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DE MONTFORT UNIVERSITY
LEICESTER

Annual Accounts

2008
2009


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Board of Governors and Committees, Senior Executive and Professional Advisers

Board of Governors

Independent Governors

The Lord Waheed Alli, Hon DLitt (DMU), Hon DLitt (University of Westminster) (Chancellor)	
Mr Gautam Bodiwala, CBE, DL, DSc (Hons), MS, FRCS, FRCP, FFAEM	
Professor Bill Dawson, BPharm, PhD, MSc, DSc, Hon DSc (Chairman of the Board)	
Mr Kevin Hand	Joined February 2009
Ms Marcia Saunders, BA, MA, MSc	Joined September 2008
Dr Maggie Semple, OBE, Hon DEd, MA, FCGI	
Mr Philip Smith, FCMA, FCT, CPFA, FIMgt	
The Right Reverend Bishop Tim Stevens, MA, DipTh, Hon DCL, Hon DLiH	
Mr Tony Stockdale, ACA	
Sir Richard Tilt, BA (Hons), DipIR, Knight Bachelor	
Mr Andrew Walker, MA (Oxon)	
Mr John Windeler, BA, MBA	

Co-opted Governors

Mr John Clutterbuck, FCA	
Ms Christine Hancock, BA (Hons) Econ	
Professor Sue Hill, OBE, PhD, MPhil, CBiol, FIBiol, Hon MRCP, Hon DSc (DMU)	Joined May 2009
Mr Mike Kapur, BSc (Hons), ACA, FRSA	Joined May 2009
Mr Anthony Simpson, TD, MA, LLM (Cantab)	Stepped down July 2008
Professor David Stevens, MPhil	

Representative Governors

Mr Ralph Birkenhead, BA (Hons), MSc, ILTM (Academic Board Representative)	
Mr Michael Costall, HND (Computing) (Support Staff Representative)	
Mr Anthony Gregory, BA, MA, RNMH (Teaching Staff Representative)	
Mr Andy Rees, BA (Hons) Econ, MA, Cert Ed (Academic Board Representative)	
Mr Carl King (DSU Student Union President – outgoing)	Stepped down July 2009
Mr Amer Reza (DSU Student Union President – incoming)	Joined July 2009

Ex-Officio Governor – Chief Executive and Vice-Chancellor

Professor Philip Tasker, BSc, PhD, CPhys, FInstP, CChem, FRSC

Clerk to the Board

Ms Alison Wells, BA (Hons)

Committees of the Board

Audit Committee

Mr Andrew Walker (Chairman)	
Mr John Clutterbuck	
Professor David Stevens	
Ms Marcia Saunders	Joined November 2008

Governance Committee

Professor Bill Dawson (Chairman)	Chairman from February 2009
Dr Paul Vaight (Chairman)	Stepped down February 2009
The Lord Waheed Alli	
Mr Gautam Bodiwala	
Mr Carl King	Stepped down February 2009
Mr Andy Rees	
Professor David Stevens	Joined February 2009
Professor Philip Tasker	

Remuneration Committee

Professor Bill Dawson (Chairman of the Board)

The Lord Waheed Alli (Chancellor)

Sir Richard Tilt (Chairman of the Finance and Human Resources Committee)

Dr Paul Vaight (Chairman of the Strategy and Reputation Committee)

Strategy and Reputation Committee

Dr Paul Vaight (Chairman)	
The Lord Waheed Alli	Stepped down November 2008
Mr Ralph Birkenhead	
Professor Bill Dawson	
Mr Carl King	Stepped down March 2009
Professor Philip Tasker	
Mr John Windeler	

Finance and Human Resources Committee

Sir Richard Tilt (Chairman)

Professor Bill Dawson

Mr Philip Smith

Mr Tony Stockdale

Professor Philip Tasker

Mr John Windeler

Student Disciplinary Committee

Mr Anthony Simpson (Chairman)	Stepped down July 2008
Mr Carl King	Stepped down July 2009
Mr Amer Reza	Joined July 2009

Student Complaints Committee

Mr Anthony Simpson (Chairman)	Stepped down July 2008
Mr Carl King	Stepped down July 2009
Mr Amer Reza	Joined July 2009

Senior Executive

Professor Philip Tasker, BSc, PhD, CPhys, FInstP, CChem, FRSC (Chief Executive and Vice-Chancellor)

Professor David Asch, MSc, FCA, FRSA (Deputy Vice-Chancellor)

Professor Vivien Lowndes, BSc, MPhil, PhD (Pro Vice-Chancellor)

Professor Philip Martin, BA (Hons), PhD, FEA (Pro Vice-Chancellor)

Dr Vicky Vass, BA (Hons), PhD (Pro Vice-Chancellor)

Mr David Carrott (Director of Estates)

Mr Eugene Critchlow, BA, MA (Academic Registrar)

Mr John Cunningham, BA (Hons), FCCA (Director of Finance)

Ms Alison Wells, BA (Hons) (Director of Corporate Affairs and Clerk to the Board of Governors)

Mrs Gwen Wileman, BA, MA, FCIPD (Director of Human Resources)

Professional Advisers to the Corporation

Auditors

External Auditors: KPMG LLP, Birmingham

Internal Auditors: Grant Thornton UK LLP, Birmingham

Bankers

National Westminster Bank plc

In accordance with best practice, the Board of Governors maintains a Register of Governors' Interests. To view the Register, contact the Clerk to the Board, Trinity House, De Montfort University, Leicester LE1 9BH.

Report of the Chairman of the Board of Governors

2008/09 represents the mid-point in the University's five year Strategic Plan. During the year, the University has pursued its objectives with energy and commitment and has achieved excellent results across a range of performance measures. There have been no substantive changes to the Institution's strategy over the course of the year; both Governors and the Executive are satisfied that the strategy and objectives remain appropriate and relevant in the light of both internal developments and the rapidly changing external environment.

The University's character and mission

Ambition, innovation and community are at the heart of De Montfort University (DMU). Located in the centre of Leicester, the University is home to over 20,000 students and 2700 staff, in an academic community renowned for its creativity, its outstanding academic courses, its research standing, and its engagement with local and international businesses and research bodies.

Our record of excellence stretches from 1870 which is the earliest point in the academic history of the University. For nearly 140 years we have produced capable, skilled and ambitious graduates, who have pursued successful careers across a wide range of disciplines and professions, from fashion designers to economists, from lawyers to pharmacists, making their mark throughout the UK and beyond. We remain true to our roots, with teaching excellence and world-leading research.

Academic excellence

At DMU students are both challenged and supported to reach their maximum potential, and are exposed to academic courses that are informed by collaborative, interdisciplinary and industry focused research. With access to some of the nation's most highly regarded academics, within six months of completion, 94% of our graduates are in full-time employment or further study, with an average salary of £21,788. Strong partnerships with industry and the public sector complement and inform the academic courses we offer, and support student work placement initiatives, ensuring that graduates are equipped with the practical skills and experience demanded by today's employers. More than 170 of our courses are accredited by professional statutory and regulatory bodies. To take just one area, all new police officers from Leicestershire and Nottinghamshire and a third of all new probation officers in the country receive their training at DMU.

In terms of private sector employment, and in developing and strengthening the economy, DMU makes an outstanding contribution. We are one of the leading universities nationally for graduate entrepreneurship and we produce more graduates who go directly into starting new businesses or being self-employed than any other university in the East Midlands. DMU graduate Stephen Clarke was named Top Entrepreneur at the 2008 BT Essence of the Entrepreneur Awards for the work of his own telecommunications business, Truancy Call, and its engagement with the UK education sector. And one of our staff, Janette Pallas, Business Incubation and Enterprise Manager, was awarded The Queen's Award for Enterprise Promotion.

We are proud of our international partnerships and the increasing number of students from overseas who choose to study with us. We also have special arrangements with a number of universities and colleges abroad for staff and student exchanges, research and collaboration. All our students benefit from their association with an institution of both ambition and distinction, which is passionate in its commitment to quality and excellence.

Research performance

We maintain over 50 specialist research groups and institutes, active in over 400 projects, covering a wide range of disciplines. In the Research Assessment Exercise 2008, 43% of our research activity across 19 subject areas was rated in the top two categories 'internationally excellent' (three star) and 'world-leading' (four star). Within the creative disciplines, an area where the institution boasts an international reputation, this percentage went up to 50%.

We were placed amongst the top institutions in the country for our English Literature research. We received the fourth highest overall average score, equal to the universities of Cambridge and Warwick, with 40% of research activity ranked as 'four star'. This demonstrates our continuing excellence in the fields of Textual Studies and Adaptations. Our mixture of traditional and cutting-edge scholarship is comparable with the best in the UK.

Another exceptional performance saw 70% of research in DMU's Earth and Planetary Remote Sensing Laboratory rated as 'internationally excellent' and 'world-leading'. This reflects the pioneering work being undertaken in using satellite data to measure accurately the depth and behaviour of lakes and rivers around the globe, changing the way droughts and floods are identified and tackled. The Laboratory is also responsible for creating the most comprehensive and accurate Global Digital Elevation Model of the Earth ever produced and, with it, a unique examination of rainforest canopy height.

There are many other areas of excellence that I could highlight but to name just a few…ground-breaking research centred in DMU's Institute of Energy and Sustainable Development was very highly rated, with 65% classed as 'internationally excellent' and 'world-leading'. Within Media and Film, 60% of DMU's research activity was rated in the 'three star' and 'four star' categories.

Our research excellence places us in a commanding position in terms of our ability to win research grants. Between 1998 and 2008, DMU has been awarded more grants by the Engineering and Physical Sciences Research Council than any other post-1992 university. And our overall income from research grants and contracts in 2008/09 totalled £7,419,000.

Student satisfaction

The National Student Survey (NSS) is commissioned annually by HEFCE and seeks to gauge the level of satisfaction of students studying at universities across the country. These results are published in league tables and are used by prospective students, parents and teachers to inform their perception of individual Higher Education providers.

The 2008 survey results, published in the Sunday Times, show that DMU students are the 19th most satisfied across 140 institutions. The same report also ranks our Leicester Business School seventh overall, out of over 90 others in the country.

A number of our subject areas performed exceptionally well. Rankings in the top ten include:

- Human Resource Management – ranked first nationally for overall satisfaction
- Aural Sciences – ranked second nationally for overall satisfaction
- Marketing – ranked joint third nationally for overall satisfaction
- Drama – ranked joint third for overall satisfaction, joint second for teaching and personal development, and first for assessment and feedback, out of 61 institutions surveyed
- Dance – ranked joint third in the country for overall satisfaction
- Business Studies – ranked joint fourth nationally for overall satisfaction
- Pharmacology – ranked joint fifth nationally for overall satisfaction
- Music – ranked joint eighth out of 57 institutions. It is also ranked joint first for course organisation and management, and joint second for learning resources
- Computer Science – ranked joint tenth out of 100 institutions for overall satisfaction
- Fine Art – ranked joint tenth nationally for overall satisfaction.

