limited	21.6%	21.6%
Exemplas Holdings Limited	27.5%	27.5%
Employees	5.5-7.5%	5.5-7.5%

The contribution rates for the year ending 31 March 2015 and subsequent years are currently under review following the publication of the Independent Public Service Pensions Commission Report in March 2011. There is expected to be a New Local Government Pension Scheme 2014 from 1 April 2014.

The estimated employer contribution payable for the year ending 31 July 2013 is £6,589,000.

Notes to the accounts

33. Pension schemes (continued)

The following information is based upon a full actuarial valuation of the fund at 31 March 2010 updated to 31 July 2012 by a qualified independent actuary

	2012	2011	2010
Inflation and rate of increase in pension	1.9%	3.0%	3.0%
Rate of increase in salaries	1.9%	3.0%	3.0%
Expected return on assets	4.9%	6.2%	6.6%
Discount rate for liabilities	4.3%	5.8%	5.8%

The salary increase assumption is 1.5% until 31 March 2015 reverting to the long term rate shown above thereafter.

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

University and Exemplas Holdings Limited:	Males	Females
Current pensioners	22.1 years	25.1 years
Future pensioners	23.2 years	26.1 years
Universitybus Limited:	Males	Females
Current pensioners	17 years	19 years
Future pensioners	18 years	20 years

The assets in the scheme (of which the Group's share is 4.72%) and the expected rates of return were:

	Long-term rate of return expected 2012	Fair value 2012 £'000	Long-term rate of return expected 2011	Fair value 2011 £'000	Long-term rate of return expected 2010	Fair value 2010 £'000
Equities	5.6%	1,733,000	7.0%	1,643,000	7.3%	1,500,000
Bonds	3.4%	502,000	4.6%	507,000	4.8%	401,000
Property	3.7%	151,000	5.1%	121,000	5.3%	85,000
Cash	2.8%	126,000	4.0%	145,000	4.4%	127,000
Total market value of assets		<u>2,512,000</u>		<u>2,416,000</u>		<u>2,113,000</u>

Expected rates of return on the fund are estimated based on the actual fund returns as provided by the administering authority (Hertfordshire County Council) and index returns where necessary.

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.

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Group's estimated asset share	118,526	112,017	105,244	87,893	94,234
Present value of scheme liabilities	(143,660)	(128,528)	(121,896)	(142,544)	(116,506)
Present value of unfunded liabilities	<u>(7,805)</u>	<u>(6,932)</u>	<u>(6,721)</u>	<u>(8,242)</u>	<u>(9,680)</u>
Deficit in the scheme	<u>(32,939)</u>	<u>(23,443)</u>	<u>(23,373)</u>	<u>(62,893)</u>	<u>(31,952)</u>

The pension scheme liability for the University was £33,545,000 as at 31 July 2012 (2011: £24,263,000).

Notes to the accounts

33. Pension schemes (continued)

Analysis of the amount charged to income and expenditure account

	2012 £'000	2011 £'000
Service cost	3,427	3,090
Past service cost	18	39
Curtailment and settlements	73	-
Total operating charge	<u>3,518</u>	<u>3,129</u>

Analysis of net return on pension assets

	2012 £'000	2011 £'000
Expected return on pension scheme assets	7,065	7,022
Interest on pension liabilities	<u>(7,844)</u>	<u>(7,445)</u>
Net charge on pension scheme	<u>(779)</u>	<u>(423)</u>

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

	2012 £'000	2011 £'000
Actual return less expected return on pension scheme assets	(3,248)	(2,799)
Experience gains and losses arising on the scheme liabilities	(2,305)	3,889
Changes in financial and demographic assumptions underlying the present value of liabilities	<u>(6,299)</u>	<u>(3,648)</u>
Actuarial loss recognised in STRGL	<u>(11,852)</u>	<u>(2,558)</u>

The amount of the actuarial loss relating to changes in financial assumptions for the year ended 31 July 2012 is £6,299,000 (2011: £3,648,000). The cumulative actuarial loss recognised in STRGL as at 31 July 2012 is £10,772,000 (2011: £1,080,000).

The actual return on scheme assets in the year was £3,847,000 (2011: £14,253,000).

