

ANNUAL
ACCOUNTS
2009
2010







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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 (Hon), MS, FRCS, FRCP, FFAEM

Professor Bill Dawson, BPharm, PhD, MSc, DSc, Hon DSc (Chairman of the Board)

Mr Kevin Hand

Ms Marcia Saunders, BA, MA, MSc

Dr Maggie Semple, OBE, Hon DEd, MA, FCGI

Stepped down May 2010

Dr 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), DiplR, Knight Bachelor

Mr Andrew Walker, MA

Mr John Windeler, BA, MBA

Co-opted Governors

Mr John Clutterbuck, FCA

Stepped down May 2010

Ms Christine Hancock, BA (Hons) Econ

Professor Sue Hill, OBE, PhD, MPhil, CBiol, FIBiol, Hon MRCP, Hon DSc (DMU)

Mr Mike Kapur, BSc (Hons), ACA, FRSA

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 Amer Reza (DSU Students' Union President – outgoing)

Stepped down July 2010

Mr Andy Schooledge (DSU Students' Union President – incoming)

Joined July 2010

Ex-Officio Governor – Chief Executive and Vice-Chancellor

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

Retired July 2010

Professor Dominic Shellard, MA, DPhil

Joined July 2010

CLERK TO THE BOARD

Ms Alison Wells

COMMITTEES OF THE BOARD

Audit Committee

Mr Andrew Walker (Chairman)

Mr John Clutterbuck

Professor David Stevens

Ms Marcia Saunders

Mr Mike Kapur

Stepped down November 2009

Joined November 2009

Governance Committee

Professor Bill Dawson (Chairman)

The Lord Waheed Alli

Mr Gautam Bodiwala

Mr Andy Rees

Professor David Stevens

Professor Philip Tasker

Stepped down July 2010

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

Professor Bill Dawson

Professor Philip Tasker

Mr John Windeler

Stepped down July 2010

Finance and Human Resources Committee

Sir Richard Tilt (Chairman)

Professor Bill Dawson

Dr Philip Smith

Mr Tony Stockdale

Professor Philip Tasker

Mr John Windeler

Stepped down July 2010

Senior Executive

Professor Philip Tasker, BSc, PhD, CPhys, FInstP, CChem, FRSC (Chief Executive and Vice-Chancellor)	Retired July 2010
Professor Dominic Shellard, MA, DPhil (Chief Executive and Vice-Chancellor)	Joined July 2010
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 (Director of Corporate Affairs and Clerk to the Board of Governors)	
Mrs Gwen Wileman, BA, MA, FCIPD (Director of Human Resources)	Retired July 2009
Mr Ben Browne, MA, FCIPD (Director of Human Resources)	Joined January 2010

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.

CHAIRMAN'S INTRODUCTION TO THE ANNUAL ACCOUNTS

I am pleased to introduce the Annual Accounts for 2009/10.

The year is the last in more than a decade under the leadership of the Vice-Chancellor Professor Philip Tasker who retired at the end of June 2010 and within this introduction I would like to pay tribute to his major contributions to the university. The decade was characterised by the transition to a single city centre campus, the clear differentiation into five faculties and implementation of a major building programme culminating in the opening of the new Business & Law school, the Hugh Aston Building. The investment has been substantial and the university continues to benefit from his clear vision. On behalf of the Board of Governors and the university, I thank him for his leadership, vision and exceptional service.

Of course, this change means that we welcome to the campus Professor Dominic Shellard as our new Vice-Chancellor. Professor Shellard, former Pro Vice-Chancellor for External Affairs at the University of Sheffield, commenced in post at the end of June 2010 and is already working closely with the Board of Governors and a newly constituted Executive Board.

This appointment coincides with the need to develop a new five-year Strategic Plan which will focus on the substantial changes and challenges in the Higher Education arena. The Board and the Vice-Chancellor with members of his team have already held a successful strategy away day considering how we will take advantage of this very real opportunity.

Based in the heart of the vibrant, cosmopolitan city of Leicester, De Montfort University (DMU) is an ambitious and innovative institution and is home to more than 21,000 students and 2700 staff, which offers both outstanding teaching and learning experiences, and research of international calibre in all faculties.

THE DMU EXPERIENCE

The university underpins exceptional teaching and learning skills with world class research, measured every five or six years as the Research Assessment Exercise in the past and as the Research Excellence Framework in the future. The new Strategic Plan will maintain this concept at the heart of our endeavours.

Whether studying at undergraduate or postgraduate level, our students are exposed to academic courses that are informed by innovation, cross-disciplinary engagement and outstanding research. Strong partnerships with industry and the public sector complement and inform the academic programmes 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. The university also enjoys exceptional international links and partnerships; we have special arrangements with a number of universities and colleges abroad for staff and student exchanges, research and collaboration.

DMU maintains 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 DMU's research activity across 19 subject areas was rated in the top two categories 'internationally excellent' (3 star) and 'world-leading' (4 star). Within the creative disciplines, an area where the institution boasts an international reputation, this percentage went up to 50%.

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 2009 survey results, published in the *Sunday Times*, show another strong performance by DMU, with the institution significantly outperforming the sector averages for satisfaction with our learning resources, assessment and feedback, and personal development.

KEY FINANCIAL RESULTS FOR THE YEAR

The Operating and Financial Review provides full details of the university's financial performance in 2009/10, but key highlights include:

- 20% increase in Home and EC fee income
- 34% increase in Overseas fees
- 10% increase in Research grant and income
- Cash balances of £25.2 million at the Balance Sheet date, in line with university plans and forecasts
- Capital investment of £20.2 million.

GOVERNANCE, GOVERNORS AND STAFF

The end of this academic year brought various changes to the membership of the Board of Governors. Mr John Clutterbuck stepped down in May 2010 having served as a co-opted governor for three years. Mr Amer Reza, President of the Students' Union, also stepped down after a year in office and the Board has welcomed the new President, Mr Andy Schooledge, who will serve on the Board until July 2011. Mr Mike Costall, the elected Support Staff representative, attended his final meeting of the Board of Governors in July 2010. He is succeeded by Mr Vincent Cornelius who joins the Board at the September 2010 meeting. On behalf of the Board of Governors, I thank all those leaving the Board for their contributions, commitment and support.

I would like to extend my thanks and those of the Board of Governors to the Executive and to all the staff at De Montfort University for another very successful year in which we have seen our university strengthen its competitive position and achieve outstanding results in a rapidly changing environment. I would also like personally to thank my fellow governors for their continuing and unstinting support and encouragement.

Professor William Dawson
Chairman of the Board of Governors

OPERATING AND FINANCIAL REVIEW

1 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 subsidiary undertakings.

De Montfort Expertise Limited (DMEL) undertakes activities associated with the promotion of research, consultancy and other marketable activity which, for legal or commercial reasons, are channelled through a limited company.

De Montfort University Trust ceased operating during the year, and was formally dissolved following confirmation from the Charities Commission on 23 July 2010.

All subsidiaries seek to donate profits to the university using gift aid.

2 UNIVERSITY MISSION AND STRATEGY

The 2009/10 financial year represented the fourth year of the university's current Strategic Plan, which was put in place at a time of a (then) significant funding change in the sector; namely the introduction of the variable fee and revised student support arrangements in 2006. The plan enshrined four key strands as follows:

- 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
- Enhancing our external corporate positioning.

The clear aim of the plan was to raise profile and reputation in order to enhance the university's standing, improve competitiveness, secure greater market share in student recruitment and other areas of university activity, and enhance the quality and distinctiveness of the university offer generally. This has entailed quality development (reflected in marked improvement in league table position), student experience enhancement and promotional activity to achieve a more stable, sustainable and competitive position. It had been recognised that the university's external profile did not match its actual (and improving) performance. In 2009, the Future DMU project was launched, combining an awareness-raising campaign on a national basis with a reformulation of values. This built upon a new national campaign for undergraduates which was started in 2008 for 2009/10 entry.

As a consequence DMU's performance and profile has continued to be further advanced as evidenced by:

- Significant move up the league tables; for example, in 2007 DMU was ranked 87th by the *Sunday Times*, and is currently ranked 63rd based on the 2010 table published in September 2010

- Strong performance in the NSS where a number of subject areas were ranked in the top ten
- Increase in applications for full-time undergraduate courses, as measured by the UCAS applications digest issued after the first UCAS deadline each year, of 15% for 2009/10 entry and followed by a further 51% increase for 2010/11 entry compared with national increase of 7% and 21% respectively
- An overall 22% increase in enrolments in 2009/10 compared with 2008/09 with an increase in overall total student population of 10%
- Excellent results in RAE 2008, particularly in English, Film and Media, Architecture and Built Environment, and Civil Engineering.

3 CURRENT RISKS AND UNIVERSITY RESPONSES

The HE sector is facing a challenging and uncertain environment. The key risks and uncertainties for future years centre upon:

- The recommendations from the Browne Review of University Funding and Student Support, which were announced on 12 October 2010
- Government policy and funding priorities, and the prospect of deep cuts in public funding of HE arising from the Government Comprehensive Spending Review (CSR) announcements on 20 October 2010
- The need to continue to diversify income in order to reduce reliance on public funds
- Student recruitment and profile, including the implications of further constraint (or relaxation) of student number controls, changes in the nature of provision and the competitive market in terms of international student recruitment
- National pay bargaining and settlements, and the pressures of containing costs in a period of deep public funding reductions, and the related potential impact on employer/employee relations
- Pension valuations, costs and the pressure to reform as a result of escalating costs of sustaining current arrangements.

The Browne Review report has made a number of wide-ranging proposals on reform to the current system of Higher Education funding and student finance in England. In particular it recommends:

- That there should be no fixed price for Higher Education
- Full state support in terms of loans for tuition should be available up to a maximum level of £6000
- Those institutions wishing to set a price higher than £6000 should pay a levy on the income they charge above that amount to cover the costs to Government of providing students with upfront finance
- All students should be entitled to a flat-rate loan for maintenance costs of £3750, and students with household

incomes of £25,000 or below should be entitled to a full maintenance grant of £3250

- Upfront support for the costs of learning should be extended to part-time students
- The mandatory requirement for a minimum bursary currently placed on institutions should be abolished. Instead, institutions would need to make an Access Commitment, setting out their widening access outreach activities and targets
- There should be a real rate of interest on student loans, equivalent to the Government's cost of borrowing, the repayment threshold should be increased from £15,000 to £21,000
- Core public funding for teaching should be reduced so that it is targeted only on those subject areas deemed to be a priority. For the purposes of the report, these include: clinical subjects; STEM subjects; languages; and nursing and other allied health professions. The minimum amount of funding available to subsidise these subjects should be £700 million.

The CSR announcements as they impact upon individual institutions will not be clear until the grant settlement letter is issued to the Higher Education Funding Council for England (HEFCE) by the Secretary of the State in December 2010, or January 2011. However the initial analysis for the sector suggests:

- A cumulative annual real term reduction of 40% in HE resources by 2014/15, with the majority of cuts focused upon the HEFCE Teaching Grants
- Protection of the Science and Research resource budget in cash terms, representing a 9% real term cut by 2014/15
- Broad acceptance of most of the Browne Review proposals, but continued debate, in particular, on whether a fee cap should be retained
- No detail on the timing of the resource reductions in the period to 2014/15 but the CSR suggests that there will be a 'broad offsetting' of the reduction in teaching grants with increased graduate contribution from the 2012/13 academic year onwards
- Average 44% real term reductions in capital budgets by 2014/15.