We are delighted with these results as they reflect not only the outstanding quality of our academic courses, but also the excellent support and encouragement given to our students to enable them to fulfil their academic potential.

Key financial results for the year

A detailed review of the University's financial performance is set out in the Report of the Director of Finance; key highlights include:

- 7.6% growth in total income to £145.4 million
- £3.6 million operating surplus
- £3.8 million historic cost surplus including surplus on asset disposals
- £5.8 million of operating cash inflow
- £31.6 million of capital investment.

The University's Balance Sheet has been further strengthened as a result of this very satisfactory performance in 2008/09. The level of general reserves, at £80.1 million, is at an historic high; liquidity is strong.

Governance, Governors and Staff

This year, the Board welcomed three new independent members. Mr Kevin Hand attended his first meeting in February 2009, shortly followed by Professor Sue Hill and Mr Mike Kapur in May. Collectively, they bring to the Board a wealth of experience in media, accountancy, communications and health services and we hope they find their time on the Board rewarding.

Carl King stepped down as President of the Students' Union after two years in office and the Board has welcomed the new President, Mr Amer Reza, who will serve on the Board until July 2010.

I would like to extend my thanks and those of the Board of Governors to the Executive and to all the staff at DMU for another very successful year in which we have seen our University strengthen its competitive position and achieve outstanding results across a range.

I very much welcome the support and encouragement of my colleagues on the Board, and would like to thank them for their efforts.

Professor William Dawson
Chairman of the Board of Governors

Report of the Director of Finance

The Annual Accounts

Scope of the Annual Accounts

The Annual Accounts, approved by the Board of Governors, have been prepared on a consolidated basis and include the results of the University's wholly owned subsidiary undertakings.

Results for the year

The University's income and expenditure results for the year ended 31 July 2009 are summarised as follows:

	2008/09 £'000	**2007/08 £'000**
Income	145,410	135,106
Expenditure	141,808	134,495
Surplus on continuing operations	3,602	611
Surplus on disposal of assets	49	14,478
Taxation	-	(1)
Transfer from endowments	62	52
Difference between historic cost depreciation and actual depreciation charge	88	83
Historic cost surplus for year	**3,801**	**15,223**

The Financial Strategy of the University seeks to ensure that resources cover the costs of operating activities, and that investment is maintained at a rate that is sufficient to meet future plans. The financial sustainability framework, and the associated key performance indicators supporting the strategy, seek to provide a basis for the effective management and generation of resources in support of the University's Strategic Plan. Financial performance indicators were reviewed and updated during 2008/09 to take account of the deteriorating economic environment, emerging pressures on public funding, cost pressures in the sector and the adjustment to the University's HEFCE Teaching Grant in the period. This report will comment on the University's financial performance in 2008/09, key risks facing the University, and future developments and prospects taking due account of these factors.

Overall the University has continued to make good progress in strengthening its financial position, as evidenced by the achievement of an historic cost surplus of £3.8 million for the year. This is the sixth successive year that a surplus has been achieved. As significant is the maintenance of an operating surplus of £3.6 million (2.5% of income) on continuing operations for a fourth successive year.

The level of the underlying operating surplus achieved in the year was depressed due to a rebasing of the University's HEFCE Teaching Grant; the adjustment was as a result of changes in the basis of defining student completions for funding purposes.

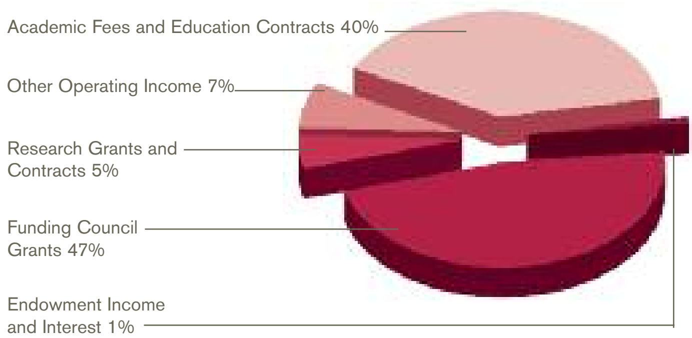
The net adverse impact of the HEFCE Teaching Grant reduction in 2008/09 was £2.4 million, after taking account of £2.8 million reduction in funding that had been estimated in the 2007/08 financial statements; a cumulative reduction of £5.2 million for the two years net of HEFCE moderation adjustments. In addition the national pay award settlement, with the single pay spine uplifted from October 2008, was 1% higher than original budget resulting in an additional cost to budget of £750,000.

That the University has been able to report an improvement in the level of operating surplus year-on-year is commendable given these adverse factors. This achievement is due, in part, to a number of non-recurrent items; most notably the recognition of a capital grant in respect of the purchase of land at the Charles Frears Campus (some £1.5 million), and the release of prior year's provision and accruals not required (some £0.7 million). Therefore, on an underlying recurrent basis, the University has operated at circa £1.4 million of operating surplus (circa 1% of annual income).

Income

Total income increased by £10.3 million, some 7.6%, year-on-year. Underlying income growth has been largely due to the new variable fee arrangements introduced in 2006, and stable student numbers, despite an intensive competitive environment. Investment income has declined year-on-year by some £1.9 million, due to changes in financial and market conditions arising from the global credit crunch and the economic recession. The consequent (and unprecedented) response of national governments, including (in the UK) the de facto nationalisation of parts of the UK banking sector and deep cuts in the Bank of England base rate, has resulted in material reduction in interest on bank deposits. In addition pension valuations, under a FRS17 basis, have been adversely affected, resulting in a net interest charge this year, as opposed to a net finance return in 2007/08. This reduction was in large part offset by a non-recurrent release of capital grant associated with the acquisition of the Charles Frears Campus; the element of grant received that was attributable to the value of the land (some £1.5 million) has to be treated as a donation in line with the SORP, and released to the University's Income and Expenditure Account in the year of receipt.

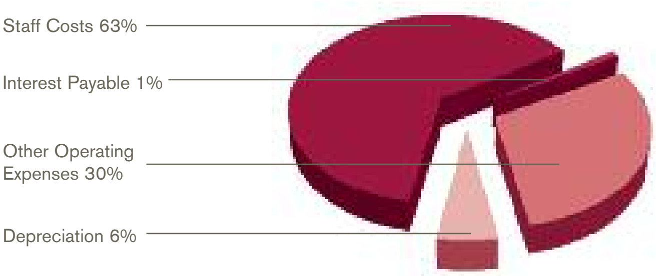
Income Analysis 2008/09



Expenditure

The University's expenditure grew by some £7.3 million, or 5.4%, year-on-year. Staff costs increased by 6.2% due to the final elements of the 2006 to 2009 pay award settlement, and the ongoing assimilation costs of the National Framework Agreement. The increase was in part mitigated by a reduction in the Pension Service cost charge, on a FRS17 basis, year-on-year of some £1.9 million. Non pay costs were in line with prior year in most areas, but further investments were made in bursaries and scholarships, some £2.1 million of additional expenditure year-on-year which was partly offset by non-recurrent release of prior year taxation provisions and other accruals not required (some £0.7 million).

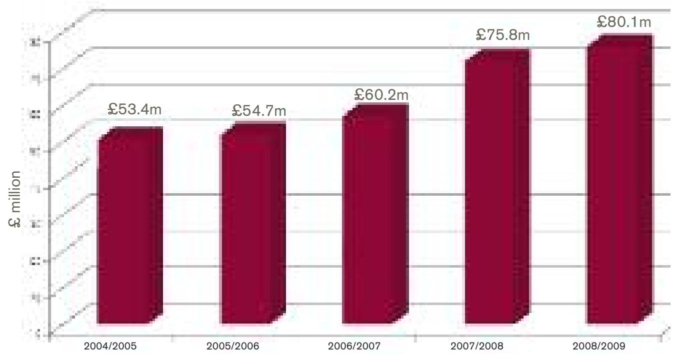
Expenditure Analysis 2008/09



Balance Sheet

As at the Balance Sheet date of 31 July 2009, total net assets, excluding FRS17 pension deficit, stood at £136.5 million an increase of £10 million year-on-year. Additions to fixed assets amounted to £31.6 million the additions consisted of £28 million of land and buildings and £3.6 million of equipment. Liquidity continued to remain healthy bolstered by the positive operating position, and capital grants. The level of general income and expenditure reserves increased by £4.4 million to £80.1 million as at the Balance Sheet date. The level of general reserves has increased steadily in recent years as highlighted in the following graph:

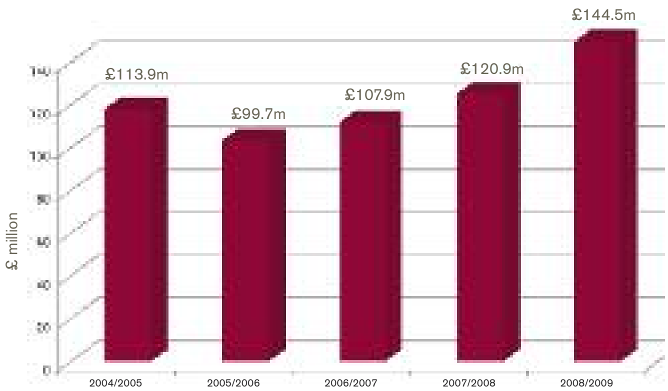
General Income and Expenditure Reserves



Fixed assets

Tangible assets increased by £23.5 million (net of depreciation), giving a total fixed assets value of £144.5 million.

Tangible Assets Analysis



As noted, the University made significant investment in its estates and infrastructure, investing some £31.6 million in land and buildings and equipment replacement and renewal.

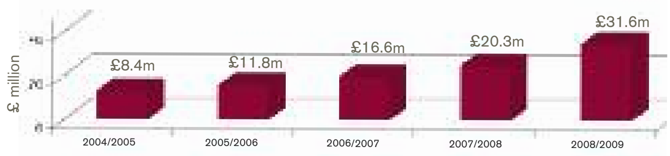
Significant items of note include:

- New build for the Faculty of Business & Law
- Public realm works including the development of the Magazine area, and Hawthorn Square
- Acquisition of the Charles Frears Campus from the Leicester Primary Care Trust.

These investments reflect the approved Estates Strategy and Masterplan.

The increased capital investment in recent years is highlighted in the following graph:

Capital Expenditure



Net current assets

Net current assets year-on-year decreased by £6.2 million, to a total of £18.1 million at the Balance Sheet date. The University continued to benefit from strong liquidity as a result of capital grants, positive operating cash flows and the drawdown of approved loan finance. The overall reduction reflects the budgeted and planned capital investments as noted above.

Cash resources and borrowing facilities

Cash inflow from operating activities during the year was £5.8 million. Year end investment plus cash balances decreased year-on-year by £5.4 million, to a total of £34.3 million by the Balance Sheet date, in line with University plans and forecasts.