Notes to the accounts

33. Pension schemes (continued)

Movement in deficit during the year

	2012 £'000	2011 £'000
Deficit in scheme at 1 August	(23,443)	(23,373)
Current service cost	(3,427)	(3,090)
Employer contributions	6,653	6,040
Past service costs	(18)	(39)
Curtailment and settlements	(73)	-
Net return on assets	(779)	(423)
Actuarial loss	(11,852)	(2,558)
Deficit in scheme at 31 July	(32,939)	(23,443)

Analysis of movement in the present value of the scheme liabilities

	2012 £'000	2011 £'000
At 1 August	135,460	128,617
Current service cost	3,427	3,090
Contributions by members	1,997	1,943
Past service costs	18	39
Curtailment and settlements	73	-
Interest cost	7,844	7,445
Actuarial loss/(gain)	8,604	(241)
Estimated unfunded benefits paid	(488)	(496)
Estimated benefits paid	(5,470)	(4,937)
At 31 July	151,465	135,460

Analysis of movement in the fair value of the scheme assets

	2012 £'000	2011 £'000
At 1 August	112,017	105,244
Contributions by members	1,997	1,943
Employer contributions	6,165	5,544
Contributions in respect of unfunded benefits	488	496
Expected return on assets	7,065	7,022
Actuarial (loss)/gain	(3,248)	(2,799)
Estimated unfunded benefits paid	(488)	(496)
Estimated benefits paid	(5,470)	(4,937)
At 31 July	118,526	112,017

Notes to the accounts

33. Pension schemes (continued)

History of experience gains and losses

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on assets	(3,248)	(2,799)	7,623	(17,311)	(11,770)
Percentage of scheme assets	(2.7%)	(2.5%)	7.2%	(19.7%)	(12.5%)
Experience gains/(losses) on scheme liabilities	(2,305)	3,889	1,273	2,004	(9)
Percentage of scheme liabilities	1.5%	(2.9%)	(1.2%)	(1.8%)	0.0%

Employers and employee total contributions

	Employers	Employees	2012	2011
	£'000	£'000	Total	Total
			£'000	£'000
Contributions to TPS	5,980	3,263	9,243	9,064
Contributions to LGPS	6,653	1,997	8,650	7,983
Contributions to USS	53	31	84	58
Other Pension Schemes	329	24	353	520
Total contributions	13,015	5,315	18,330	17,625

34. Capital commitments

	2012	2012	2011	2011
	Group	University	Group	University
	£'000	£'000	£'000	£'000
Contracted at 31 July	4,208	4,208	2,045	1,836
Authorised but not contracted at 31 July	89,515	89,375	896	5666
	93,723	93,583	2,941	2,402

35. Financial instruments

The fuel hedging contracts entered into by Universitybus Limited have a fair value at 31 July 2012 of £1,058,406 (2011: £835,000).

Notes to the accounts

36. Access to Learning Fund

	2012 £'000	2011 £'000
Balance at 1 August	51	56
Funding body grants received	374	417
Interest earned	1	1
	<u>426</u>	<u>474</u>
Disbursed to students	(415)	(411)
Administration charges	(11)	(12)
	<u>-</u>	<u>51</u>
Balance at 31 July	-	51

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.

37. Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (many of whom are involved with other local public and private sector organisations), there are transactions with organisations in which a member of the Board of Governors or senior staff may have an interest. All such transactions are conducted at arm's length and in accordance with the University's Financial Regulations. Members of the Board of Governors are required to declare any outside interest. When an item arises in which a member has a pecuniary, business, family, or other personal interest, it must be declared and the member concerned may not take part in the consideration of the matter nor vote on it.

During the year the University incurred expenditure with the University of Hertfordshire Students' Union to the value of £1,334,000 (2011:£1,227,000). This includes the 2011/12 Students' Union Subvention of £860,000 (2011:£899,000), and the balance in respect of student union facilities and for student ambassadors. Income earned from the University of Hertfordshire Students' Union during the year amounted to £287,000 (2011:£335,000) in respect of rent and recharge of other services. The amount owed to the University of Hertfordshire Students' Union at 31 July 2012 is £23,000 (2011:£4,000).

The Students' Union occupies University buildings for which it is not charged. The market rent for such occupancy amounted to £180,000 (2011:£180,000).

In the year ended 31 July 2012 the Governors received payments of £1,900 (2011:£4,500) for the reimbursement of travel and subsistence expenses incurred in the course of their duties. The University also incurred expenditure of £500 (2011:£500) in respect of computer equipment provided to Governors to enable them to carry out their duties.

The University has granted a loan of £300,000 to the Vice-Chancellor as part of his relocation package. This loan shall be subject to the interest rate determined by Her Majesty's Revenue and Customs ("the Official Rate") being 4% pa for the year to 31 July 2012. Interest paid on the loan in the year to 31 July 2012 amounted to £12,000 and the balance of the loan outstanding at that date was £300,000. The full capital amount of the loan shall be repaid on termination of the employment.