The above implies that the majority of the grant reductions will be back-loaded to coincide with likely increases in fees, but also that the reductions will vary between institutions. However, there is a prospect that reductions will start as early as April 2011, and that deep cuts will start to impact in the 2011/12 financial year because of the overlap with the 2012/13 fiscal year. The university's main source of HEFCE resource relates to teaching funds; there is therefore also a risk of above average reductions for the university.

Subsequent to the CSR, there has been much discussion about the extent to which the Browne Report recommendations will be adopted, and the extent to which they will be impacted by the CSR. The Coalition Government gave their formal response on 3 November 2011, setting out a proposal for a fee cap of £9000 provided that universities wanting to charge above £6000 met conditions on access to students from economically poorer backgrounds.

However it is evident that it will be several more months before the details and impact are fully known, and elements will be dependent upon legislation being passed. However the 'direction of travel' has been clearly established, and significant reform to how universities are funded is imminent.

Scenario planning is well progressed, within the university, in response to the uncertainties and sensitivities presented by the above. The university is also focused upon generating as much resource headroom as possible in the 2010/11 financial year in order to strengthen cash position in advance of the pending changes around public funds, tuition fees and student support.

Actions already taken include the introduction of more stringent vacancy management controls, review and prioritising of capital projects, and (ongoing) assessment and review of revenue non-pay priorities. Latest indicators are that the university will be in a position to achieve an improved operating position in the 2010/11 financial year based on these actions, and also given healthy levels of overall student recruitment at September 2010 enrolment.

4 FINANCIAL STRATEGY

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, seeks to provide a basis for the effective management and generation of resources in support of the University's Strategic Plan. Financial performance indicators were regularly reviewed during 2009/10 to take account of the difficult economic environment, emerging pressures on public funding, cost pressures in the sector and specific adjustments to the university's HEFCE Teaching Grant in the period.

In total, some 19 financial indicators are monitored by the Finance and HR Committee at each meeting, and they cover areas focusing upon 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 2010
1	Operating surplus (i) Minimum annual operating surplus as a % of income (excl FRS17 adjustments)	0.5%	0.2%
	(ii) Minimum three years' rolling average as a % of income (excl FRS17 adjustments)	2% by 2012, rising to 3% by 2015	1.3%
2	Cash flow from operating activity (i) Minimum annual level	£2m	£4.8m
	(ii) Minimum three years' rolling average	£5m by 2012, rising to £8m by 2015	£5.1m
3	General Reserves As a % of annual expenditure	30%	52.7%
4	Liquid balances (cash plus investments) (i) Minimum level at financial year end	One month's of annual expenditure	2.0 months
	(ii) Rolling 12 months average. Two months of payroll expenditure	Two months of payroll expenditure	3.0 months
5	Current (Liquidity) ratio Current assets to current liabilities of 1:1 (minimum)	1:1	1.3:1
6	Long-term borrowing (i) Net assets (excluding pension surplus/deficit) to debt ratio	2:1 (minimum)	5.8:1
	(ii) Annual operating cash flow to annual debt servicing (expressed as a ratio)	1:1 (minimum)	3.5:1

These indicators demonstrate that the majority of the Finance KPIs continue to be met. The funding environment is likely to fundamentally change, however, and this is likely to put some stresses on performance and delivery within the sector over the next few years. The Financial Strategy will need to respond and adapt to the changes, and to a different funding and risk environment moving forward.

5 FINANCIAL PERFORMANCE FOR 2009/10

Results for the year

The university's income and expenditure results for the year ended 31 July 2010 are summarised as follows:

	2009/10	2008/09
	£'000	£'000
Income	149,880	145,410
Expenditure	152,880	141,808
(Deficit)/surplus on continuing operations	(3,000)	3,602
(Deficit)/surplus on disposal of assets	(203)	49
Transfer from endowments	132	62
Difference between historic cost depreciation and actual depreciation charge	72	88
Realisation of revaluation surplus on disposal of assets	198	–
Historic cost (deficit)/surplus for year	(2,801)	3,801

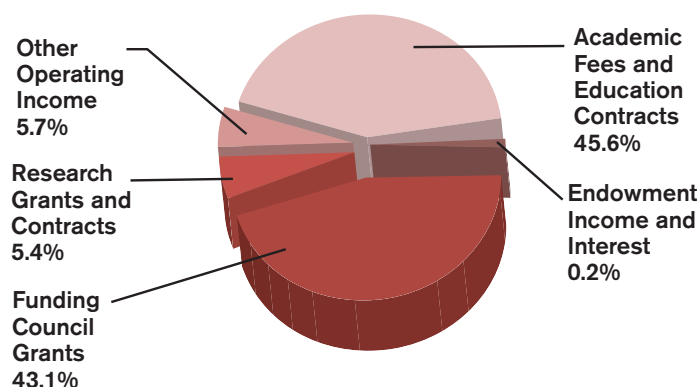
The £3 million deficit on continuing operations is wholly attributable to the impact of Financial Reporting Standard (FRS) 17 pension adjustments. This is demonstrated by the following analysis of the operating position.

	2009/10	2008/09
	£'000	£'000
Surplus on normal operations	263	4,155
Impact of FRS17	(3,263)	(553)
(Deficit)/surplus on continuing operations	(3,000)	3,602

Income

Total income increased by £4.5 million, some 3.1%, year-on-year.

Income Analysis 2009/10



Funding Council grants reduced by £4.1 million year-on-year. Part of the reduction reflected sector-wide grant reductions arising from Government funding announcements but the majority of the reduction was in respect of a £3.38 million fine for student over-recruitment in 2009. The Higher Education Funding Council for England (HEFCE) had requested that the sector avoided increases in Home and EU full-time undergraduate entrants above the level of 2008/09 admissions plus any student places allocated in 2009/10. This request arose from a Government requirement to contain student numbers, in order to limit the additional cost of the student support arrangements on the public purse. The university's actual over-recruitment was 913 and, based upon the Government stipulated fine of £3700 per excess student, the total fine amounted to £3.38 million. Further details of student numbers, and measures and actions taken to manage Home and EU undergraduate recruitment in 2010/11, within the context of the continued student number control environment, are set out in Section 6 overleaf.

Academic fees and education contract income increased by £10.7 million, or 19% year-on-year. Recruitment was buoyant across all student categories. Home and EU student fees increased by £7.5 million, some 20% year-on-year, reflecting increases in new undergraduate entrants in particular. Overseas fees increased by £2.7 million, some 34% year-on-year with the majority of the increase due to a 30% increase in full-time overseas numbers. As noted, Section 6 highlights the factors contributing to the significant growth in student numbers in 2009/10.

Research grant and contract income increased by £736,000, some 10%, year-on-year, but contribution was broadly stable as expenditure increased at a similar rate.

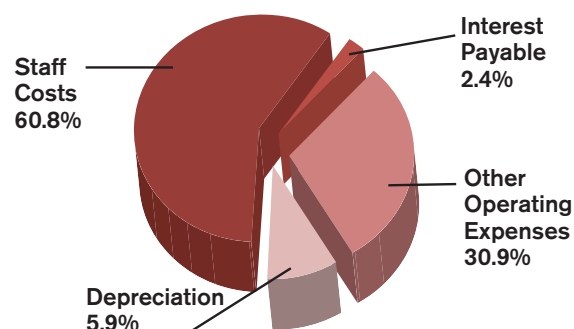
The reduction of £1.6 million in Other Operating Income compared to 2008/09, was mainly as a result of a one-off £1.5 million release of capital grant to income in 2008/09 relating to the acquisition of the Charles Frears Campus in that year.

The reduction of £1.3 million in interest receivable year-on-year reflects the very low levels of interest rates prevailing in the cash deposit markets throughout the 2009/10 financial year.

Expenditure

The university's expenditure grew by some £11.1 million, or 7.8%, year-on-year.

Expenditure Analysis 2009/10



Staff costs increased by £3.4 million, some 3.7%, reflecting national pay awards, incremental progression, and some modest volume growth.

Other Operating Expenses increased by £4.6 million, some 10.7%, which largely reflected increases to support student number growth in respect of bursaries and scholarships, £2.3 million, partner college costs, £0.4 million, and student accommodation, £1.6 million.

Overall the delivery of a small surplus on normal operations was better than budget, and represents a significant achievement bearing in mind the HEFCE fine incurred for Home and EU recruitment. The buoyant level of demand and conversion of student places across all categories, and most notably in respect of overseas student numbers, has largely contributed to the positive outcome overall. This augurs well for addressing the more competitive market challenges that lay ahead for the university.

Balance sheet

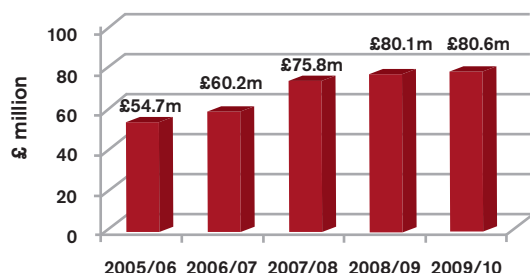
As at the Balance Sheet date of 31 July 2010, total net assets, excluding FRS17 pension deficit, stood at £138.1 million, an increase of £1.6 million year-on-year. Additions to fixed assets amounted to £20.2 million. The additions consisted of £16.2 million of land and buildings and £4.0 million of equipment. Significant capital additions include:

- The completion of the Hugh Aston Building to house Business & Law
- The acquisition and redevelopment of Gateway College
- Refurbishment of laboratories for Health & Life Sciences in the Hawthorn Building.

Liquidity continued to remain healthy, bolstered by the positive operating position, and capital grants. The level of general income

and expenditure reserves increased by £0.5 million to £80.6 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



Net current assets

Net current assets year-on-year decreased by £9.4 million, to a total of £8.7 million at the Balance Sheet date. The university continued to benefit from strong liquidity as a result of capital grants and positive operating cash flows. 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 £4.8 million. Year end investment plus cash balances decreased year-on-year by £9.1 million, to a total of £25.2 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 HR Committee.

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 £0.3 million at an average rate of return of 1.15% compared with target of 0.55%. This is a significant reduction on prior year because of the reduction in money market rates since 2008/09.

No new longer-term borrowings were required in the year given the 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.