De Montfort University undertakes its treasury management activities by employing only those instruments, methods and techniques as recommended by the CIPFA Code of Practice, and within the limits approved by the University's Finance and Human Resources Committee. The University's Treasury Management Policy was updated during the year, to take account of the volatility in financial market conditions in the period. The key changes to the policy centred upon the strengthening of the criteria for approved counterparties; this has resulted in a reduced number of organisations that are deemed acceptable (from a risk perspective) in terms of their counterparty status.

The University utilised the approved Revolving Credit facility with the Lloyds Group, with the drawdown of the £7 million facility in January 2009, on very competitive terms and in accordance with the facility agreement. Subsequently the University has taken an option to term out this facility in February 2012, at a forward fix on total cost of funds of 4.99%.

Earnings from investment of surplus sterling monies in the period amounted to £1.6 million at an average rate of return of 3.66% compared with target of 2.54%. This is a significant reduction on prior year because of the reduction in money market rates in 2008/09.

No new longer term borrowings were required in the year given the strong liquidity position noted above.

Payment of creditors

The University is fully committed to the prompt payment of its suppliers' invoices. The University aims to pay bills in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of good or services or the presentation of a valid notice.

Provisions for liabilities and charges

At the end of the year a provision of £1.6 million was carried in relation to future pension and restructuring provisions. There was a release in the year of unutilised provisions in respect of possible VAT liabilities; these arose from a number of historic tax disputes that are now agreed and in process of being settled with HMRC.

Pensions

The result of the 2007 Leicestershire County Council Pension Fund Scheme triennial valuation was published in 2008, and was reported upon in last year's financial statements. The overall funding level for the whole scheme, compared to the 2004 valuation, improved from 87% to 93%; this was due to investment outperformance in that period. The improved funding level at 2007 was welcome, but the volatility of scheme valuation in the short term is demonstrated by the FRS17 (Accounting for Retirement Benefits) valuation incorporated within the accounts. The 2009 FRS17 valuation records a significant increase in the accounting deficit of the scheme, under FRS17 requirements, of some £36.1 million, from £20.6 million in 2008 to £56.7 million at the Balance Sheet date. The decline is due to negative investment returns in the period, which illustrates the inherent volatility in this accounting measure, and a reduction in the discount rate used to measure the net present value of the Pension Scheme liabilities.

The pension note accompanying the financial statements includes a sensitivity analysis that demonstrates the impact that relatively small changes in key funding and valuation assumptions can have in the measurements of scheme liabilities and service costs under FRS17. The Local Government Pension Scheme remains solvent, with significant levels of current assets, and the triennial valuation, unlike the annual accounting valuation under FRS17, takes a more rounded, and long term view of the funding levels required to meet existing and future liabilities. Nevertheless funding levels as a whole for final salary pension schemes, be they public or private sector, are under increasing stress as a result of declining investment returns, increased life expectancy and demographic changes. The current levels of the Government fiscal deficit, adds to the pressure to reform public sector schemes to ensure a more sustainable model going forward; this might result in changes in the schemes that the University contributes to in future years.

Financial health indicators and performance

As noted, key performance indicators for financial sustainability were updated during 2008/09 to take account of economic and market conditions that are currently impacting upon the University, and the sector as a whole. In total, some 19 financial indicators are monitored by the Finance and Human Resources Committee at each meeting, and they cover areas such as operating performance, reserves, liquidity, borrowings, income and cost management. A summary of some of these key indicators, derived from the financial statements is set out below:

	Indicator	Target	July 2009
1	**Operating surplus**		
	(i) Minimum annual operating surplus as a % of income	0.5%	2.5%
	(ii) Minimum three years rolling average as a % of income	2% by 2012, rising to 3% by 2015	1.8%
2	**Cash flow from operating activity**		
	(i) Minimum annual level	£2m	£5.8m
	(ii) Minimum three year rolling average	£5m by 2012, rising to £8m by 2015	£4.8m
3	**General Reserves**		
	As a % of annual expenditure	30%	56.5%
4	**Liquid balances (cash plus investments)**		
	(i) Minimum level at financial year end	One month's worth of annual expenditure	2.9 months
	(ii) Rolling 12 months average	Two months worth of payroll expenditure	5.3 months
5	**Current (Liquidity) ratio**		
	Current assets to current liabilities of 1:1 (minimum)	1:1	1.7:1
6	**Long term borrowing**		
	(i) Net assets (excluding pension surplus/deficit) to debt ratio	2:1 (minimum)	5.6:1
	(ii) Annual operating cash flow to annual debt servicing (expressed as a ratio)	1:1 (minimum)	4.4:1

The majority of these, and other indicators that are regularly reviewed by the Finance and Human Resources Committee, are exceeding target or progressing well against target as at the balance sheet date.

University strategy

The University is three years into its current Strategic Plan which was put in place at a time of a significant funding change in the sector, in relation to the introduction of the Variable Fee Regulations in 2006. The Plan has four key strands; promoting the University's reputation for excellence in professional and creative education, promoting our reputation for research excellence, revising and refreshing our academic portfolio to maintain our competitiveness, and to enhance our external corporate positioning. The report of the Chairman of the Board of Governors highlights the progress and successes of the University in advancing these aims. A key strength that has underpinned the ongoing development and implementation of the Plan has been the ability of the University to respond to changing circumstances. It is evident that this ability will continue to be critical for the University in light of a more uncertain and challenging external environment.

Risks and University responses

The current recession and its impact upon public expenditure and levels of funding, clearly has a number of implications for the University, and the sector as a whole. HEFCE has already announced that the planned teaching grant for the sector will be reduced by 1.4% in 2009/10, as a consequence of Government funding announcements. It is very likely that public funding for Universities will be further reduced in the years from 2010/11 onwards. The extent and nature is, however, quite uncertain given the wider debate that is ongoing on the financing of Higher Education. The review of variable tuition fees is scheduled to commence before the end of the 2009 calendar year, but the output is likely to be after the General Election in 2010. Changes in this area (and in the system of providing grants and loans to students) may result.

A General Election often brings changes in policy and priorities, irrespective of whether there is a change in Government. The funding issues noted above will increase the likelihood of changes to Government policy in Higher Education; the sector will therefore need to be alert and responsive to any changes that emerge. In addition, there is likely to be a further opening up of the HE market place, with more competition from private providers and the FE sector. The HE sector will also face challenges from the implications of demographic changes over the next decade.

In light of the risks noted above, and in the context of the evolving University strategy, the University has initiated a comprehensive review of activities. It is intended that the review will be a full assessment and evaluation of the work of the faculties and support departments, which should inform priorities for the update of the University's Strategic Plan.

In addition it will inform the planning and budgetary process, and the development of plans to enhance income, and manage the cost base. It is anticipated that preliminary output from the review work will be available before the end of the 2009 calendar year, and the review output will be further developed to feed into 2010/11 planning and budgetary process in the first quarter of the 2010 calendar year.

The University has already put in place measures and actions, as part of the process of formulating the 2009/10 budget, to deliver a near break-even revenue position in that year. This is despite having to reflect the ongoing recurrent reduction in HEFCE Teaching Grant, arising from the changes in the basis of defining student completions for funding purposes.

Building upon the formulation of the 2009/10 budget, a number of scenario plans have been developed to support the University in the assessment of the potential areas of exposure and opportunity, and to assess potential sensitivities, outcomes and impact. These scenarios will continue to be developed and tested, to reflect changes in the external environment, known and emerging trends and feedback from the University Review.

Conclusion

The University remains in a relatively good position. Financial standing in terms of liquidity, levels of reserves and borrowings is sound. In addition the University's reputation, and its market position, has been gaining ground over the last few years. This provides a genuine opportunity to enhance student market share and the levels of research and commercial activity. It is therefore vital that the University maintains a long term outlook in respect of its activities and plans, and keeps a strategic focus even within a more constrained funding outlook.

The University must also be mindful, however, of the heightened external risks and the challenges and very uncertain forward outlook for the sector. The casting of a break-even budget for 2009/10 despite the significant reduction in HEFCE resource, the ongoing planning that is already in place, and the initiation of a review of University activity provide due testimony to the fact that the University is facing up to the challenges being presented.

The difficulty for the whole sector is that there is significant uncertainty surrounding the public funding of Higher Education. The scenario planning being undertaken for the University provides for a steady and prolonged decline in HEFCE resources per student which, given the size of the current national debt, is not an unreasonable expectation. However, the extent to which the student marketplace might change, and the changes that might arise from the fee review, is much more problematic to forecast and assess.

Outcomes are therefore very uncertain for the sector at the moment, and difficult to predict. The University must remain vigilant, and continue to plan effectively to ensure that it can respond appropriately during this difficult period. Student recruitment and the building of student market share is key consideration for the University, as well as the ongoing prioritisation of resources. Focus will need to be continued to be placed upon the distinctiveness and innovation within the academic portfolio, the value of the student experience, and the marketing and promotion of the University. The University Review, leading into the update of the University's Strategic Plan in 2010, will help in this focus, and will inform University planning as the sector progresses through this uncertain and potentially turbulent period.

Statement on Corporate Governance

Corporate Governance

This statement outlines for readers of the financial statements the corporate governance procedures adopted by the Board of Governors.

The Board of Governors recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times, and to ensure that it discharges its duties with due regard for the proper conduct of a publicly-funded business. In carrying out its responsibilities, full account is taken of the Committee of University Chairmen's Governance Code of Practice and Principles published in November 2004.

The University is committed to demonstrating best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the updated Combined Code on Corporate Governance issued by the London Stock Exchange in July 2003. As an independent Corporation deriving its legal status from the Education Reform Act 1988 the University is satisfied that it has complied with the provisions of the Code, in so far as it is applicable.

Summary of the University's structure of Corporate Governance

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

It is a requirement of the Articles of Government that there should be a majority of Board members who are non-executive and independent. The Board of Governors comprises up to 25 members (including the Vice-Chancellor ex-officio) of whom 13 are independent governors as defined under the Articles and a further six are co-opted external governors. The remaining five members of the Board of Governors include representatives of the Academic Board, academic staff, non-teaching staff, and the student body.

The principal officer is the Vice-Chancellor, who has responsibility to the Board of Governors for the organisation, direction and management of the University. He is also the designated Accounting Officer for the purposes of the Financial Memorandum with the Higher Education Funding Council for England (HEFCE). The Vice-Chancellor is supported by an executive group comprising the Deputy Vice-Chancellor, Pro Vice-Chancellors, and Directorate Heads of Finance, Human Resources and Corporate Affairs.