Board of Governors

Memberships from 1 August 2011

Board of Governors

Independent Members

Mrs J L Connell (*Chairman*)
His Honour Judge Baker
Ms Y Batliwala
Mr P L Block
Mr D J Goodridge
Mr C J Gordon
Mr A P Graham
Mr J K Heywood
Mr N F Matthews
Mr G Morrison
Mr J F H Park
Professor M Elves (*to 31/08/11*)
Lady Staughton (*to 31/08/12*)

Vice-Chancellor

Professor Q A McKellar

Member nominated by the Academic Board

Dr L Karstadt (*to 31/8/12*)

Students' Union

Ms E Masfield

Co-opted members

Professor Sir Graeme Davies (*from 1/09/11*)
Mr R I N Gordon
Mrs S D Harrison-Barker (*from 1/09/11*)
Miss J L McCue
Dr L Mitchell
Dr D A Neil
Mr N B Lawler (*to 31/08/11*)
Dr A V Stokes (*to 31/08/11*)

Bankers

Barclays Bank Plc, St Albans

Auditors

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Milton Keynes

Audit Committee

Mr J K Heywood (*Chairman*)
His Honour Judge Baker (*from 1/09/11*)
Ms Y Batliwala (*from 1/09/11*)
Mr P L Block (*from 1/09/11*)
Mr A P Graham
Dr L Mitchell
Mr J F H Park (*from 1/09/11*)
Mr N F Matthews (*to 31/08/11*)
Dr A V Stokes (*to 31/08/11*)

Remuneration Committee

Mrs J L Connell (*Chairman*)
Mr C J Gordon
Mr J K Heywood
Mr N F Matthews
Mr J F H Park (*from 1/09/11*)
Mr P L Block (*to 31/08/11*)
Lady Staughton (*to 31/08/11*)

Finance and Employment Committee

Mr C J Gordon (*Chairman*)
Mrs J L Connell
Professor Sir Graeme Davies (*from 20/3/12*)
Professor Q A McKellar
Mr D J Goodridge
Mr R I N Gordon (*from 1/09/11*)
Mr N F Matthews (*from 1/09/11*)
Mr G Morrison
Dr D A Neil (*from 1/09/11*)
Ms Y Batliwala (*to 31/08/11*)
Mr P L Block (*to 31/08/11*)
Professor M Elves (*to 31/08/11*)
Miss J L McCue (*to 31/08/11*)
Mr J F H Park (*to 31/08/11*)

The above committees have a direct responsibility for the financial activities of the University.

Members of the Executive Team



Professor Quintin McKellar CBE, Vice-Chancellor
BVMS PhD DVM DipECVPT CBiol FSB FRSA FRAgS MRCVS FRSE

Professor McKellar joined the University on 1 January 2011. As Vice-Chancellor and Chief Executive, his responsibilities include the day-to-day running of the institution, the delivery of strategic and operation plans, performance, its internal structure and organisation and its interface with external bodies and agencies.

Having graduated from Glasgow University Veterinary School in 1981, Professor McKellar went on to gain his PhD in Veterinary Parasitology in 1984 and was appointed to a lectureship at the Veterinary School in the same year. He became Head of the Veterinary Pharmacology Department in 1990 and was awarded a personal professorship by the University of Glasgow in 1996. In August 1997 Professor McKellar took up the post of Scientific Director of Moredun Research Institute and Chief Executive of the Moredun Foundation. He became a Doctor of Veterinary Medicine (DVM) with Honours in 2002 and was elected Fellow of the Institute of Biology in 2001, Fellow of the Royal Agricultural Societies in 2002 and Fellow of the Royal Society of Edinburgh in 2003.

In 2004, Professor McKellar was appointed Principal of The Royal Veterinary College of the University of London, the first and largest institution of its kind in the UK which was identified as the top English veterinary school in the 2008 Research Assessment Exercise. He is a member of the Department for the Environment Food and Rural Affairs Science Advisory Council, Chair of the Biological and Biotechnological Research Council Animal Research Club and a member of the Hertfordshire Local Enterprise Partnership.

Professor McKellar was made a Commander of the Order of the British Empire (CBE) in 2011 for services to science. He was a distinguished researcher with interests in the pharmacology of anti-infective and anti-inflammatory drugs in domestic animals.



Professor Graham Galbraith, Deputy Vice-Chancellor
BSc MSc PhD CEng MCIBSE FHEA

Professor Galbraith joined the University of Hertfordshire in September 2008 as Deputy Vice-Chancellor.

He previously held the role of Pro Vice-Chancellor (International) at Glasgow Caledonian University which he joined in 1993 after spending ten years at Strathclyde University.