6 STUDENTS

Student Numbers by Mode

		2007/08	2008/09	2009/10
UG	FT	12,910	12,415	13,775
	PT	2,991	3,314	3,365
PGT	FT	580	592	765
	PT	2,246	2,447	2,775
PGR	FT	249	294	358
	PT	227	247	263
Total	FT	13,739	13,301	14,898
	PT	5,464	6,008	6,403
	TOTAL	19,203	19,309	21,301

Excludes dormant, terminated and based overseas students

There have been noticeable changes in the university's full-time undergraduate body over the last three years. 2008/09 saw a dip in this population, as the large 2005/06 (pre-variable fees) cohort left in the summer of 2008. In 2009/10 extraordinary market factors as well as a shift in DMU's position in the league tables saw an increase in first year numbers of over 20% in the Home/EU population, coupled with increases in overseas undergraduate numbers of 34%, leading to an overall increase in the FT UG body of 11% in 2009/10. The university is required to recruit to the new Student Number Control for its Home/EU population in 2010/11 and has put in place measures to ensure that it meets this requirement; this will lead to a slight reduction in this overall body for 2010/11, with a larger contraction predicted for 2012/13 when the 2009/10 cohort leaves. The university aims to mitigate the effect of these fluctuations by planned growth in non-regulated areas of its provision. There has already been particular growth in full-time postgraduate taught provision (29%) and in full-time postgraduate research (22%), most significantly in the overseas numbers in these areas. One area where the university forecasts a dip in numbers over the next two years followed by steady growth is in part-time provision, where the university's recent rationalisation of its partner college network (withdrawing from dispersed provision and focusing on East Midlands provision) has reduced part-time numbers initially.

However part-time numbers will increase as new developments in flexible study, particularly distance learning, are exploited.

FT Student Numbers by Status

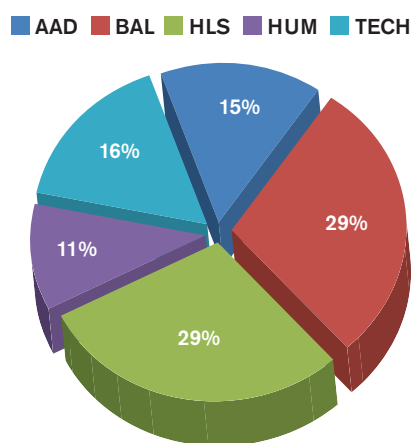
Status	2007/08	2008/09	2009/10
Home/EU	12,802	12,354	13,666
Overseas/CI	937	947	1,232
Total	13,739	13,301	14,898

Excludes dormant, terminated and based overseas students

The table above shows significant growth in the university's full-time overseas numbers.

This is a reflection of the coming together of a number of factors: the results of targeted recruitment campaigns, the maturing of carefully cultivated progressions agreements with Chinese and Indian universities, and a step-change in the university's UK league table position (used extensively by overseas students when making their choices) and overall reputation. Under the new Vice-Chancellor, a bold International Strategy has been conceived, which aims to deliver a doubling of 2009/10 student numbers by 2014/15. Current strong performance provides some confidence about this target, but the university is mindful of the competitive market in this area and the need to plan effectively and to deliver.

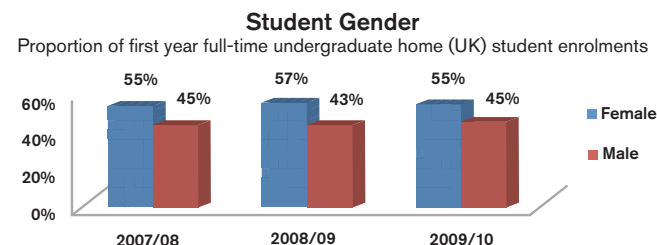
Student Numbers by Faculty



Faculty	2009/10
AAD	3,123
BAL	6,120
HLS	6,243
HUM	2,480
TECH	3,335
Total	21,301

The above diagram shows student numbers split by faculty. The numbers do not take into account non-credit-bearing commercial educational activity – Humanities runs a very successful Centre for English Language Learning which takes over 700 students a year. The largest faculty at the moment is Health & Life Sciences (HLS) – over 2000 of its students are in the School of Nursing and Midwifery. The faculty is vulnerable to changes in Government Departments' training budgets and policies following the CSR – current students also include probation officers and police. Business & Law (BAL) is our largest recruiter of Home/EU HEFCE-fundable students; the financial, vocational and professional aspect of many of its programmes sit well with Government priorities as reflected through the allocation of additional student places by HEFCE in June 2010; its numbers are also swelled by the largest PGT and overseas provision in the university. Art & Design (AAD) and Humanities (HUM) recruit more heavily from the national pool than BAL and HLS, but in general the university is seeing a shift to recruiting nationally rather than locally. Technology (TECH) has grown its overall student numbers recently by enhancing its partner college activity and PGT/PGR offering. Technology continues to provide engineering at undergraduate and postgraduate level, which is a valuable part of the university's provision of strategically important and vulnerable subjects (SIVS).

Student Diversity

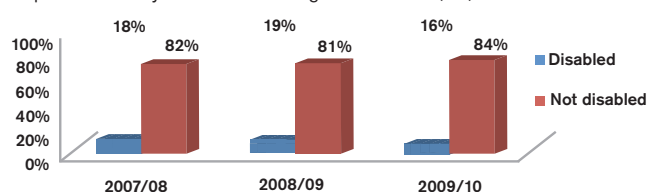


The recruitment of a larger undergraduate cohort in 2009/10 has had minimal impact on the gender balance in the undergraduate student body compared to the previous two years. For the 2009/10 application round, there were 9849 female applicants and 7294 male applicants (57% vs 43%). At accepts stage, this difference reduced to 55% and 45%, and this proportion remained for the final enrolled numbers.

This split for FT UG Home (UK) students reflects exactly national benchmarks derived by HEFCE's Equality Challenge Unit from 2007/08 HESA data.

Disabled Students

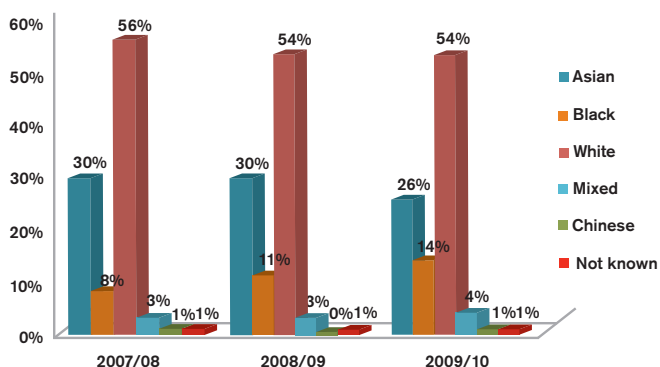
Proportion of first year full-time undergraduate home (UK) student enrolments



Profiles have remained largely the same over the past three years. In terms of enrolment, 16% of students enrolling in 2009/10 have declared a disability, with dyslexia again being by far the biggest category at 45%. The effect of the large cohort was to slightly reduce the proportion of disabled students. Nationally, using 2008/09 data, the proportion of disabled students was 7.4%.

Student Ethnicity

Proportion of first year full-time undergraduate home (UK) student enrolments

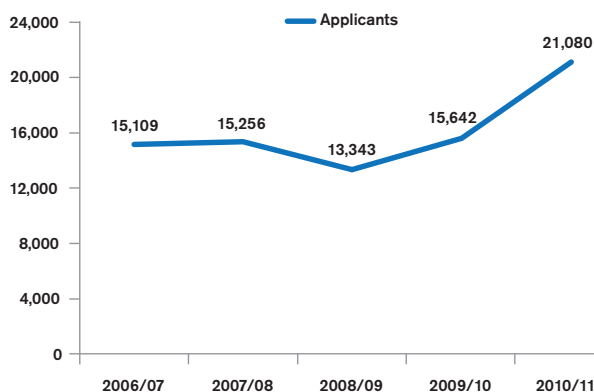


DMU prides itself on being an ethnically diverse institution. The large 2009/10 cohort does not appear to have had a different ethnicity profile than in previous years, with the proportion of white students (59% of applicants; 54% of enrolments) staying broadly the same. The proportion of white students at DMU as opposed to Black and Minority Ethnic (BME) students differs significantly from the UK high level statistic of 82.8% white (2007/08 HESA data). The HEFCE report on student ethnicity (May 2010) has relevant information on regional patterns in ethnicity: universities in the Midlands (including East Midlands) have the largest proportion of the total Indian student population outside London. The university will be monitoring closely the effects of the Student Number Control on the diversity profile of the student body from 2010/11 entry onwards.

Student applicants

The chart below shows applicants for full-time, undergraduate, Home (UK) and EU, on HEFCE taught programmes at the end of each recruitment cycle for the relevant year. Students who apply for places during the annual Clearing process in August are

excluded. The drop in applicants for the cohort starting in 2008/09 was due to the reduction of UCAS choices which students could make from six to five, and which was a sector phenomenon. Since then there has been a year-on-year increase in applicants resulting in a 58% increase over the last two years. This increase has coincided with the advent of the Student Number Control, resulting in a unique strategic opportunity for the university to enhance quality and student experience.

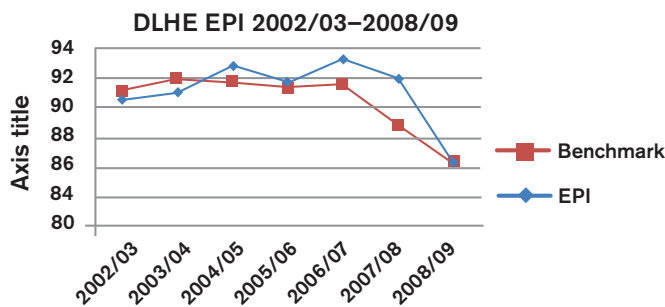


Student employability

DMU has always had the employability of its students at the heart of its strategy and mission. The annual Destinations of Leavers in Higher Education (DLHE) Survey, returned to HESA in the spring after a cohort has left, is the source of one of the university's key indicators – the Employability Performance Indicator (EPI). The Employability Performance Indicator (EPI) is based on UK leavers from full-time, first degree qualifications. The EPI is calculated by dividing the number of people working, studying or doing a combination of the two activities by the number of people working, studying, doing a combination of the two and the unemployed.

Between the 2002/03 leavers' survey and the 2007/08 leavers' survey DMU's EPI increased steadily by 1.4 points and included a high of 93.3 in 2006/07. Between the 2004/05 and 2007/08 leavers' surveys the university's EPI was consistently higher than the benchmark figure determined by HESA. For 2008/09 leavers, the EPI was only slightly lower than the benchmark (0.1). It is clear that the EPI has dropped significantly since 2007/08, while remaining in line with benchmark. When comparing to national DLHE results for cohorts leaving in 2007/08 and in 2008/09, it appears that DMU has felt the impact of the recession a year later, as many institutions saw a drop in their EPI for the 2007/08 leavers. DMU's EPI is also affected by the employer profile of the East Midlands – construction and manufacturing have both been hard hit by the recession. The university is working with employers, the professions and industry bodies, with reference to data supplied by the National Skills Audit and other sources, to ensure that its programmes fit its students with the skills they need to find

work in the post-recession economy. The university has adopted employability as a top priority in the new Strategic Plan currently being developed by the new Vice-Chancellor and Executive Board.



7 NATIONAL STUDENT SURVEY RESULTS

The National Student Survey (NSS) is carried out every year and asks mostly final year undergraduates about their teaching and learning experiences at the university.

There are a total of 22 questions including one that identifies a student's overall satisfaction.