Conduct of business

As has been stated, the Board of Governors is responsible for, among other matters, the determination of the educational character and mission of the University and for oversight of its activities. It approves the Institution's strategy, which it re-appraises each year at a specially convened Strategic Away Day meeting, which supports and informs the setting of the strategic and other priorities for the next year. In the conduct of its formal business and in addition to the Strategic Away Day, the Board meets four times a year. It has a number of formally constituted committees, including the Audit, Finance and Human Resources, Governance, Remuneration and Strategy and Reputation Committees, each of which have clearly defined, delegated responsibilities.

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

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

The Governance Committee reviews the membership of the Board, advising on the skills mix available and that required by the Board to fulfil its responsibilities. It considers nominations of new external Governors, making recommendations to the relevant appointing authority. The Committee also reviews a range of Board-determined policies relating to general compliance issues and ensures that they comply with current statutory requirements and case law and represent best practice in the sector eg public interest disclosure issues, freedom of information, complaints, student discipline, freedom of speech, etc.

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

The main focus of the Strategy and Reputation Committee is on how the University can raise its profile in identified key areas, which are determined annually. It has oversight of the University's strategies and plans for marketing, press and public relations, internal and external communications, league tables, community liaison and the University's relationships with its stakeholders. It provides direction, feedback and support to the Executive on their strategies, operations and tactics and advises on briefing Governors in order that they can take an active and positive role representing the University, and acting as ambassadors.

All committees of the Board are required to report to the Board regularly. They do this in a variety of ways including the formal presentation of their minutes at Board meetings, with key matters being reported through to the Board as substantive agenda items for wider discussion. In addition, the Audit Committee reports at least twice a year including an annual report, which is also sent to the HEFCE Audit Assurance Service. The Vice-Chancellor also provides a report on key strategic performance indicators and on the broader operation of the University at each meeting. Members of the Vice-Chancellor's Group are also present at meetings of the Board of Governors to expand on reports as appropriate and answer any other questions which may arise.

The Board of Governors carries out regular reviews of its own effectiveness. The process of review is currently being revised. All Governors meet individually with the Chairman to discuss the operation of the Board and their participation in its work and the Chairman reports on his conclusions to the Board.

Newly-appointed Governors are encouraged to participate in an individual induction programme, tailored to their specific needs and experience. Additionally, all Governors are provided with the details of seminars and conferences for Governors offered by organisations such as HEFCE and the Leadership Foundation and are encouraged to be proactive in identifying opportunities for other training or support. In relation to the conduct of Board business, there is considerable opportunity for Governors to request additional information through Board Committees, through the Board itself and via the Clerk to the Board.

Independent and co-opted Governors meet together in advance of Board meetings and are briefed on matters of background and context for the issues and papers that are to be considered at the next and subsequent meetings.

Financial responsibilities of the University's Board of Governors

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

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

In causing the financial statements to be prepared, the Board of Governors has ensured that:

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

The Board of Governors has taken reasonable steps to:

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

Internal control

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

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

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

Risk management

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

The University's risk management approach complies with the HEFCE Accounts Direction, and also reflects the guidelines provided by the Turnbull Committee. The University has continued to further develop, enhance and embed its risk management systems during the 2008/09 financial year.

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

The University has embedded processes to enable full compliance to be sustained. In particular the following processes have been established:

- An annual programme of those topics to be considered by the Board at its meetings to ensure that it is focused on the key strategies, activities and targets for the University
- Performance monitoring reports designed to monitor performance against targets and provide a link to the University's strategic planning and risk management process
- An organisation-wide risk register that is regularly updated, and is reviewed by the Board of Governors, the Executive Group and by Deans of Faculty and Heads of Support Departments; assessment at faculty and department level and by detailed risk logs for significant projects
- Assigned responsibility to the University's Senior Executive, to oversee and support risk management
- Assigned responsibility to nominated officers to manage and monitor risk
- A review by the Audit Committee of the effectiveness of the risk management processes and internal control systems
- An annual assessment by the Board of Governors taking account of the work of the Senior Executive and other officers and the review undertaken by the Audit Committee, including the reports from internal and external auditors
- A programme of risk awareness training and dissemination of good practice
- Regular reviews of the risk priorities at both the Senior Executive and at faculty/department level.

The Board of Governors has benefited from formal presentations from officers on key strategic issues, the related risks and the management thereof.

Going concern statement

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

Independent Auditors' Report to the Board of Governors of De Montfort University

We have audited the Group and University financial statements ('financial statements') of De Montfort University for the year ended 31 July 2009 which comprise Consolidated Income and Expenditure Account, the Group and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out therein.

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Board of Governors and Auditors

The University Board of Governors' responsibilities for preparing the Report of the Chairman of the Board of Governors, the Report of the Director of Finance and the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England ('HEFCE'), the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on pages 15 and 16.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, 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 and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with HEFCE and the funding agreement with the Learning and Skills Council. We also report to you whether in our opinion the Report of the Chairman of the Board of Governors and the Report of the Director of Finance are not consistent with the financial statements.

In addition we report to you if, in our opinion, the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Report of the Chairman of the Board of Governors, the Report of the Director of Finance and the Corporate Governance Statement, and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the University's Board of Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and University's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

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

M J Rowley, for and on behalf of KPMG LLP. Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway,
Birmingham B4 6GH

Statement of Principal Accounting Policies

The following accounting policies have been applied consistently throughout the period to items which are considered material in relation to the accounts. In accordance with FRS18, these accounting policies have been reviewed by the Board of Governors and are considered to be appropriate to the University's activities.

1 Accounting convention

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

2 Tangible fixed assets

i) Capitalisation

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

- Individually have a cost equal to or greater than £10,000

Or

- Collectively have a cost equal to or greater than £10,000 where the assets are functionally interdependent or are purchased together and intended to be used as group under common management control

Or

- Irrespective of their individual cost, form part of the initial equipping of a new building.

ii) Valuation

Tangible fixed assets, including land and buildings inherited from the Local Education Authority, are stated at cost or, in the case of land and buildings, at valuation. The basis of valuation is depreciated replacement cost or open market value for properties expected to be sold. The latest valuation, which was for the 1994/95 Annual Accounts, was performed by the Estate Manager acting as an independent consultant, under the aegis of his professional body, the Royal Institution of Chartered Surveyors. All additions to land and buildings since 1 August 1995 are included at cost.

The University has adopted the transitional provisions of FRS 15. Consequently, no more revaluations will be made and existing land and buildings' gross valuations will be frozen at their current level. Buildings are depreciated over their expected useful life, which is normally 50 years except for certain building improvements, which are depreciated over 20 years. Leasehold property is depreciated over the life of the lease.

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

iii) Depreciation

Land is not depreciated. Leasehold property including improvements to leasehold property, and other leased assets are depreciated over the life of the lease. Where assets comprise two or more major components with substantially different useful economic lives, each component is accounted for and depreciated over its individual useful economic life. Other tangible assets are depreciated on a straight-line basis over their useful life as follows:

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

In the year that assets are put into service, six months depreciation is charged, assets are not depreciated in the year of disposal. Expenditure that extends the useful life of an asset has been depreciated over the assessed extended life of the asset.

iv) Funded tangible fixed assets

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

v) Tangible donated fixed assets

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

vi) IT equipment and software licences

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

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

vii) Heritage assets

The University holds a number of collections, exhibits and artefacts most of which have been donated or bequeathed to the University. These assets have no value attributed to them in the financial statements. It is not possible to ascribe a value to these assets.

3 Intangible assets

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

4 Leases

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

Rental costs under operating leases are charged to the Income and Expenditure Account in equal amounts over the periods of the leases.

5 Funding Council Grants

Funding Council recurrent grant income represents income in support of general or specific revenue activities of the University during the period and is credited direct to the Income and Expenditure Account.

Capital grants and contributions received by the University to finance the construction or purchase of capital assets are accounted for as deferred capital grants and released to the Income and Expenditure Account over the expected useful life of the related assets.

Tuition fees represent student fees received and receivable, which are attributable to the current accounting period.

Deferred income in respect of HEFCE capital grant, which is attributable to subsequent years, is shown as a deferred credit in the Balance Sheet.

6 Stocks

Stocks are stated at the lower of cost and net realisable value. Consumable items are charged directly to the Income and Expenditure Account.

7 Taxation status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 2006 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Charitable 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 company is subject to Corporation Tax and VAT in the same way as any commercial organisation.

8 Deferred taxation

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

9 Pension scheme arrangements

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

The Local Government Pension Scheme is accounted for on the basis of FRS17. The assets of the scheme are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method. The difference between the fair value of assets and liabilities measured on an actuarial basis, net of the related amount of deferred tax, are recognised in the University's Balance Sheet as a pension scheme liability or asset as appropriate. A surplus is only included to the extent that the University is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. Changes in the defined asset or liability arising from factors other than cash contributions to the scheme are charged to the Income and Expenditure Account. The Teachers' Pension Scheme and the Universities Superannuation Scheme are multi-employer schemes where the University is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Contributions are charged directly to the Income and Expenditure Account as if the Schemes were defined contribution scheme in accordance with FRS17.

Provision is made for enhanced pensions not accounted for under FRS17 where employees have taken early retirement.

10 Recognition of income

Income from donations, research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year. Contributions towards overhead costs are aligned with expenditure and recognised based on expenditure to date. All income from short-term deposits and endowment asset investments is credited to the Income and Expenditure Account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the Income and Expenditure Account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the Balance Sheet.

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

11 Consolidation

The Consolidated Income and Expenditure Account and Balance Sheet include the annual accounts of the Corporation, its subsidiary undertakings, except for dormant subsidiary companies, where the combined amounts involved are insignificant, and De Montfort University Trust, an exempt charity. Details of the University's subsidiary undertakings are provided in note 7 to the accounts. The Annual Accounts have been consolidated under the acquisition method of accounting.

The consolidated financial statements do not include those of De Montfort University Students' Union Limited, as it is a separate Limited Company in which the University has no financial interest. In 2008/09, the University made the recurrent grant to De Montfort University Students' Union Limited of £712,000 (2007/08: £725,000).

12 Cash flows and liquid resources

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

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

13 Maintenance of premises

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

14 Staff restructuring costs

Routine staff costs and expenditure on staff restructuring are charged to the Income and Expenditure Account in the year in which they are incurred.

15 Provisions

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

16 Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at cost. Investments that are listed on a recognised stock exchange are carried at market value. Current asset investments are carried at the lower of cost and net realisable value.