Professor Galbraith has a strong record of research achievement, having been particularly active in applied research. He has a significant publication record in the study of condensation in buildings, and has been very successful in research income generation from a range of sources including the UK Research Councils.

He has interests in Sustainable Living and has sponsored the development of a new Centre for Sustainable Communities at the University of Hertfordshire.

As the sole Deputy Vice-Chancellor he is currently engaged in all strategic and operational decisions which underpin the positioning and success of the University.

He has overall responsibility for the strategic development of all academic areas of the University through his management of all Deans of School and his Chairmanship of the Academic Development Committee. He co-ordinates the annual University planning process, chairs the annual capital investment panel as well as the residences project steering group.

He is a Director of four University companies, acting as Chairman for two of them. He is also a non-executive director of WENTA, an external company to the University which supports business development in the region and he is a council member for the East of England CBI.

He regularly deputises for the Vice-Chancellor in relation to both internal and external affairs.

Members of the Executive Team



Philip Waters, Secretary and Registrar
BSc FRSA

Philip Waters was appointed Secretary and Registrar in 2001. He is responsible for the management and operation of the Board of Governors and the Academic Board; compliance with University policies, regulations and procedures; legal matters of the University and its wholly-owned subsidiaries; health and safety, internal audit, process review and professional staffing.

He joined the University in 1989 as Deputy Secretary and Registrar. At national level he is Chairman of Southern Universities Purchasing Consortium (SUPC), a Director of SUMS and is Director and Trustee of Higher Education Careers Services Unit (HECSU). At local and regional level he is a Director and Trustee of Groundwork Hertfordshire, Chairman of Universitybus Ltd (UNO), and serves on several bodies in St Albans.

Alistair Moffat, Group Finance Director
BA FCMA CGMA MIOD



Alistair Moffat was appointed Group Finance Director in 2009. He has responsibility for all aspects of financial management within the Group including financial control, statutory reporting, treasury, tax, insurance and commercial financial support for the academic community. His role also incorporates board responsibility for the management of the Estate, he attends several of the board committees, and is a director of UH Holdings Limited which oversees the commercial subsidiaries in the Group.

He joined the University from Monarch Airlines where he was Chief Financial Officer. Previous roles in industry include: Finance Director Scotland at First Group Plc; Finance Director at Alstom Signalling Limited; a number of senior finance positions within British Rail; and Finance Director at Mainline Freight Limited, through the rail privatisation process.

Graduating in Accounting and Finance, he then qualified as an accountant in 1989 and is now a Fellow of the Chartered Institute of Management Accountants.

The above listed members of the executive team have a direct responsibility for the financial activities of the University.

List of major corporate donors

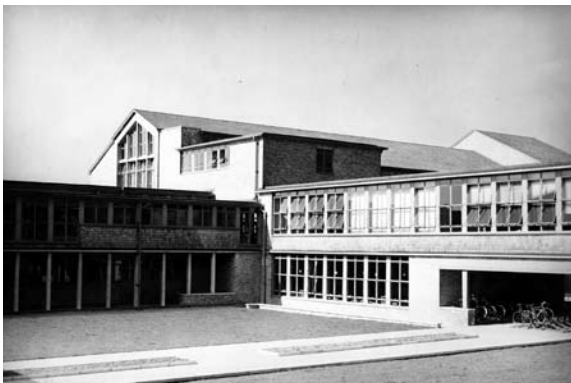
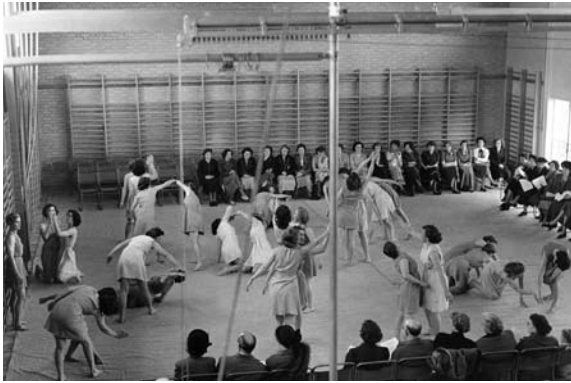
Chancellor's Circle

Jarvis Group Limited
Lafarge Aggregates Limited
Royal Dutch Shell plc

Vice-Chancellor's Circle

Beds Bucks and Herts Society of Chartered Accountants
Debenhams Ottaway
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Mundy Cruising
Santander Universities
Taylor Walton Solicitors
Tesco plc
The Legacy Partnership
Twin Technology Limited
Willmott Dixon Group

There are numerous individuals and Foundations/Trusts who have also donated generously to the University.



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