The results of the survey are presented as a mean calculation of all responses to the question – using a five point scale based on a range from Definitely Agree to Definitely Disagree (with the statement given). A high Score 3.6+ can be viewed as a positive response and below this as a more negative response.

In the first four years of the NSS, De Montfort University saw a steady increase in overall satisfaction followed by a levelling off between 2008 and 2009 followed by a slight drop in 2010. However, the 2010 score remains 0.2 higher than in 2005.

In only one of the other sections of the survey has the overall satisfaction rate changed since last year and overall improvements between 2005 –2010 range between 0.1 and 0.3.

Early rises can be explained by a concerted effort by the university to promote the survey and demonstrate its worth to faculties and students, including getting the support of the Students' Union. Additionally the setting on benchmark figures/targets incentivised faculties to make improvements.

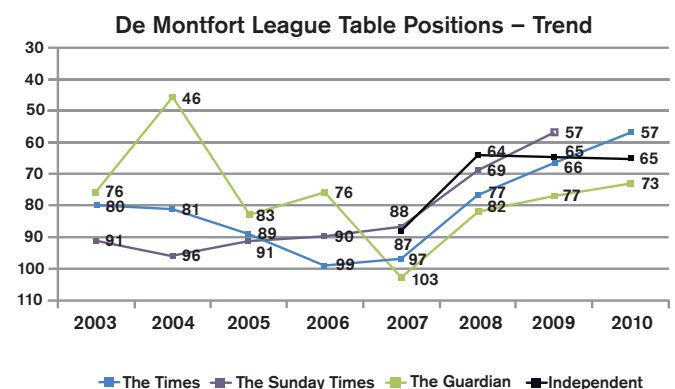
However, despite 2010 seeing the highest ever response rate for the university and the introduction of a completion incentive for the first time, our scores have stagnated.

Student experience, and above all, student engagement is something which the university's Governing Body, Vice-Chancellor and Executive Board take extremely seriously, and is at the heart of the new Strategic Plan as a central factor in improving the university's academic quality, progression rates, employability and overall reputation.



8 EXTERNAL PROFILE

DMU's positions in the league tables have been trending upwards since a low point in 2007. Much of the movement can be explained by improvements in the university's NSS results and in staff-student ratios, which are above average for the sector. NSS results are also heavily weighted in several of the league tables which further boost the university's position. The consensus view of the University's League Table Working Group is that key strides have been made through implementation of relevant policies; further increases might be achieved through major strategic input driven by the new Strategic Plan 2010/15. The reduction of overall student places for full-time undergraduates is predicted to increase the quality of students enrolling at DMU, helping one of our less strong measures to improve.



9 RESEARCH AND KNOWLEDGE TRANSFER

Research

Research grant and contract income is developing in line with the new Research Strategy. Recent investments are ensuring improvement in both proposal quality and volume, while new sources of funding are being developed to augment the current portfolio. Through the creation of the central Research and Development Office (RDO) specialist staff have been recruited to provide strategic development and improved quality assurance for Research Council and EU proposals. The effect on proposal quality and support provision has been immediate and positively received by the research community. However, as the RDO was not fully staffed until Q2 the full benefits will begin to be realised from 2010/11.

New funding sources are being developed to help mitigate the challenges presented by the Comprehensive Spending Review. This diversification activity is largely centred on the development of commercial contract research through tendering and partnering with businesses.

To underpin these activities, relationship-building and awareness-raising activities are underway. These include formal visits to, and relationship management with, senior funding managers from within key funding agencies, and events to profile DMU's research excellence which are aimed at policy makers.

Research contracts awarded to De Montfort University totalled over £7.3 million in 2009/10 across all sources. This value encompasses those research activities that comply with the 'Frascati' definition of research and excludes commercial consultancy and training. Furthermore, it should be noted this value excludes other sources of research funding eg, HEIF and QR funding.

The research contracts awarded in 2009/10 show a 4% reduction over De Montfort University's five year average and 19% reduction compared with 2008/09. This reduction can be accounted for by a number of non-performance and accountancy related factors which mean that awards for 2009/10 can not be directly compared to earlier periods. These factors mask significant progress and achievements. The awards for 2009/10 are above the five year average when adjusted for the following non-performance and accountancy related factors:

- Stricter adherence to the 'Frascati' definition means that the figure reported for 2009/10 does not contain values for commercial consultancy related activity. This accounts for approximately 40% of the 2009/10 reduction. Commercial consultancy income is now accounted for separately
- Awards for the year 2008/09 were unusually high due to RAE-related impacts in the previous period (2007/08). The RAE led to delays in submission, and thus to a reduction in the level of awards. The high levels of awards seen in 2008/09 were in

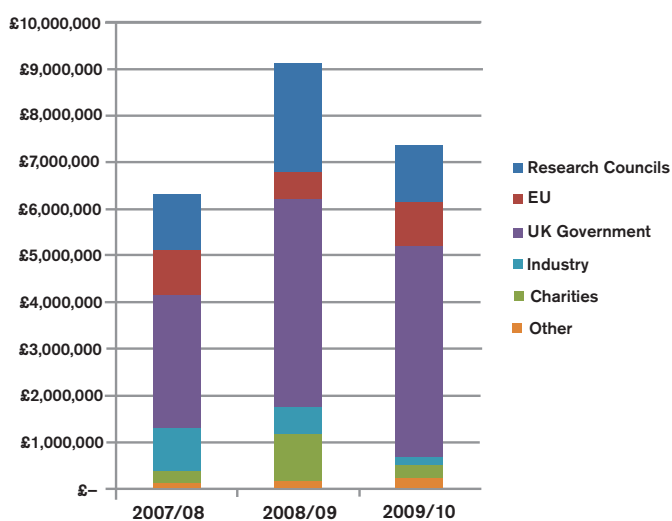
part due to the recovery from this delay. Additionally, the increase in research turnover was a consequence of a spike in awards in 2008/09 (because income lags awards by between one and three years)

- The AHRC, one of DMU's main research sponsors, was reorganised during 2009/10 and consequently made no awards for management reasons for most of the period. As a result, a backlog of proposals built up delaying the award of grants. Only one grant was awarded late in the year. The effect of this exceptional external issue accounts for between 20% and 40% of the reduced awards compared to 2008/09. It is anticipated that this issue will improve over the coming months as AHRC recommences normal operations.

Proposal success rates are continuing to improve (from 40% to 43%) reflecting a positive trend. EU research awards have demonstrated a marked increase of 74% compared to 2008/09 through a combination of increased support and better call alignment. EU research funding represents a major opportunity for growth for the university and the main challenge is to increase proposal activity while maintaining current class leading proposal quality. EU Framework Programme research budgets are fixed until 2013 and will be unaffected by any UK research funding cuts.

UK government awards have increased by 11%. This is largely due to increased KTP awards and significant one-off regional research grants. Research Council awards have decreased, however this is primarily due to the issue with the AHRC explained above, with Research Council Funding in other areas broadly maintaining previous levels.

Research Awards 2007/08 to 2009/10

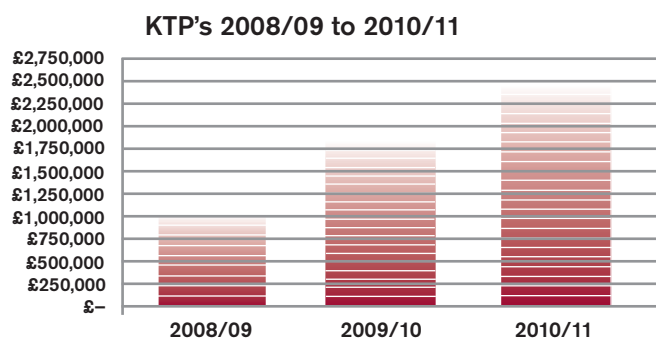


Knowledge Transfer

Knowledge Transfer Partnerships are a part government-funded scheme involving a highly skilled graduate (KTP associate) working

in a company on a project of strategic importance for between 12 and 36 months (a classic KTP) or a shorter KTP focuses on project delivery within 10 to 40 weeks, both schemes include supervision from an academic who acts as a mentor. This results in the partner company benefiting from competitive advantages and academically benefits the university, while providing valuable commercial experience for the associate. Employers can see an increase of up to £200,000 in profits before tax after completing a classic KTP.

The chart below shows the total amount of income received and projected from contracted Knowledge Transfer Partnerships from 2008/09 to 2010/11. Each column is divided into bars, one representing each KTP.



Despite the current economic downturn, DMU's KTP scheme has seen an unprecedented increase of over 50% in the number of programmes established over the last year, which will support the future success of the East Midlands region. During the last five years alone, the university has established 40 KTPs which have resulted in ten permanent graduate posts, with considerable success in the Art & Design, Technology and Business & Law faculties.

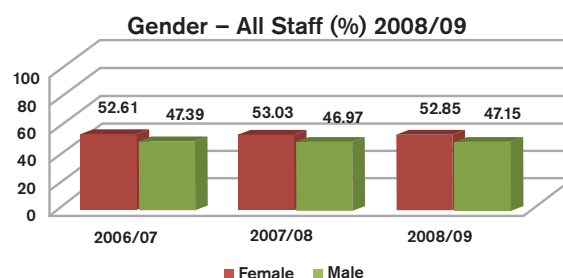
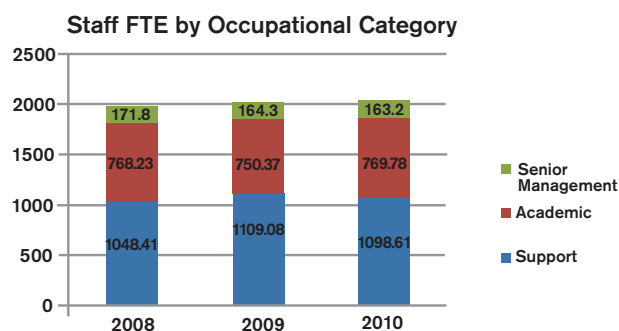
10 STAFF

Staffing numbers over the last three years have been relatively stable with a small spike in the number of support positions in 2009 resulting from some new posts being created in specific areas in line with strategic objectives.

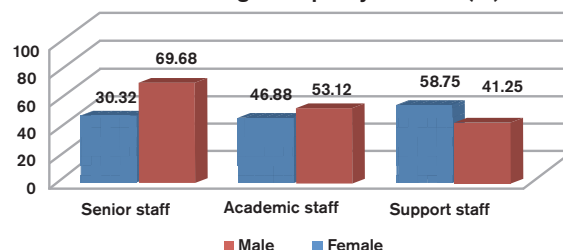
The number of research-based positions fell slightly in 2009 and has subsequently started to grow. Data cleansing to remove part-time lecturers who have not been active in the relevant time period, the movement of long term part-time lecturers onto indefinite or pro-rata contracts and the increased student intake in 2009/10 may have contributed to slightly elevated academic numbers in 2010.

The decrease in the number of senior managers is a result of a number of strategic restructures within the university resulting in flatter structures.

The university benchmarks its staff profile against appropriate sector equivalents to ensure academic and administrative efficiency, and will be carrying out more rigorous, detailed benchmarking during 2010/11.