17 Foreign currencies

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

18 Accounting for charitable donations

i) Unrestricted donations

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

ii) Endowment funds

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

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

iii) Donations for fixed assets

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

iv) Gifts in kind, including donated tangible fixed assets

Gifts in kind are included in 'Other Income' or 'Deferred Capital Grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

Consolidated Income and Expenditure Account

For the year ended 31 July 2009

	Note	2009 £'000 Total	2008 £'000 Total
Income			
Funding council grants	1a	68,761	64,672
Academic fees and education contracts	1b	57,566	50,264
Research grants and contracts	1c	7,419	7,880
Other operating income	1d	10,081	8,830
Endowment income and interest receivable	1e	1,583	3,460
Total income		**145,410**	**135,106**
Expenditure			
Staff costs	2	89,533	84,311
Other operating expenses	3	42,792	42,175
Interest payable	4	1,450	1,274
Depreciation	6	8,033	6,735
Total expenditure	**5**	**141,808**	**134,495**
Surplus on continuing operations after depreciation of fixed assets at valuation		**3,602**	611
Taxation		-	(1)
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and tax and before exceptional items		**3,602**	610
Exceptional items: continuing operations			
Surplus on disposal of tangible fixed assets		**49**	14,478
Surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and tax		**3,651**	15,088
Transfer from accumulated income within endowments		**62**	52
Surplus for the year retained within general reserves		**3,713**	**15,140**

The consolidated surplus includes a surplus of £3,500k (2007/08: surplus of £14,984k) that has been dealt with in the accounts of the University.

All items dealt with above relate to continuing operations.

This statement should be read in conjunction with the Report of the Chairman, Report of the Director of Finance and Notes to the Accounts.

Statement of Historical Cost Surpluses and Deficits

For the year ended 31 July 2009

	Note	2009 £'000 Total	2008 £'000 Total
Surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and tax		3,651	15,088
Difference between historical cost depreciation charge and actual depreciation charge for the year	18	88	83
Historical cost surplus for the year		**3,739**	**15,171**
Historical cost surplus for the year retained after transfers in respect of endowments		**3,801**	**15,223**

This statement should be read in conjunction with the Report of the Chairman, Report of the Director of Finance and Notes to the Accounts.

Balance Sheet

As at 31 July 2009

	Note	Group 2009 £'000	Group 2008 £'000	Corporation 2009 £'000	Corporation 2008 £'000
Fixed assets					
Tangible assets	6	144,472	120,942	134,618	110,799
Investments	7	302	254	612	564
		144,774	**121,196**	**135,230**	**111,363**
Endowment asset investments	8	766	775	766	775
Current assets					
Stocks	9	143	164	111	101
Properties held for resale		2	2	2	2
Debtors – amounts falling due after more than one year	10	-	-	5,344	5,856
Debtors – amounts falling due within one year	11	7,514	6,296	7,878	7,329
Investments	12	32,911	38,421	31,669	36,951
Cash at bank and in hand		1,411	1,306	917	635
		41,981	**46,189**	**45,921**	**50,874**
Creditors: amounts falling due within one year	13	(23,915)	(21,920)	(23,400)	(21,648)
Net current assets		**18,066**	**24,269**	**22,521**	**29,226**
Total assets less current liabilities		**163,606**	**146,240**	**158,517**	**141,364**
Creditors: amounts falling due after more than one year	14	(25,565)	(17,093)	(25,565)	(17,093)
Provisions for liabilities and charges	15	(1,575)	(2,700)	(1,575)	(2,700)
		(27,140)	**(19,793)**	**(27,140)**	**(19,793)**
Total net assets excluding pension deficit		**136,466**	**126,447**	**131,377**	**121,571**
Pension deficit	30d	(56,721)	(20,608)	(56,721)	(20,608)
Total net assets including pension deficit		**79,745**	**105,839**	**74,656**	**100,963**
Represented by:					
Deferred capital grants	16	45,589	39,868	45,589	39,868
Endowments					
Expendable		334	332	334	332
Permanent		432	443	432	443
	17	**766**	**775**	**766**	**775**
Reserves					
Revaluation reserve	18	9,969	10,016	9,969	10,016
Income and expenditure account	18	80,142	75,788	75,053	70,912
Pension reserve	18	(56,721)	(20,608)	(56,721)	(20,608)
Total reserves		**33,390**	**65,196**	**28,301**	**60,320**
Total reserves and endowments		**34,156**	**65,971**	**29,067**	**61,095**
Total funds		**79,745**	**105,839**	**74,656**	**100,963**

The financial statements on pages 21 to 47 were approved by the Board of Governors on 27 November 2009 and were signed on its behalf by

Professor W Dawson
Chairman

Professor P W Tasker
Chief Executive and Vice-Chancellor

Mr J Cunningham
Director of Finance

This statement should be read in conjunction with the Report of the Chairman, Report of the Director of Finance and Notes to the Accounts.

Statement of Consolidated Total Recognised Gains and Losses

For the year ended 31 July 2009

	Note	2009 £'000	2008 £'000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets		3,651	15,088
Increase/(decrease) in value of fixed asset investment	18	41	(7)
Exchange translation differences	18	–	(1)
New endowed funds	17	73	197
Endowments released to the income and expenditure account	17	–	(152)
Endowments transferred to deferred capital grants	17	–	(11)
Depreciation of endowed funds	17	(20)	(30)
FRS17 actuarial loss	30d	(35,560)	(14,633)
Total recognised (losses)/gains relating to the year		**(31,815)**	**451**
Opening reserves and endowments		65,971	65,520
Total recognised (losses)/gains		(31,815)	451
Closing reserves and endowments		**34,156**	**65,971**

This statement should be read in conjunction with the Report of the Chairman, Report of the Director of Finance and Notes to the Accounts.

Consolidated Cash Flow Statement

For the year ended 31 July 2009

	Note	2009 £'000	2008 £'000
Net cash inflow from operating activities	20	5,782	4,690
Returns on investments and servicing of finance			
Interest received	21	1,699	2,460
Interest paid	21	(628)	(1,275)
		1,071	**1,185**
Net cash inflow from returns on investments and servicing of finance		**6,853**	**5,875**
Capital expenditure			
Payments to acquire tangible assets		(30,153)	(19,712)
Proceeds of sale of tangible assets		118	15,571
Deferred capital grants received		10,860	4,851
Net cash (outflow)/inflow from capital expenditure		**(19,175)**	**710**
Net cash (outflow)/inflow before management of liquid resources		**(12,322)**	**6,585**
Management of liquid resources			
Cash transferred from/(to) term deposits	23	5,510	(5,691)
Financing			
Bank loan drawn down in year	22	7,000	-
Loan repayment in year	22	(389)	(372)
		6,611	**(372)**
(Decrease)/increase in cash	**23**	**(201)**	**522**

Reconciliation of Net Cash Flow to Movement in Net Funds

	Note	2009 £'000	2008 £'000
(Decrease)/increase in cash in the year	23	(201)	522
Cash (outflow)/inflow from liquid resources	23	(5,510)	5,691
New loans taken out in year	23	(7,000)	-
Loan repayment in year	23	389	372
Change in net funds		**(12,322)**	**6,585**
Net funds at 1 August		**22,112**	**15,527**
Net funds at 31 July		**9,790**	**22,112**

This statement should be read in conjunction with the Report of the Chairman, Report of the Director of Finance and Notes to the Accounts.

1. Analysis of income

		2008/2009 £'000	2007/2008 £'000
a)	**Funding council grants**		
	Recurrent grants		
	Higher Education Funding Council	59,277	57,131
	Learning and Skills Council	834	882
	Training and Development Agency	-	1
	Specific grants		
	Employer Engagement	1,275	213
	Teaching Quality Enhancement Fund	587	563
	Higher Education Innovation Fund	1,306	1,169
	Centres for Excellence in Teaching and Learning	588	587
	Active Community Fund	61	60
	HEFCE Matched Funding	43	-
	Releases of deferred capital grants (note16)		
	Buildings	1,242	1,281
	Equipment	3,548	2,785
	Total	**68,761**	**64,672**
b)	**Academic fees and education contracts**		
	Home and EU students	36,207	30,264
	Overseas students	7,848	7,215
	Education contracts	12,526	12,478
	Other contracts	985	307
	Total	**57,566**	**50,264**
c)	**Research grants and contracts**		
	Research councils	2,127	2,489
	UK based charities	361	336
	European Commission	770	651
	Other grants and contracts	4,161	4,404
	Total	**7,419**	**7,880**
d)	**Other operating income**		
	Residences and catering	3,792	3,453
	Other services rendered	2,894	2,896
	Other income	1,512	1,957
	Releases of deferred capital grants (note 16)	349	157
	Donations	1,534	367
	Total	**10,081**	**8,830**
	Donations include £1.5m in respect of Charles Frears land donation		
e)	**Endowment income and interest receivable**		
	Income from expendable endowments (note 17)	12	19
	Income from permanent endowments (note 17)	19	23
	Interest on short term investments	1,552	2,187
	Net finance returns on pension scheme assets under FRS17 (note 30d)	-	1,231
	Total	**1,583**	**3,460**

2. Staff costs and other details

a) Staff costs

	2008/2009 £'000	2007/2008 £'000
Wages and salaries	74,068	68,526
Social security costs	5,952	5,535
Other pension costs	8,877	9,884
Restructuring costs	636	366
Total	**89,533**	**84,311**

b) Employee numbers

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

	2008/2009	2007/2008
Academic		
Full-time	768	765
Part-time	200	195
Support	1,179	1,143
Total	**2,147**	**2,103**

c) Senior post holder emoluments

	2008/2009 £'000	2007/2008 £'000
Emoluments of the Vice-Chancellor	**216**	**206**

The emoluments of the Vice-Chancellor are shown on the same basis as for other higher paid staff. The University's pension contributions to the Teachers' Pension Scheme (not included above) are paid at the same rates as for other academic staff and amounted to £29,000 (2007/2008: £17,000). The Contract of Employment of the Vice-Chancellor provides for termination by the Corporation on giving twelve months' notice or the Vice-Chancellor reaching the age of 65.

d) Remuneration of other higher paid staff

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

	2008/2009	2007/2008
£100,000 – £109,999	7	3
£110,000 – £119,999	-	-
£120,000 – £129,999	-	-
£130,000 – £139,999	-	-
£140,000 – £149,999	1	1

3. Other operating expenses

		2008/2009 £'000	2007/2008 £'000
External auditors remuneration The above remuneration includes £38k in respect of the audit of the University (2008: £38k)	Group audit	50	52
Auditors fees for non-audit services	Other services supplied pursuant to such legislation	2	1
	Other services relating to taxation	1	2
	Other	6	-
Internal audit services		86	80
Residences and catering		2,450	2,282
Rent, rates and insurance		909	1,355
Repairs and general maintenance		4,099	4,632
Energy		2,500	1,722
Administrative expenses		5,050	5,343
Research grants and contracts		2,216	2,553
Legal, professional and consultancy fees		3,899	4,554
General education expenses		6,483	5,894
Student bursaries		5,664	3,525
Publicity		3,325	2,427
Staff development		439	496
Travel and subsistence		1,248	1,178
Grant to De Montfort University Students' Union Limited		712	725
Consumables		3,317	4,449
Other		336	905
Total		**42,792**	**42,175**

Other operating expenses include:	2008/2009 £'000	2007/2008 £'000
Operating leases – buildings	921	916
Operating leases – equipment	368	354