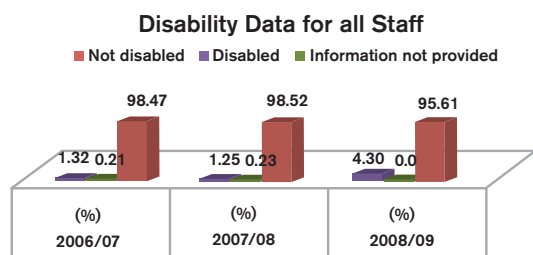


Breakdown of Staffing Groups by Gender (%) 2008/09



Staffing data focusing on gender shows that the gender split is fairly balanced. The HE average is 54.8% female, which rises to 58.8% for the wider public sector (DLA Piper), showing that DMU's proportion is more evenly divided. A further breakdown of staffing data shows that there are gender imbalances amongst some staffing groups, in particular amongst senior staff, which is consistent with trends within the sector.

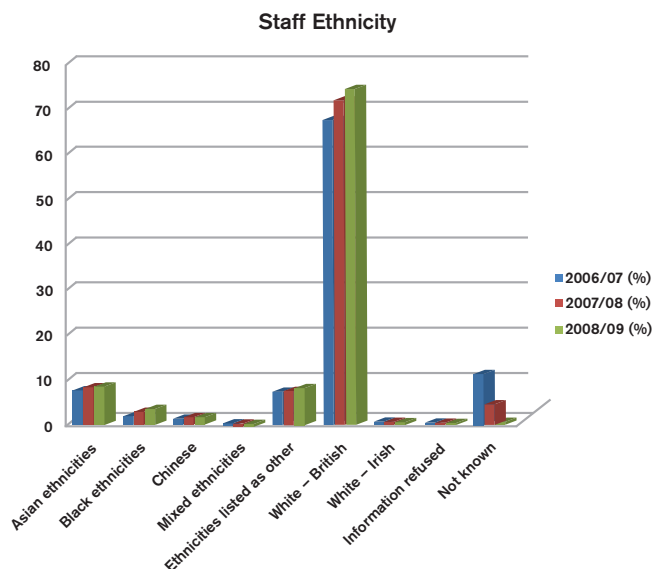
Gender data shows a slight, but continuing imbalance in favour of male academics and female support staff at a corporate level. There are significant imbalances within some faculties/departments where there are gender biases within professions. Most notably, Technology has a high male bias amongst academics which is most significant at the higher grades. The faculty is actively pursuing attempts to address the imbalance through work linked to the Athena Swan project.



DMU's current declared disability rate is 4.3%, with the largest proportion being amongst the support staff category. This shows a higher representation of staff with disabilities when compared to the HE and wider public sector average of 2.9% of staff who have disclosed disabilities (DLA Piper 2009). The significant increase in reported disability from 1.32% to 4.3% is due to a 'data verification exercise' conducted in this academic year which encouraged disclosure. HR also increased awareness of Access to Work support and how DMU can support staff with disabilities through fliers and guidance for potential recruits and existing employees. Guidance has also been given to managers on reasonable adjustments. DMU has also introduced a Disabled Staff Group which gives employees with disabilities the opportunity to raise and identify the issues facing disabled staff at DMU.

The staff data for ethnicity has been aggregated into categories in order to present the data. Asian ethnicities include people of Bangladeshi, Indian and Pakistani origin; black ethnicities include African and African-Caribbean; Mixed ethnicities includes people of mixed race; ethnicities listed as other includes all areas such as Asian other, white other and black other.

The staff data for ethnicity shows the following:



The above report has been produced using annual HESA data; therefore 2009/10 statistics were not available at the time of compiling this report. According to national statistics (DLA Piper 2009), within the HE Sector, 9.3% of people are from Black or Minority Ethnic Groups (BME). The wider public sector comparator group has 8.6% BME. Within Leicester, BME groups account for 39.46% (census 2001). DMU's BME population accounts for 18.56% of the total workforce.

At DMU the majority of staff in all categories are White British. Support staff more closely reflect the local community, as would be expected given that the pool for recruiting academic staff tends to be national or international.

As part of its commitment towards promoting a diverse workforce, DMU has introduced a Black and Minority Ethnic Staff Group, where issues affecting people from BME backgrounds can raise and explore the issues that face them while working at DMU. Monitoring at all stages of the staff life cycle (application, interview, appointment, promotion and reasons for leaving) is undertaken to ensure that the university's Race Equality Scheme is properly implemented.

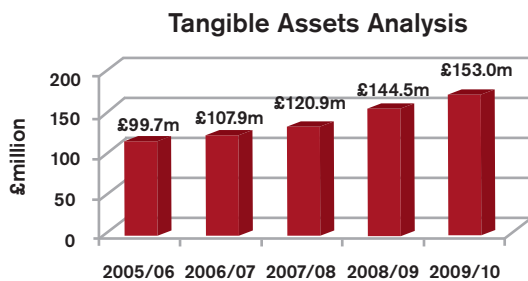
11 CAPITAL INVESTMENT

The Hugh Aston Building, housing Business & Law was completed in September 2009 and formally opened in March 2010; the development, which included moving Leicester's inner ring road, created a new square incorporating Leicester's famous medieval Magazine building, and transformed the city entrance to the university. A full refurbishment of laboratories in our Health & Life Sciences' main faculty building has taken place, and plans are now finalised for moving our School of Nursing and Midwifery from the Charles Frears campus to the Leicester city centre campus.

The university also acquired the buildings of the former Gateway Sixth Form College in the centre of its Leicester site, which allows greater site integration and the further development particularly of DMU's very popular Learning Zone, as well as for bespoke facilities for the delivery of commercial programmes. A pioneering Retail Lab has been opened in Art & Design, facilitating research in collaboration with retailers and industry.

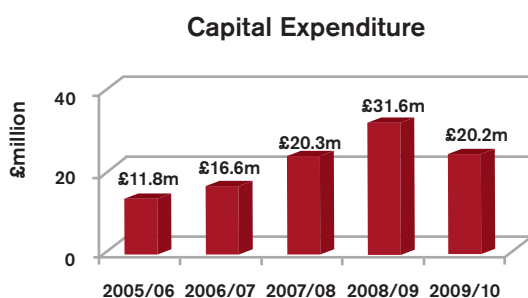
Fixed assets

Tangible assets increased by £8.5 million (net of depreciation), giving a total fixed assets value of £153 million.



As noted, the university made significant investment in its estates and infrastructure, investing some £20.2 million in land and buildings and equipment replacement and renewal.

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



12 ENVIRONMENTAL SUSTAINABILITY

DMU is committed to successfully shaping a sustainable world by combining research excellence, innovative thinking and ambitious plans for our estates. DMU adopted a Sustainability Strategy in February 2009 which aimed to embed sustainability in DMU by focusing on the five areas of teaching; research, health and well being, community engagement, and the built environment. Sustainability remains a key objective in the Strategic Plan being developed.

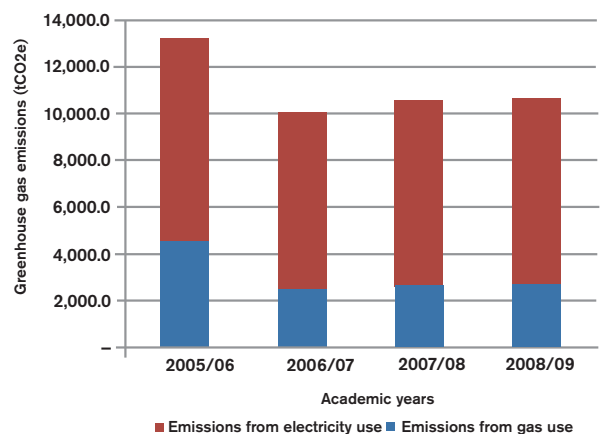
Significant progress has been made in each area with new green courses being launched in September 2010 and unique research specialisms existing across DMU. These specialisms include the Research Efficient Design (RED) team and the Textiles Engineering and Material (TEAM) team in Art & Design and the work of the Institute of Energy and Sustainable Development (IESD).

DMU has been chosen as one of only 20 HEIs to run 'Degrees Cooler – greening universities and beyond through behaviour change'. Degrees Cooler seeks to encourage 90,000 students and staff across 20 English universities to change their everyday behaviours for the sake of the environment.

The new £35 million Hugh Aston Building has opened featuring an array of environmentally friendly measures such as ground source heat pumps, solar thermal panels and rainwater recycling to reduce the building's environmental impact and carbon emissions. The new building is a reflection of the ongoing measures to reduce carbon emissions across the university estate.

The success of the Sustainability Strategy has been reflected in the annually improving position of DMU in the People and Planet Green League and reflected in strong performances in Universities that Count, the voluntary sustainability benchmarking programme for HEIs in which DMU participates.

Greenhouse Gas Emissions (tCO₂e) for 2005–2008



Greenhouse gas emissions from the university estate have reduced since 2005 due to changes in the estate namely the divestment of the Bedford campus. Since that time emissions have started to increase as the organisation has increased in size. DMU is producing a carbon management plan which aims to reduce greenhouse gas emissions by working closely with staff and students to reduce energy use and reduce emissions.

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 CUC Governance Code of Practice and Principles published in November 2004 and of the requirements of the Charities Act 2006.

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 Accountable Officer for the purposes of the Financial Memorandum with the Higher Education Funding Council for England. The Vice-Chancellor is supported by an Executive Board comprising the Pro Vice-Chancellors, the faculty Deans, the Chief Operating Officer, and Directorate Heads of Finance, Human Resources, External Relations 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 reappraises 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 has 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 (HEFCE) 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 the Audit Committee incorporates its role in monitoring, and reporting upon, the effectiveness of the university's risk management, data management quality, and value for money processes and procedures. While senior executives attend meetings of the Audit Committee as necessary, they are not members and the Committee may meet the internal and external auditors 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 produces 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 Board meeting. Members of the Executive Board 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 periodically reviews its own effectiveness in accordance with good practice/CUC guidance; the next review is scheduled in the first half of the 2010/11 financial year. 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 Accountable Officer, produces financial statements for each financial year, which give a true and fair view of the state of affairs of the university and of the surplus or deficit and cash flows for that year. These statements are also submitted to HEFCE, under the terms and conditions of the 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 and 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 2009/10 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 Board 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 Executive Board, 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 university significantly exceeded Home and EU full-time undergraduate recruitment limits that had been advised by HEFCE, for 2009/10. The university has put in place measures to ensure that there will be no repeat of that excess recruitment in 2010. In addition, further enhancements to the university's approach to risk management are planned for 2010/11, including:

- An explicit alignment, and reporting, of risks against the delivery of objectives within an enhanced reporting framework that will use a broader range of KPIs and focus on officer accountability
- The establishment of a Risk Management Committee, as a sub-group of the Executive Board, to provide a forum to test, challenge and independently assess risk assessment and responses, as detailed in the regular updates of the university's Strategic Risk Register.

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.

PUBLIC BENEFIT STATEMENT

- De Montfort University is an exempt charity in accordance with the terms of the Charities Act 2006
- In setting and reviewing the university's objectives and activities, the Board of Governors has ongoing due regard for the Charity Commission's General Principles of Public Benefit and Supplementary Guidance for charities established for educational purposes
- This is the first such statement to appear in the university's Annual Accounts. The university expects in future years to refine and develop it further, drawing on any further guidance that may emerge for the university sector
- The university has three core activities through which it delivers benefit to the public; in teaching, in research and innovation and, in engagement with the community.

TEACHING

- The university offers a wealth of academic courses for undergraduate and postgraduate students across a wide range of disciplines and professions. It focuses on the provision of creative and professional education; more than 60% of its courses have accreditation by an appropriate professional or statutory body and partnerships with industry, business and the professions complement and inform the development of academic programmes
- The university recruits students from diverse backgrounds and has a strong commitment to widening participation, attracting and supporting students from disadvantaged backgrounds or from groups that are under-represented in Higher Education. It does this through engaging with a large number of schools, and working to raise the aspirations of young people to enter Higher Education. The university supports the work of OFFA and its performance in widening access is measured and recognised by the Higher Education Funding Council for England
- The university is fully committed to providing all students, including those with disabilities and with other particular support needs, with services and support which enable them to fulfil their academic potential. The university offers excellent support through Student Services, including specialist advice for disabled students, counselling for students requiring health services (including mental health services and counselling), and the institution also holds the Frank Buttle Trust Quality Mark for its work supporting new students who have been in care.

RESEARCH

- The university engages in outstanding research, which has a clear and demonstrable impact on the world in which we live. The majority of research is at practical, rather than theoretical, level and consequently delivers results and outputs which have immediate relevance and benefit, and support the growth of the local, regional and national

economy. However, the institution is not committed to research solely for its economic benefit, but also as an important end in itself, as pushing the boundaries of knowledge and understanding is itself a measure of the health of a modern and civilised society

- The latest Research Assessment Exercise (2008) rated more than 40% of the university's research as being of international standing and every faculty in the university has research of this calibre within it
- Notable examples of research impact include the work of the university's Earth and Planetary Remote Sensing Laboratory. The Laboratory has led pioneering work in using satellite data to measure accurately the depth and behaviour of lakes and rivers across the globe, changing the way droughts and floods are identified and tackled. The university's Institute of Energy and Sustainable Development (IESD) is engaged in groundbreaking work and research focused on the clean, efficient use of energy in the built environment and ways in which more use can be made of renewable energy in domestic buildings, industry and commerce.

COMMUNITY ENGAGEMENT, CULTURE AND SOCIETY

- The university believes it has an important role to play in promoting tolerance, diversity, equality and freedom of speech and expression and that these are vital attributes for an institution of learning in modern society
- It is deeply committed to engaging with its local community and in working in a supportive way with a wide range of groups and organisations, from the local Chamber of Commerce, to faith groups and cultural societies. Its facilities are regularly used to host events organised by groups such as these – recently providing a venue for celebrating the centenary of Hugh Aston, a notable local figure, and regularly hosting events organised by the Leicester Literary and Philosophical Society
- The university offers an exciting range of events that are of cultural or intellectual importance, including its Distinguished Lecture Series and its Professorial Lecture Programme – all of which are free and are open to the public
- The university campus is located in the historic heart of the city of Leicester, in an area which for many years suffered from under-investment. Through the development of our Masterplan, the university has led the regeneration of the local area, bringing in over £130 million of investment in new buildings and facilities, transforming the west end of the city for the benefit not just of its students and staff but also for the wider community. The university's plans for the future will see the continued enhancement of the area, including significant improvements to public spaces with new walkways, and public realm artworks, forming part of those plans.

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF DE MONTFORT UNIVERSITY

We have audited the Group and university financial statements (the 'financial statements') of De Montfort University for the year ended 31 July 2010 which comprise the Group Income and Expenditure Account, the Group and university Balance Sheets, the Group Cash Flow Statement, the Group 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, as a body, 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 University Council/Board of Governors for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE BOARD OF GOVERNORS AND AUDITORS

The responsibilities of the Board of Governors for preparing the Report of the Chairman of the Board of Governors, the Operating and Financial Review and the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England 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 page 21.

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 the Higher Education Funding Council for England and the funding agreement with the Learning and Skills Council and its successor bodies. We also report to you whether in our opinion the Report of the Chairman of the Board of Governors and the Operating and Financial Review is 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 Operating and Financial Review and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent mis-statements 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 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's and the university's affairs as at 31 July 2010 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 the Higher Education Funding Council for England and the Learning and Skills Council and its successor bodies, grants and income for specific purposes and from other restricted funds administered by the university during the year ended 31 July 2010 have been applied for the purposes for which they were received
- In all material respects, income during the year ended 31 July 2010 has been applied in accordance with the university's Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the funding agreement with the Learning and Skills Council and its successor bodies.

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 FRS 18, 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. For properties expected to be sold, the basis of valuation is depreciated replacement cost or open market value. 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 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)
Expenditure which extends useful life	Over additional useful life
New buildings and major refurbishments to buildings are depreciated from the month in which they are put into service. For all other assets six months depreciation is charged in the year in which they are put into service.	

Depreciation on disposals is as follows:

Buildings	Up to the month before the building is taken out of use
Equipment	Six months depreciation

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) page 25.

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 of historical, artistic or scientific importance. Most of these have been donated or bequeathed to the university. In accordance with FRS 15 and FRS 30 (Heritage Assets), Heritage Assets acquired before 1999 have not been capitalised since reliable estimates of value are not available on a cost-benefit basis. No items above the general fixed asset minimum value of £10,000 have been acquired since 1 August 1999; therefore, no value for Heritage Assets is included in the financial statements.

The university does not have a systematic policy for acquisition of this type of asset. Most of the artwork included in the collections is on display within the university's buildings and exhibition spaces, many of which are open to the public. Discussions have taken place with local museums and galleries regarding loaning elements of the collection for public display. Items not currently on display are stored in a secure store. Conservation of items within the collection is carried out as necessary.

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 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the university is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478–488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

The university's principal activities are exempt from Value Added Tax, but certain ancillary supplies and services are liable to Value Added Tax at various rates. Expenditure includes irrecoverable Value Added Tax charged by suppliers to the university.

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, 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 FRS 17. 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 FRS 17.

Provision is made for enhanced pensions not accounted for under FRS 17 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 2009/10, the university made the recurrent grant to De Montfort University Students' Union Limited of £708,000 (2008/09: £712,000).

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 may 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 2010

		2010 £'000 Total	2009 £'000 Total
Income	Note		
Funding council grants	1a	64,646	68,761
Academic fees and education contracts	1b	68,318	57,566
Research grants and contracts	1c	8,155	7,419
Other operating income	1d	8,485	10,081
Endowment income and interest receivable	1e	276	1,583
Total income		149,880	145,410
Expenditure			
Staff costs	2	92,902	89,533
Other operating expenses	3	47,353	42,792
Interest payable	4	3,621	1,450
Depreciation	6	9,004	8,033
Total expenditure	5	152,880	141,808
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items		(3,000)	3,602
Exceptional items: Continuing operations			
(Deficit)/surplus on disposal of tangible fixed assets		(203)	49
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets		(3,203)	3,651
Transfer from accumulated income within endowments		132	62
(Deficit)/surplus for the year retained within general reserves		(3,071)	3,713

The consolidated deficit includes a surplus of £1,636k (2008/09: surplus of £3,500k) 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, the Operating and Financial Review and notes to the accounts.

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 JULY 2010

	Note	2010 £'000 Total	2009 £'000 Total
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets		(3,203)	3,651
Difference between historical cost depreciation charge and actual depreciation charge for the year	18	72	88
Realisation of revaluation surplus on disposal of assets	18	198	—
Historical cost (deficit)/surplus for the year		(2,933)	3,739
Historical cost (deficit)/surplus for the year retained after transfers in respect of endowments		(2,801)	3,801

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

BALANCE SHEET

AS AT 31 JULY 2010

	Note	Group 2010 £'000	Group 2009 £'000	Corporation 2010 £'000	Corporation 2009 £'000
Fixed assets					
Tangible assets	6	153,040	144,472	153,040	134,618
Investments	7	296	302	606	612
		153,336	144,774	153,646	135,230
Endowment asset investments	8	902	766	902	766
Current assets					
Stocks	9	109	143	109	111
Properties held for resale		1,741	2	1,741	2
Debtors – amounts falling due after more than one year	10	–	–	–	5,344
Debtors – amounts falling due within one year	11	8,870	7,514	8,853	7,878
Investments	12	24,140	32,911	23,102	31,669
Cash at bank and in hand		1,076	1,411	1,075	917
		35,936	41,981	34,880	45,921
Creditors: amounts falling due within one year	13	(27,226)	(23,915)	(26,862)	(23,400)
Net current assets		8,710	18,066	8,018	22,521
Total assets less current liabilities		162,948	163,606	162,566	158,517
Creditors: amounts falling due after more than one year	14	(23,331)	(25,565)	(23,331)	(25,565)
Provisions for liabilities and charges	15	(1,553)	(1,575)	(1,553)	(1,575)
		(24,884)	(27,140)	(24,884)	(27,140)
Total net assets excluding pension deficit		138,064	136,466	137,682	131,377
Pension deficit	30d	(50,656)	(56,721)	(50,656)	(56,721)
Total net assets including pension deficit		87,408	79,745	87,026	74,656
Represented by:					
Deferred capital grants	16	46,865	45,589	46,865	45,589
Endowments					
Expendable		444	334	444	334
Permanent		458	432	458	432
	17	902	766	902	766
Reserves					
Revaluation reserve	18	9,693	9,969	9,693	9,969
Income and expenditure account	18	80,604	80,142	80,222	75,053
Pension reserve	18	(50,656)	(56,721)	(50,656)	(56,721)
Total reserves		39,641	33,390	39,259	28,301
Total reserves and endowments		40,543	34,156	40,161	29,067
Total funds		87,408	79,745	87,026	74,656

The financial statements on pages 29 to 55 were approved by the Board of Governors on 26 November 2010 and were signed on its behalf by:

Professor W Dawson
Chairman

Professor D Shellard
Chief Executive and Vice-Chancellor

Mr J Cunningham
Director of Finance

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

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2010

	Note	2010 £'000	2009 £'000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and disposal of assets		(3,203)	3,651
(Decrease)/increase in value of fixed asset investment	18	(6)	41
New endowed funds	17	253	73
Appreciation/(depreciation) of endowed funds	17	15	(20)
FRS17 actuarial gain/(loss)	30d	9,328	(35,560)
Total recognised gains/(losses) relating to the year		6,387	(31,815)
Opening reserves and endowment		34,156	65,971
Total recognised gains/(losses)		6,387	(31,815)
Closing reserves and endowments		40,543	34,156