4. Interest payable

	2008/2009 £'000	2007/2008 £'000
Other loans	938	927
Finance leases	-	1
HMRC interest	(307)	346
Net financing costs in pension scheme liabilities (under FRS17)	819	-
Total	**1,450**	**1,274**

5. Analysis of 2008/2009 expenditure by activity

	Staff costs £'000	Other operating expenses £'000	Interest £'000	Depreciation £'000	Total £'000
Academic departments	56,621	10,651	-	2,742	70,014
Academic services	8,810	3,718	-	332	12,860
Admin and central services	8,281	4,008	-	743	13,032
General education expenditure	2,262	10,539	-	35	12,836
Staff and student facilities	2,421	1,481	-	58	3,960
Premises	5,296	6,873	-	3,644	15,813
Residences and catering	554	2,450	-	147	3,151
Research grants and contracts	3,725	2,216	-	332	6,273
Other services rendered	1,193	856	-	-	2,049
Other expenditure	-	-	631	-	631
Provision for restructuring	636	-	-	-	636
FRS17 adjustment	(266)	-	819	-	553
Total	**89,533**	**42,792**	**1,450**	**8,033**	**141,808**

The depreciation charge has been funded by:

	£'000
Deferred capital grants released (note 16)	4,058
Revaluation reserves released (note 18)	88
General income	3,887
	8,033

6. Tangible fixed assets and depreciation

Group	Land and buildings £'000	Buildings under construction £'000	Furniture and equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation					
At 1 August 2008	129,711	5,837	11,477	9,240	156,265
Additions at cost	6,256	21,782	790	2,791	31,619
Transfers to land and buildings	483	(483)	-	-	-
Asset impairment	(53)	-	-	-	(53)
Disposals	-	-	(18)	(656)	(674)
At 31 July 2009	**136,397**	**27,136**	**12,249**	**11,375**	**187,157**
Depreciation					
At 1 August 2008	23,873	-	6,142	5,308	35,323
Charge for the year	3,592	-	1,852	2,589	8,033
Disposals	-	-	(15)	(656)	(671)
At 31 July 2009	**27,465**	**-**	**7,979**	**7,241**	**42,685**
Net book value:					
At 31 July 2009	**108,932**	**27,136**	**4,270**	**4,134**	**144,472**
At 31 July 2008	105,838	5,837	5,335	3,932	120,942

Corporation	Land and buildings £'000	Buildings under construction £'000	Furniture and equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation					
At 1 August 2008	117,442	5,837	11,477	9,240	143,996
Additions at cost	6,256	21,782	790	2,791	31,619
Transfers to land and buildings	483	(483)	-	-	-
Asset impairment	(53)	-	-	-	(53)
Disposals	-	-	(18)	(656)	(674)
At 31 July 2009	**124,128**	**27,136**	**12,249**	**11,375**	**174,888**
Depreciation					
At 1 August 2008	21,747	-	6,142	5,308	33,197
Charge for the year	3,303	-	1,852	2,589	7,744
Disposals	-	-	(15)	(656)	(671)
At 31 July 2009	**25,050**	**-**	**7,979**	**7,241**	**40,270**
Net book value:					
At 31 July 2009	**99,078**	**27,136**	**4,270**	**4,134**	**134,618**
At 31 July 2008	95,695	5,837	5,335	3,932	110,799

The net book value of tangible fixed assets held under finance leases at 31 July 2009 was £4,000 (31 July 2008: £8,000). Of the net book value of land and buildings, £108,932,000 as at 31 July 2009, £80,536,000 is held at cost and £28,396,000 is held at the 1995 valuation. The historical cost equivalent of the re-valued land and buildings is £18,488,000 as at 31 July 2009.

The net book value of land and buildings is comprised as follows:

	Group 2008/2009 £'000	Group 2007/2008 £'000	Corporation 2008/2009 £'000	Corporation 2007/2008 £'000
Freehold	107,936	104,564	98,082	94,421
Long lease	996	1,274	996	1,274
Total	**108,932**	**105,838**	**99,078**	**95,695**

7. Investments

	Group 2008/2009 £'000	Group 2007/2008 £'000	Corporation 2008/2009 £'000	Corporation 2007/2008 £'000
Movement in the year				
Balance at beginning of year	254	262	564	572
Appreciation/(depreciation) of investments	48	(8)	48	(8)
Balance at year end	**302**	**254**	**612**	**564**
Analysis of closing balance				
Shareholding in subsidiary undertakings	-	-	310	310
Other investments	264	216	264	216
Shareholding in CVCP Properties plc	38	38	38	38
	302	**254**	**612**	**564**

a) Shareholdings in subsidiary undertakings

At year end, investments in subsidiary undertakings comprise:

	Group holding %	Corporation 2008/2009 £	Corporation 2007/2008 £	Description of activities
Directly owned by the University:				
De Montfort Expertise Ltd	100	310,000	310,000	Provision of contract research and development
DMU Construction Company Ltd	100	-	2	Struck off at Companies House on 9 December 2008
Leicester Business School Ltd	100	1	1	Dormant company
Leicestershire Business School Ltd	100	1	1	Dormant company
De Montfort University Trust	100	-	-	Support the educational work of the University
Leicester De Montfort Expertise Ltd	100	1	1	Dormant company
Leicester De Montfort Ltd	100	1	1	Dormant company
		310,004	**310,006**	

De Montfort Botswana (Propriety) Ltd was dissolved and removed from the Register of Companies in Botswana on 17 June 2009.

Shareholding of De Montfort University Trust:				
Banco Santander	<0.01	852	980	Financial services (note 1 below)
		852	**980**	

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

b) Other investments

	Holding	Corporation		Description of activities
		2008/2009	2007/2008	
	%	£	£	
Talis Group Ltd	<0.60	-	-	Library management system (note 2 below)
Spear Therapeutics Ltd	14.29	234	234	Drug development and research
Protherics plc	<0.01	35,572	3	Drug development and research
UK Human Tissue Bank Ltd	100.00	1	1	Dormant company
CYPS Ltd	100.00	100	100	Dormant company
In Smart Ltd	100.00	100	100	Dormant company
Morvus Technology Ltd	<2.00	589	589	Drug development and research
Access Pharmaceuticals Inc	<0.70	26,713	14,524	Drug development and research, incorporated in USA. (note 3 below)
Lachesis Seed Fund Ltd Partnership	20.00	200,000	200,000	Seed funding for new high technology businesses
Fiteris Ltd	50.00	150	1	Software development (note 4 below)
Valebanner Ltd	100.00	1	-	Medical research
Venuesim Ltd	100.00	1	-	Software development
		263,461	**215,552**	

c) Investment in associated undertaking

The following associated undertaking is not consolidated:

Name of associate	Holding	Reason	2009 £'000	2008 £'000	Share of turnover £'000	Share of net assets £'000
Data Perspective Ltd	33%	Company is not material (note 5 below)	0.00	0.25	-	-

Notes

1. The shares in this company were issued without payment. The original shares were issued by Abbey National in respect of the bank account held by De Montfort University Trust. This further issue followed as a result of the acquisition of Abbey National by Banco Santander and subsequent revaluation of shareholdings.
2. The shares in this company were issued without payment. This followed the reorganisation of BLCMP Library Services, in which the University was previously a partner.
3. Somanta Pharmaceuticals Inc merged with Access Pharmaceuticals Inc on 17 August 2007. Stock in Somanta Pharmaceuticals Inc held at the close of business on 4 January 2008 automatically converted into stock in Access Pharmaceuticals Inc.
4. Fiteris Ltd was formed 19 June 2008 and commenced trading in September 2008.
5. Data Perspective Ltd was dissolved at Companies House on 19 May 2009.

8. Endowment asset investments – Group and Corporation

	2008/2009 £'000	2007/2008 £'000
Balance as at 1 August	775	823
New endowments invested	73	197
Disposals	-	(163)
Decrease in market value of investments	(20)	(30)
Decrease in cash balances held for endowment funds	(62)	(52)
Balance as at 31 July	**766**	**775**
Represented by:		
Securities and fixed interest stock	177	196
Bank balances	589	579
Total endowment assets	**766**	**775**

9. Stocks

	Group 2008/2009 £'000	Group 2007/2008 £'000	Corporation 2008/2009 £'000	Corporation 2007/2008 £'000
Goods for resale	35	64	3	1
Catering and residences	5	5	5	5
Art and Design	60	64	60	64
ISAS	43	31	43	31
	143	**164**	**111**	**101**

10. Debtors falling due after more than one year

	Group 2008/2009 £'000	Group 2007/2008 £'000	Corporation 2008/2009 £'000	Corporation 2007/2008 £'000
Loans and prepayments to subsidiary undertakings	-	-	5,344	5,856
	-	**-**	**5,344**	**5,856**

11. Debtors falling due within one year

	Group 2008/2009 £'000	Group 2007/2008 £'000	Corporation 2008/2009 £'000	Corporation 2007/2008 £'000
Student debtors	2,361	2,118	2,361	2,118
Other debtors	1,907	1,976	1,551	1,675
Research	1,542	1,279	1,542	1,279
Prepayments and accrued income	1,704	923	1,265	871
Subsidiary undertakings	-	-	1,159	1,386
	7,514	**6,296**	**7,878**	**7,329**

12. Short term deposits – Group and Corporation

In accordance with its established policy, the University regularly invests surplus funds on deposit or on the Money Market.

At 31 July 2009:
£32,911,000 of Group Funds was on deposit (31 July 2008: £38,421,000).
£31,669,000 of Corporation Funds was on deposit (31 July 2008: £36,951,000).

13. Creditors falling due within one year

	Group 2008/2009 £'000	Group 2007/2008 £'000	Corporation 2008/2009 £'000	Corporation 2007/2008 £'000
Bank account	371	65	371	65
Obligations under finance leases (note 19)	4	4	4	4
Payments received in advance	6,383	7,917	6,383	7,917
Trade creditors	6,793	4,403	6,240	3,970
Other creditors	1,831	1,807	1,831	1,807
Taxation	1,582	1,445	1,568	1,434
Social security	941	866	941	866
Accruals	5,429	4,795	5,227	4,636
Bank loan	406	453	406	453
Student caution deposits	17	36	17	36
Access funds (note 27)	33	4	33	4
Subsidiary undertakings	-	-	254	331
East Midlands New Technology Initiative (note 28)	125	125	125	125
	23,915	**21,920**	**23,400**	**21,648**

14. Creditors falling due after more than one year

	Group 2008/2009 £'000	Group 2007/2008 £'000	Corporation 2008/2009 £'000	Corporation 2007/2008 £'000
Bank loan	23,751	17,089	23,751	17,089
Obligations under finance leases (note 19)	-	4	-	4
Other creditors	1,814	-	1,814	-
	25,565	**17,093**	**25,565**	**17,093**

A Revolving Credit facility of £7 million with the Lloyds Group was drawn down on 14 January 2009. The cost of the facility is the bank rate plus 0.2% margin.

This facility has been forward fixed to a 20 year term loan commencing 27 February 2012. The underlying cost of funds for the future term loan is 4.79% together with a margin of 0.2%, giving an overall fixed rate of 4.99%. The loan will be amortized over the term with no capital holiday. It is provided unsecured, subject only to the University providing a negative pledge over its material fixed assets.

15. Provisions for liabilities and charges – Group and Corporation

	Indirect taxation £'000	Future pensions £'000	Staff restructuring £'000	Other provisions £'000	Total £'000
At 1 August 2008	1,262	1,300	13	125	2,700
Utilised in year	(235)	(87)	(12)	(125)	(459)
Transferred to accruals	(735)	-	-	-	(735)
Transfer (to)/from income and expenditure account	(292)	211	150	-	69
At 31 July 2009	**-**	**1,424**	**151**	**-**	**1,575**

The provision for future pensions represents the estimated outstanding cost to the University in respect of enhanced pension entitlements not accounted for under FRS17, and is reviewed at each financial year end. The provision for staff restructuring relates to agreements that have been reached for early retirement and severance as at the Balance Sheet date.

16. Deferred capital grants – Group and Corporation

	Funding Council Grants £'000	Other grants £'000	Total Grants £'000
Balance at 1 August 2008			
Buildings	31,942	643	32,585
Equipment	6,926	357	7,283
Total	**38,868**	**1,000**	**39,868**
Cash receivable			
Buildings	3,355	3,334	6,689
Equipment	3,520	651	4,171
Total	**6,875**	**3,985**	**10,860**
Released to income and expenditure account			
Buildings	(1,242)	(116)	(1,358)
Equipment	(3,548)	(233)	(3,781)
Total	**(4,790)**	**(349)**	**(5,139)**
	To fund depreciation (note 5)		(4,058)
	To fund revenue		(1,081)
			(5,139)
Balance at 31 July 2009			
Buildings	34,055	3,861	37,916
Equipment	6,898	775	7,673
Total	**40,953**	**4,636**	**45,589**

17. Endowments – Group and Corporation

	Unrestricted permanent £'000	Restricted permanent £'000	Total permanent £'000	Restricted expendable £'000	2008/2009 Total £'000	2007/2008 Total £'000
Capital	1	361	362	323	685	716
Accumulated income	-	81	81	9	90	107
	1	442	443	332	775	823
Investment income	-	20	20	12	32	42
Expenditure	-	(31)	(31)	(63)	(94)	(94)
	-	(11)	(11)	(51)	(62)	(52)
New endowments	-	20	20	53	73	197
Released to income and expenditure account	-	-	-	-	-	(152)
Transferred to deferred capital grants	-	-	-	-	-	(11)
Depreciation in market value of investments	-	(20)	(20)	-	(20)	(30)
At 31 July 2009	**1**	**431**	**432**	**334**	**766**	**775**
Represented by:						
Capital value	1	361	362	324	686	685
Accumulated income	-	70	70	10	80	90
	1	**431**	**432**	**334**	**766**	**775**

18. Reserves

	Group 2008/2009 £'000	Group 2007/2008 £'000	Corporation 2008/2009 £'000	Corporation 2007/2008 £'000
Income and expenditure reserve				
At 1 August	75,788	60,211	70,912	55,490
Surplus retained in the year	3,713	15,140	3,500	14,984
Transfer from revaluation reserve	88	83	88	83
Foreign exchange loss	-	(1)	-	-
Add back pension deficit	553	355	553	355
At 31 July	**80,142**	**75,788**	**75,053**	**70,912**
Pension reserve				
At 1 August	(20,608)	(5,620)	(20,608)	(5,620)
Actuarial loss on pension scheme	(35,560)	(14,633)	(35,560)	(14,633)
Deficit retained within reserves	(553)	(355)	(553)	(355)
At 31 July	**(56,721)**	**(20,608)**	**(56,721)**	**(20,608)**
Revaluation reserve				
At 1 August	10,016	10,106	10,016	10,106
Increase/(decrease) in value of fixed asset investments	41	(7)	41	(7)
Contribution to depreciation	(88)	(83)	(88)	(83)
At 31 July	**9,969**	**10,016**	**9,969**	**10,016**
Total reserves	**33,390**	**65,196**	**28,301**	**60,320**

19. Borrowings and lease obligations

a) Borrowings

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

	Group 2008/2009 £'000	Group 2007/2008 £'000	Corporation 2008/2009 £'000	Corporation 2007/2008 £'000
In one year or less	777	518	777	518
Between one and two years	420	338	420	338
Between two and five years	1,917	1,349	1,917	1,349
In five years or more	21,414	15,402	21,414	15,402
Total	**24,528**	**17,607**	**24,528**	**17,607**

b) Finance leases

	Group 2008/2009 £'000	Group 2007/2008 £'000	Corporation 2008/2009 £'000	Corporation 2007/2008 £'000
Obligations under finance leases in respect of equipment fall due as follows:				
Within one year	4	4	4	4
Leases expiring within two–five years	-	4	-	4
Total	**4**	**8**	**4**	**8**

c) Operating leases

At 31 July 2009, the University had annual commitment under operating leases as follows:

	Group 2008/2009 £'000	Group 2007/2008 £'000	Corporation 2008/2009 £'000	Corporation 2007/2008 £'000
Land and buildings				
Leases expiring within one year	-	-	-	-
Leases expiring within two–five years	103	104	753	404
Leases expiring thereafter	586	820	1,086	1,663
Total lease payments due	**689**	**924**	**1,839**	**2,067**
Other				
Leases expiring within one year	26	-	24	-
Leases expiring within two–five years	348	339	348	333
Total lease payments due	**374**	**339**	**372**	**333**

20. Net cash flow from operating activities – Group

	2008/2009		2007/2008	
	£'000	£'000	£'000	£'000
Income and expenditure account before taxation	3,602		611	
FRS17 impact on income and expenditure account (including interest)	553		355	
Endowment income adjustment	62		52	
Interest receivable (excluding FRS17 interest)	(1,583)		(2,229)	
Surplus/(deficit) before interest receivable		2,634		(1,211)
Add back interest payable (excluding FRS17 interest):				
Bank loans	938		927	
Finance leases	-		1	
HMRC interest	(307)		346	
Total interest payable		631		1,274
Surplus from operating activities		**3,265**		**63**
Release of capital grant		(5,139)		(4,223)
Exchange rate loss		-		(1)
Increase in value of fixed asset investments		41		-
Depreciation		8,033		6,735
Decrease/(increase) in stock		21		(15)
(Increase)/decrease in debtors		(1,346)		2,161
Increase in creditors		2,032		1,840
Decrease in provisions		(1,125)		(1,870)
Net cash inflow from ordinary operating activities		**5,782**		**4,690**

21. Returns on investments and servicing of finance – Group

	2008/2009 £'000	2007/2008 £'000
Income from short term investments	1,699	2,460
Interest paid	(628)	(1,274)
Interest element of finance leases	-	(1)
	1,071	**1,185**

22. Analysis of changes in financing – Group

	Bank loan		Finance leases		Total	
	2008/2009 £'000	2007/2008 £'000	2008/2009 £'000	2007/2008 £'000	2008/2009 £'000	2007/2008 £'000
Balance at 1 August	17,542	17,908	8	14	17,550	17,922
New loan principal	7,000	-	-	-	7,000	-
Repayment	(385)	(366)	(4)	(6)	(389)	(372)
Balance at 31 July	**24,157**	**17,542**	**4**	**8**	**24,161**	**17,550**

23. Analysis of net funds – Group

	At 1 August 2008 £'000	Non cash changes £'000	Cashflow £'000	At 31 July 2009 £'000
Net cash				
Cash at bank and in hand	1,306	-	105	1,411
Bank overdrafts	(65)	-	(306)	(371)
	1,241	**-**	**(201)**	**1,040**
Liquid resources				
Current asset investments	**38,421**	**-**	**(5,510)**	**32,911**
Debt				
Finance leases	(8)	-	4	(4)
Debts falling due within one year	(453)	(338)	385	(406)
Debts falling due after one year	(17,089)	338	(7,000)	(23,751)
	(17,550)	**-**	**(6,611)**	**(24,161)**
Net funds	**22,112**	**-**	**(12,322)**	**9,790**

24. Financial commitments

There were capital commitments contracted for at the year end totalling £12.4 million (2008: £27.9 million).

25. Contingent liabilities

Membership of UM Association (Special Risks) Limited

The University is a member of UM Association (Special Risks) Limited, a company limited by guarantee, formed to provide a mutual association for terrorism risks. If the Association as a whole suffers a shortfall in any underwriting year, the members are liable for their pro-rated share. No liability has yet arisen under this agreement.

26. Related party transactions

The members of the Board of Governors have considered the requirement for disclosure concerning related parties under FRS8.

Ms Christine Hancock, Co-opted Governor, is an employee of the Oxford Health Alliance. The Health Alliance awarded a research grant to the University. The value of the research grant in 2008/09 is £50,000.

Sir Richard Tilt, Independent Governor, heads the Independent Review Service as Social Fund Commissioner. The University provides professional and academic training to the Independent Review Service. Sir Richard was not involved in the awarding of this contract. The value of the services provided in 2008/09 is £38,900.

Mr Ted Cassidy, Head of Regional and International Partnerships at the University, also chairs the Board of Directors of Leicester Arts Centre Ltd. De Montfort University has made a contribution of £251,391 towards the capital costs of Leicester Arts Centre Ltd in respect of the Digital Media Centre.

De Montfort University is represented, along with other local institutions, on the Board of Directors of East Midlands New Technology Initiative (EMNTI). In the 2008/09 financial year, the University received £500,000 of funding for EMNTI and disbursed £500,000 (note 28); the University also received £120,000 in funding for departmental projects, and £210,000 in respect of supporting the operations and providing facilities for EMNTI.

27. Access funds

	2008/2009 £'000	2007/2008 £'000
Balance unspent at 1 August	4	54
Funding council grants	583	729
Interest earned	12	17
	599	800
Disbursed to students	(566)	(796)
	33	**4**

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

28. East Midlands New Technology Initiative (EMNTI)

The Corporation has received and disbursed funds on behalf of EMNTI during the period.

	2008/2009 £'000	2007/2008 £'000
Balance held on behalf of EMNTI at 1 August	125	125
Funding received during the period	500	500
Disbursements	(500)	(500)
Balance held on behalf of EMNTI at 31 July 2009	**125**	**125**

29. Intangible fixed asset

De Montfort Developments plc, formally a wholly owned subsidiary, assigned a patent to the University on 20 July 2007. It is the intention not to exploit the patent in the next 12 months. Impairment has been made for the full cost in compliance with FRS10. It is considered that the transaction is immaterial and is not disclosed in the Balance Sheet as at 31 July 2009.
A review of the status of the intangible asset is undertaken annually.