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2010

	Note	2010 £'000	2009 £'000
Net cash inflow from operating activities	20	4,786	5,782
Returns on investments and servicing of finance			
Interest received	21	448	1,699
Interest paid	21	(945)	(628)
		(497)	1,071
Net cash inflow from returns on investments and servicing of finance		4,289	6,853
Capital expenditure			
Payments to acquire tangible assets		(20,331)	(30,153)
Proceeds of sale of tangible assets		650	118
Deferred capital grants received		6,994	10,860
Net cash outflow from capital expenditure		(12,687)	(19,175)
Net cash outflow before management of liquid resources		(8,398)	(12,322)
Management of liquid resources			
Cash transferred from term deposits	23	8,771	5,510
Financing			
Bank loan drawn down in year	22	–	7,000
Loan repayment in year	22	(410)	(389)
		(410)	6,611
Decrease in cash	23	(37)	(201)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Note	2010 £'000	2009 £'000
Decrease in cash in the year	23	(37)	(201)
Cash outflow from liquid resources	23	(8,771)	(5,510)
New loans taken out in year	23	–	(7,000)
Loan repayment in year	23	410	389
Change in net funds		(8,398)	(12,322)
Net funds at 1 August		9,790	22,112
Net funds at 31 July		1,392	9,790

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

NOTES TO THE ACCOUNTS

1. ANALYSIS OF INCOME

	2009/2010 £'000	2008/2009 £'000
a) Funding council grants		
Recurrent grants		
Higher Education Funding Council	54,821	59,277
Learning and Skills Council	879	834
Specific grants		
Employer Engagement	1,742	1,275
Teaching Quality Enhancement Fund	–	587
Higher Education Innovation Fund	1,437	1,306
Centres for Excellence in Teaching and Learning	312	588
Active Community Fund	–	61
Graduate Internship Project	149	–
HEFCE Matched Funding	167	43
Releases of deferred capital grants (note 16)		
Buildings	1,421	1,242
Equipment	3,718	3,548
Total	64,646	68,761
b) Academic fees and education contracts		
Home and EU students	43,657	36,207
Overseas students	10,547	7,848
Education contracts	12,031	12,526
Other contracts	2,083	985
Total	68,318	57,566
c) Research grants and contracts		
Research councils	1,779	2,127
UK-based charities	490	361
European commission	816	770
Other grants and contracts	5,070	4,161
Total	8,155	7,419
d) Other operating income		
Residences and catering	4,673	3,792
Other services rendered	2,011	2,894
Other income	1,122	1,512
Releases of deferred capital grants (note 16)	579	349
Donations	100	1,534
Total	8,485	10,081
e) Endowment income and interest receivable		
Income from expendable endowments (note 17)	4	12
Income from permanent endowments (note 17)	12	19
Interest on short-term investments	260	1,552
Total	276	1,583

2 STAFF COSTS AND OTHER DETAILS

	2009/2010	2008/2009
	£'000	£'000
a) Staff costs		
Wages and salaries	76,123	74,068
Social security costs	6,127	5,952
Other pension costs	9,376	9,143
The financial effects of the adoption of FRS17	576	(266)
Restructuring costs	700	636
Total	92,902	89,533
b) Employee numbers		
The average number of persons employed during the year, expressed as full-time equivalents, are disclosed below.	2009/2010	2008/2009
Academic		
Full-time	756	768
Part-time	227	200
Support	1,208	1,179
Total	2,191	2,147
c) Senior post holder emoluments	2009/2010	2008/2009
	£'000	£'000
Retiring Vice-Chancellor		
Emoluments of the Vice-Chancellor	204	216
Pension contributions	16	29
	220	245
Joining Vice-Chancellor		
Emoluments of the Vice-Chancellor	16	–
Pension contributions	3	–
	19	–

There were two serving Vice-Chancellors in office during the year, one from 1 August 2009 to 27 June 2010, the other appointed from 28 June 2010 onwards. The emoluments, including taxable benefits, of the Vice-Chancellors are shown on the same basis as for higher paid staff and exclude employer's national insurance contributions.

The university's pension contributions to the Teachers' Pension Scheme in respect of the Vice-Chancellors are paid at the same rates as for other academic staff. This represents employer's pension contributions of 14.1% (2008/09: 14.1%).

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:

	2009/2010	2008/2009
£100,000–£109,999	3	7
£110,000–£119,999	2	–
£120,000–£129,999	1	–
£130,000–£139,999	–	–
£140,000–£149,999	2	1
Compensation for loss of office payable to senior post-holders	2009/2010	2008/2009
	£'000	£'000
Compensation payable	188	–

The severance pay was in accordance with the Institution's Remuneration Committee.

3 OTHER OPERATING EXPENSES

	2009/2010 £'000	2008/2009 £'000
External auditors remuneration	50	50
The above remuneration includes £38k in respect of the audit of the university (2009: £38k)		
Auditors fees for non-audit services	1	2
Group audit		
Other services supplied pursuant to such legislation	3	1
Other services relating to taxation	1	–
Valuation and actuarial services	–	6
Other		
Internal audit services	76	86
Residences and catering	4,090	2,450
Rent, rates and insurance	918	909
Repairs and general maintenance	4,193	4,099
Energy	2,881	2,500
Administrative expenses	5,433	5,050
Research grants and contracts	2,951	2,216
Legal, professional and consultancy fees	3,372	3,899
General education expenses	6,851	6,483
Student bursaries	7,951	5,664
Publicity	2,357	3,325
Staff development	551	439
Travel and subsistence	1,296	1,248
Grant to De Montfort University Students' Union Limited	708	712
Consumables	2,856	3,317
Other	814	336
Total	47,353	42,792
Other operating expenses include:	2009/2010 £'000	2008/2009 £'000
Operating leases – buildings	680	921
Operating leases – equipments	539	368

Governors

No governor has received any remuneration/waived payments for the Group during the year (2009: none)

The total expenses paid to or on behalf of 24 governors was £37,739 (2009: £53,291 to 25 governors). This represents travel and subsistence incurred in attending Board and Committee meetings in their official capacity.

4. INTEREST PAYABLE

	2009/2010 £'000	2008/2009 £'000
Other loans	934	938
HMRC interest	–	(307)
Net Financing costs in Pension Scheme Liabilities (under FRS17)	2,687	819
Total	3,621	1,450

5. ANALYSIS OF 2009/2010 EXPENDITURE BY ACTIVITY

	Staff costs	Other operating expenses	Interest	Depreciation	Total	2008/2009 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	57,942	11,990	—	2,531	72,463	70,014
Academic services	8,967	3,523	—	616	13,106	12,860
Admin and central services	8,374	2,904	—	728	12,006	13,032
General education expenditure	3,035	12,337	—	51	15,423	12,836
Staff and student facilities	2,723	1,941	—	63	4,727	3,960
Premises	5,423	7,120	—	4,577	17,120	15,813
Residences and catering	547	4,090	—	151	4,788	3,151
Research grants and contracts	3,753	2,951	—	287	6,991	6,273
Other services rendered	862	495	—	—	1,357	2,049
Other expenditure	—	—	934	—	934	631
Provision for restructuring	700	2	—	—	702	636
FRS17 adjustment	576	—	2,687	—	3,263	553
Total	92,902	47,353	3,621	9,004	152,880	141,808
The depreciation charge has been funded by:				£'000		
Deferred capital grants released (note 16)				4,750		
Revaluation reserves released (note 18)				72		
General income				4,182		
				9,004		

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 2009	136,415	27,136	12,249	11,375	187,175
Additions at cost	14,743	1,445	1,307	2,668	20,163
Transfers to land and buildings	27,094	(27,094)	–	–	–
Properties held for resale	(3,587)	–	–	–	(3,587)
Disposals	(867)	–	(45)	(1,368)	(2,280)
At 31 July 2010	173,798	1,487	13,511	12,675	201,471
Depreciation					
At 1 August 2009	27,483	–	7,979	7,241	42,703
Charge for the year	4,501	–	1,766	2,737	9,004
Properties held for resale	(1,849)	–	–	–	(1,849)
Disposals	(19)	–	(40)	(1,368)	(1,427)
At 31 July 2010	30,116	–	9,705	8,610	48,431
Net book value:					
At 31 July 2010	143,682	1,487	3,806	4,065	153,040
At 31 July 2009	108,932	27,136	4,270	4,134	144,472
Corporation					
Cost or valuation					
At 1 August 2009	124,128	27,136	12,249	11,375	174,888
Additions at cost	14,743	1,445	1,307	2,668	20,163
Transfers to land and buildings	27,094	(27,094)	–	–	–
Transfers from group companies	12,919	–	–	–	12,919
Asset impairment	(493)	–	–	–	(493)
Properties held for resale	(3,587)	–	–	–	(3,587)
Disposals	(1,006)	–	(45)	(1,368)	(2,419)
At 31 July 2010	173,798	1,487	13,511	12,675	201,471
Depreciation					
At 1 August 2009	25,050	–	7,979	7,241	40,270
Charge for the year	4,381	–	1,766	2,737	8,884
Properties held for resale	(1,849)	–	–	–	(1,849)
Transfers from group companies	2,553	–	–	–	2,553
Disposals	(19)	–	(40)	(1,368)	(1,427)
At 31 July 2010	30,116	–	9,705	8,610	48,431
Net book value:					
At 31 July 2010	143,682	1,487	3,806	4,065	153,040
At 31 July 2009	99,078	27,136	4,270	4,134	134,618

The net book value of tangible fixed assets held under finance leases at 31 July 2010 was nil (31 July 2009: £4000). Of the net book value of land and buildings, £143,682,000 as at 31 July 2010, £120,520,000 is held at cost and £23,162,000 is held at the 1995 valuation. The historical cost equivalent of the re-valued land and buildings is £14,194,000 as at 31 July 2010.