	Group and Corporation 31 July 2009 £
Cost	
Expenditure	50,000
Impairment	
Charge for the year	(50,000)
Net book value at 31 July 2009	-

30 Pension schemes

a) The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are both independently administered schemes. The schemes are defined benefit schemes which are funded by contributions from the University and employees.

The Teachers' Pension Scheme is valued every five years by the Government Actuary, using the prospective benefit method. Contributions are paid by the University at the rate specified by the Government Actuary. The Local Government Pension Scheme is valued periodically by a professionally qualified actuary, using the projected unit method. The rates of contribution are determined by the actuary.

The Institution also participates, for a strictly limited membership, in the Universities Superannuation Scheme (USS), a pension scheme which also provides benefits based on final pensionable salary. The assets of the Scheme are held in a separate trustee-administered fund. The pension valuation is assessed using the projected unit method. The level of contributions paid by the employing institutions takes into account the surpluses disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread the surplus in a prudent manner over the future working lifetime of current Scheme members.

Pension summary

	TPS	LGPS	USS
Last actuarial valuation:	31/03/04	31/03/07	31/03/08
Investment returns per annum	6.5%	6.1%	4.4%
Salary rate increase per annum	5.0%	4.7%	4.3%
Pension increase per annum	3.5%	3.2%	3.3%
Market value of assets at date of last valuation	**£163,240m**	**£2,182m**	**£28,843m**
Proportion of members' actuarial benefits covered by the actuarial valuation of the assets:	98.0%	93.0%	71.0%

The total pension cost for the University and its subsidiaries was:	2008/2009	2007/2008
	£'000	£'000
Contributions to TPS and USS	5,374	5,037
Contributions to LGPS	3,769	3,261
The financial effects of the adoption of FRS17:		
LGPS	(266)	1,586
Total	**8,877**	**9,884**

Contributions to pension schemes	2008/2009	2007/2008
	From April 2009	From April 2008
TPS	14.10%	14.10%
USS	16.00%	14.00%
LGPS officers*	13.60%	13.50%
LGPS manual pre-1998	11.00%	11.00%

* The contribution rates for LGPS officers changed with effect from 1 April 2008. From this date, different contribution rates are applied to each range of salary bandings, the rate reported above is an average figure.

The pension charge for the year includes an amount in respect of enhanced pension entitlements of staff taking early retirement that are not accounted for under FRS17. The calculation of the cost of early retirement provisions charged to the Income and Expenditure Account in the year of retirement is based on the total capital cost of providing enhanced pensions.

An amount of £1,424,022 (2008: £1,299,625), not accounted for under FRS17, is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the University of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

b) Teachers' Pension Scheme

The University is a member of the TPS, a defined benefit pension scheme. The TPS is an unfunded scheme. Contributions on a 'pay-as-you-go' basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. Actuarial valuations are carried out on a notional set of investments.

Under the definitions set out in FRS17, Retirement Benefits, the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The University has set out below the information available on the deficit in the scheme and the implications for the University in terms of the anticipated contribution rates.

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

Last actuarial valuation	31 March 2004
Actuarial method	prospective benefits
Investment returns per annum	6.50%
Salary scale increases per annum	5.00%
Value of notional assets at date of last valuation (estimated future contributions together with notional investments held at 31 March 1996)	£163,240m
Proportion of members' accrued benefits covered by the actuarial value of the assets	98%

The last valuation of the TPS related to the period 1 April 2001–31 March 2004. The Government Actuary'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 standard contribution has been assessed at 19.75%, plus a supplementary contribution rate of 0.75% (to balance assets and liabilities as required by the regulations within 15 years); a total contribution rate of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement has also introduced, effective for the first time from the 2008 valuation, a 14% cap on employer contributions payable.

c) Universities Superannuation Scheme

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

Because of the mutual nature of the scheme, the Institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie, the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An 'inflation risk premium' adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus 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 3.3% per annum.

At the valuation date, the value of the assets of the scheme was £28,843 million and the value of the scheme's technical provisions was £28,135 million indicating a surplus of £707 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date on the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (ie, assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing costs of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset out performance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pays growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the costs of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The Institution contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime has fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

Surpluses or deficits which arise at future valuations may impact on the Institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

USS is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The total pension cost for the Institution was £174,658 (2008: £144,702). This includes £nil (2008: £nil) outstanding contributions at the Balance Sheet date. The contribution rate payable by the Institution was 14% of pensionable salaries.

d) Local Government Pension Scheme

The University participates in a defined benefit scheme in the UK, the Leicestershire County Council Pension Fund. A full actuarial valuation of the fund was carried out at 31 March 2007 by a qualified independent actuary. This was updated to 31 July 2009 for FRS17 purposes by a qualified independent actuary. The major assumptions used by the actuary were as follows:

	2009	2008
Salary increase rate	5.2%	5.3%
Pension increase rate	3.7%	3.8%
Discount rate	6.0%	6.7%
Inflation assumption	3.7%	3.8%
Expected return on plan assets at 31 July	6.9%	7.3%
Number of employees opting for early retirement	2	3

	2009	2009
Mortality rates	Males	Females
Current pensioners	19.6 years	22.5 years
Future pensioners	20.7 years	23.6 years

Scheme assets

The assets in the scheme and the expected rate of return at 31 July 2009 were:

	Long term rate of return expected at 31 July 2009	Value at 31 July 2009 £'000	Value at 31 July 2008 £'000
Equities	7.3%	1,388,820	1,570,200
Bonds	5.3%	158,220	173,500
Property	5.3%	158,220	244,500
Cash	4.3%	52,740	62,000
Total		**1,758,000**	**2,050,200**

	31 July 2009 £'000	31 July 2008 £'000
Opening fair value of asset plans	90,868	101,761
Expected return on assets	6,733	7,562
Contributions by members	1,831	1,521
Contributions by employer	3,831	3,302
Actuarial losses	(20,084)	(16,969)
Assets distributed on settlements	-	(3,505)
Estimated benefits paid	(2,872)	(2,804)
Total	**80,307**	**90,868**

The Group expects to contribute £3,844,000 to its defined benefit pension plan from 1 August 2009 – 31 July 2010.

Net pension liability

The following amounts at 31 July 2009 were measured in accordance with the requirements of FRS17:

	31 July 2009 £'000	31 July 2008 £'000
Fair value of employer assets	80,307	90,868
Present value of scheme liabilities	(137,028)	(111,476)
Net pension liability	**(56,721)**	**(20,608)**

	31 July 2009 £'000	31 July 2008 £'000
Present value of the defined benefit plan		
Opening defined benefit obligation	111,476	107,381
Current service cost	3,480	3,702
Interest cost	7,552	6,331
Contributions by members	1,831	1,521
Actuarial gains	15,476	(2,475)
Past service costs	-	1,134
Losses on curtailments	85	52
Liabilities extinguished on settlements	-	(3,366)
Estimated benefits paid	(2,872)	(2,804)
Closing defined benefit obligation	**137,028**	**111,476**

	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000	Year ended 31 July 2007 £'000	Year ended 31 July 2006 £'000
Analysis of amounts charged to income and expenditure account				
Charged to staff costs				
Current service cost	(3,480)	(3,702)	(4,093)	(3,893)
Past service costs	-	(1,134)	-	-
Curtailment and settlements	(85)	(52)	(12)	(14)
Employer contributions	3,831	3,302	3,345	3,232
	266	**(1,586)**	**(760)**	**(675)**
Financing:				
Expected return on pension scheme assets	6,733	7,562	6,182	5,086
Interest on scheme liabilities	(7,552)	(6,331)	(5,595)	(4,870)
Net (charge)/return	**(819)**	**1,231**	**587**	**216**
Net income and expenditure account cost	**(553)**	**(355)**	**(173)**	**(459)**

	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000
Actual return on plan assets	**(13,327)**	**(8,211)**

Analysis of amounts which would be recognised in the statement of total recognised gains and losses	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000	Year ended 31 July 2007 £'000	Year ended 31 July 2006 £'000
Actual return less expected return on pension scheme assets	(20,084)	(16,969)	4,934	5,026
Experience losses arising on scheme liabilities	-	(139)	-	(1)
Changes in financial assumptions underlying the present value of scheme liabilities	(15,476)	2,475	9,541	(4,275)
Actuarial (losses)/gains in pension plan recognised	(35,560)	(14,633)	14,475	750
Cumulative actuarial (losses)/gains	**(28,699)**	**6,861**	**21,494**	**7,019**

Movement in the University's share of the scheme's deficit during the year

In total the movement in the Institution's share of the scheme's deficit during the year is made up as follows:

	31 July 2009 £'000	31 July 2008 £'000
Deficit on scheme at 1 August	(20,608)	(5,620)
Movements in year:		
Current service cost	(3,480)	(3,702)
Employer contributions	3,831	3,302
Past service cost	-	(1,134)
Impact of curtailments and settlements	(85)	(52)
Net return on assets	(819)	1,231
Total impact on income and expenditure account (see note 18)	(553)	(355)
Actuarial losses	(35,560)	(14,633)
Total movement in the year	**(36,113)**	**(14,988)**
Deficit on scheme at 31 July	**(56,721)**	**(20,608)**

Experience gains and losses in the year

The experience gains and losses for the year ended 31 July 2009 were as follows:

	31 July 2009 £'000	31 July 2008 £'000	31 July 2007 £'000	31 July 2006 £'000	31 July 2005 £'000
Difference between the expected and actual return on scheme assets	(20,084)	(16,969)	4,934	5,026	8,728
Value of assets	80,307	90,868	101,761	88,195	75,680
Percentage of scheme assets	**(25.0%)**	**(18.7%)**	**4.8%**	**5.7%**	**11.5%**
Experience (losses)/gains on liabilities	-	(2,850)	-	(1)	8,567
Total present value of liabilities	137,028	111,476	107,381	108,117	95,893
Percentage of the total present value of scheme liabilities	**0.0%**	**(2.6%)**	**0.0%**	**0.0%**	**8.9%**
Total actuarial losses	35,560	14,633	14,475	750	5,187
Total present value of liabilities	137,028	111,476	107,381	108,117	95,893
Percentage of the present value of scheme liabilities	**26.0%**	**13.1%**	**13.5%**	**0.7%**	**5.4%**

Sensitivity analysis

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

Assumptions	Change in assumptions	Approximate impact on Employer FRS17 liabilities as at 31 July 2009
Discount rate	Increase/decrease by 0.5% p.a.	Increase/decrease liability c10%
Rate of inflation	Increase/decrease by 0.5% p.a.	Increase/decrease liability c7%
Rate of salary growth	Increase/decrease by 0.5% p.a.	Increase/decrease liability c7%
Rate of mortality	Improve by one year	Increase by c3%

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