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

	Group 2009/2010 £'000	Group 2008/2009 £'000	Corporation 2009/2010 £'000	Corporation 2008/2009 £'000
Freehold	142,935	107,936	142,935	98,082
Long lease	747	996	747	996
Total	143,682	108,932	143,682	99,078

7. INVESTMENTS

	Group 2009/2010 £'000	Group 2008/2009 £'000	Corporation 2009/2010 £'000	Corporation 2008/2009 £'000
Movement in the year				
Balance at beginning of year	302	254	612	564
Additions	1	–	1	–
(Depreciation)/appreciation of investments	(7)	48	(7)	48
Balance at year end	296	302	606	612
Analysis of closing balance				
Shareholding in subsidiary undertakings	–	–	310	310
Other investments	258	264	258	264
Shareholding in CVCP Properties PLC	38	38	38	38
	296	302	606	612

a) Shareholdings in subsidiary undertakings

At year end, investments in subsidiary undertakings comprise:

	Group holding %	Corporation 2009/2010 £	Corporation 2008/2009 £	Description of activities
Directly owned by the university:				
De Montfort Expertise Ltd	100	310,000	310,000	Provision of contract research and development
Leicester Business School Ltd	100	1	1	Dormant company
Leicestershire Business School Ltd	100	1	1	Dormant company
De Montfort University Trust	100	–	–	Support the educational work of the university (note 1 below)
Leicester De Montfort Expertise Ltd	100	1	1	Dormant company
Leicester De Montfort Ltd	100	1	1	Dormant company
		310,004	310,004	
Shareholding of De Montfort University Trust:				
Banco Santander	<0.01	–	852	Financial services (note 2 below)
		–	852	

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

b) Other investments

	Holding	Corporation	Corporation	Description of activities
	%	2009/2010	2008/2009	
		£	£	
Talis Group Ltd	<0.60	–	–	Library management system (note 3 below)
Spear Therapeutics Ltd	11.06	234	234	Drug development and research
BTG PLC	<0.01	42,669	35,572	Drug development and research
UK Human Tissue Bank Ltd	–	–	1	Dormant company (note 4 below)
CYPS Ltd	100.00	100	100	Dormant company
In Smart Ltd	100.00	100	100	Dormant company
Morvus Technology Ltd	<0.50	589	589	Drug development and research
Access Pharmaceuticals Inc	<0.70	12,521	26,713	Drug development and research, incorporated in USA
Lachesis Seed Fund Ltd Partnership	20.00	200,000	200,000	Seed funding for new high technology businesses
Fiteris Ltd	33.00	150	150	Software development
Valebanner Ltd	–	–	1	Medical research (note 5 below)
Venuesim Ltd	33.00	300	1	Software development
WZVI Ltd	10.00	100	–	Science and engineering research
Banco Santander	<0.01	832	–	Financial services (note 2 below)
		257,595	263,461	

Notes

1. De Montfort University Trust was dissolved on 23 July 2010
2. As part of the dissolution of De Montfort University Trust, the shareholding in Banco Santander was transferred to De Montfort University
3. The shares in this company were issued without payment. This followed the reorganisation of BLCMP Library Services, in which the university was previously a shareholder
4. UKHTB Ltd was dissolved at Companies House on 17 March 2009
5. Valebanner Ltd was dissolved at Companies House on 6 July 2010

8. ENDOWMENT ASSET INVESTMENTS – GROUP AND CORPORATION

	2009/2010 £'000	2008/2009 £'000
Balance as at 1 August	766	775
New endowments invested	253	73
Increase/(decrease) in market value of investments	15	(20)
Decrease in cash balances held for endowment funds	(132)	(62)
Balance as at 31 July	902	766
Represented by:		
Securities and fixed interest stock	192	177
Bank balances	710	589
Total endowment assets	902	766

9. STOCKS

	Group 2009/2010 £'000	Group 2008/2009 £'000	Corporation 2009/2010 £'000	Corporation 2008/2009 £'000
Goods for resale	5	35	5	3
Catering and residences	5	5	5	5
Art and Design	68	60	68	60
ISAS	31	43	31	43
	109	143	109	111

10. DEBTORS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2009/2010 £'000	Group 2008/2009 £'000	Corporation 2009/2010 £'000	Corporation 2008/2009 £'000
Loans and prepayments to subsidiary undertakings	–	–	–	5,344
	–	–	–	5,344

11. DEBTORS FALLING DUE WITHIN ONE YEAR

	Group 2009/2010 £'000	Group 2008/2009 £'000	Corporation 2009/2010 £'000	Corporation 2008/2009 £'000
Student debtors	2,520	2,361	2,520	2,361
Other debtors	2,110	1,645	1,986	1,289
Research	1,506	1,542	1,506	1,542
Prepayments and accrued income	2,734	1,966	2,394	1,527
Subsidiary undertakings	–	–	447	1,159
	8,870	7,514	8,853	7,878

Within other debtors £121k is held in respect of HEFCE matched funding falling due after more than one year.

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 2010:

£24,140,000 of Group Funds was on deposit (31 July 2009: £32,911,000).

£23,102,000 of Corporation Funds was on deposit (31 July 2009: £31,669,000).

13. CREDITORS FALLING DUE WITHIN ONE YEAR

	Group 2009/2010 £'000	Group 2008/2009 £'000	Corporation 2009/2010 £'000	Corporation 2008/2009 £'000
Bank account	72	371	72	371
Obligations under finance leases (note 19)	–	4	–	4
Payments received in advance	4,343	4,569	4,319	4,569
Trade creditors	6,676	6,793	6,368	6,240
Other creditors	7,262	3,645	7,261	3,645
Taxation	1,068	1,582	1,068	1,568
Social security	945	941	945	941
Accruals	5,908	5,429	5,832	5,227
Bank loan	420	406	420	406
Student caution deposits	488	17	488	17
Access funds (note 27)	44	33	44	33
Subsidiary undertakings	–	–	45	254
East Midlands New Technology Initiative (note 28)	–	125	–	125
	27,226	23,915	26,862	23,400

14. CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR – GROUP AND CORPORATION

	2009/2010 £'000	2008/2009 £'000
Bank loan	23,331	23,751
Other creditors	–	1,814
	23,331	25,565

A Revolving Credit facility of £7 million with the Lloyds Group was drawn down on the 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 amortised 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

	Future pensions £'000	Staff restructuring £'000	Total £'000
At 1 August 2009	1,424	151	1,575
Utilised in year	(202)	(151)	(353)
Transfer (from)/to Income and Expenditure Account	(84)	415	331
At 31 July 2010	1,138	415	1,553

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	Other grants	Total grants
Balance at 1 August 2009	£'000	£'000	£'000
Buildings	34,055	3,861	37,916
Equipment	6,898	775	7,673
Total	40,953	4,636	45,589
Cash receivable			
Buildings	3,228	—	3,228
Equipment	3,228	538	3,766
Total	6,456	538	6,994
Released to Income and Expenditure Account			
Buildings	(1,421)	(217)	(1,638)
Equipment	(3,718)	(362)	(4,080)
Total	(5,139)	(579)	(5,718)
	To fund depreciation (note 5)		(4,750)
	To fund revenue		(968)
			(5,718)
Balance at 31 July 2010			
Buildings	35,862	3,644	39,506
Equipment	6,408	951	7,359
Total	42,270	4,595	46,865

17. ENDOWMENTS — GROUP AND CORPORATION

	Unrestricted permanent £'000	Restricted permanent £'000	Total permanent £'000	Restricted expendable £'000	2009/2010 Total £'000	2008/2009 Total £'000
Capital	1	361	362	324	686	685
Accumulated income	—	70	70	10	80	90
	1	431	432	334	766	775
Investment income	—	12	12	4	16	32
Expenditure	—	(12)	(12)	(136)	(148)	(94)
	—	—	—	(132)	(132)	(62)
New endowments	—	11	11	242	253	73
Appreciation/(depreciation) in market value of investments	—	15	15	—	15	(20)
At 31 July 2010	1	457	458	444	902	766
Represented by:						
Capital value	1	387	388	435	823	686
Accumulated income	—	70	70	9	79	80
	1	457	458	444	902	766

18. RESERVES

	Group 2009/2010 £'000	Group 2008/2009 £'000	Corporation 2009/2010 £'000	Corporation 2008/2009 £'000
Income and expenditure reserve				
At 1 August	80,142	75,788	75,053	70,912
(Deficit)/surplus retained in the year	(3,071)	3,713	1,636	3,500
Transfer from revaluation reserve	72	88	72	88
Realisation of revaluation surplus on disposal of assets	198	—	198	—
Add back pension deficit	3,263	553	3,263	553
At 31 July	80,604	80,142	80,222	75,053
Pension reserve				
At 1 August	(56,721)	(20,608)	(56,721)	(20,608)
Actuarial gain/(loss) on pension scheme	9,328	(35,560)	9,328	(35,560)
Deficit retained within reserves	(3,263)	(553)	(3,263)	(553)
At 31 July	(50,656)	(56,721)	(50,656)	(56,721)
Revaluation reserve				
At 1 August	9,969	10,016	9,969	10,016
(Decrease)/increase in value of fixed asset investments	(6)	41	(6)	41
Contribution to depreciation	(72)	(88)	(72)	(88)
Realisation of revaluation surplus on disposal of assets	(198)	—	(198)	—
At 31 July	9,693	9,969	9,693	9,969
Total reserves	39,641	33,390	39,259	28,301

19. BORROWINGS AND LEASE OBLIGATIONS

a) Borrowings

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

	Group 2009/2010 £'000	Group 2008/2009 £'000	Corporation 2009/2010 £'000	Corporation 2008/2009 £'000
In one year or less	492	777	492	777
Between one and two years	503	420	503	420
Between two and five years	2,174	1,917	2,174	1,917
In five years or more	20,654	21,414	20,654	21,414
Total	23,823	24,528	23,823	24,528

b) Finance leases

	Group 2009/2010 £'000	Group 2008/2009 £'000	Corporation 2009/2010 £'000	Corporation 2008/2009 £'000
Obligations under finance leases in respect of equipment fall due as follows:				
Within one year	–	4	–	4
Leases expiring within two-five years	–	–	–	–
Total	–	4	–	4

c) Operating leases

At 31 July 2010, the university had annual commitment under operating leases as follows:

	Group 2009/2010 £'000	Group 2008/2009 £'000	Corporation 2009/2010 £'000	Corporation 2008/2009 £'000
Land and buildings				
Leases expiring within one year	28	–	28	–
Leases expiring within two-five years	21	103	21	753
Leases expiring thereafter	236	586	236	1,086
Total lease payments due	285	689	285	1,839
Other				
Leases expiring within one year	96	26	96	24
Leases expiring within two-five years	187	348	187	348
Total lease payments due	283	374	283	372

20. NET CASH FLOW FROM OPERATING ACTIVITIES — GROUP

	2009/2010		2008/2009	
	£'000	£'000	£'000	£'000
Income and Expenditure Account before taxation	(3,000)		3,602	
FRS17 impact on Income and Expenditure Account (including interest)	3,263		553	
Endowment income adjustment	132		62	
Interest receivable (excluding FRS17 interest)	(276)		(1,583)	
Surplus before interest receivable		119		2,634
Add back interest payable (excluding FRS17 interest):				
Bank loans	934		938	
HMRC interest	—		(307)	
Total interest payable		934		631
Surplus from operating activities		1,053		3,265
Release of capital grant		(5,718)		(5,139)
(Decrease)/increase in value of fixed asset investments		(6)		41
Depreciation		9,004		8,033
Decrease in stock		34		21
Increase in debtors		(1,528)		(1,346)
Increase in creditors		1,969		2,032
Decrease in provisions		(22)		(1,125)
Net cash inflow from ordinary operating activities		4,786		5,782

21. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE — GROUP

	2009/2010 £'000	2008/2009 £'000
Income from short term investments	448	1,699
Interest paid	(945)	(628)
	(497)	1,071

22. ANALYSIS OF CHANGES IN FINANCING — GROUP

	Bank loan		Finance leases		Total	
	2009/2010 £'000	2008/2009 £'000	2009/2010 £'000	2008/2009 £'000	2009/2010 £'000	2008/2009 £'000
Balance at 1 August	24,157	17,542	4	8	24,161	17,550
New loan principal	—	7,000	—	—	—	7,000
Repayment	(406)	(385)	(4)	(4)	(410)	(389)
Balance at 31 July	23,751	24,157	—	4	23,751	24,161

23. ANALYSIS OF NET FUNDS — GROUP

	At 1 August 2009 £'000	Non cash changes £'000	Cashflow £'000	At 31 July 2010 £'000
Net cash				
Cash at bank and in hand	1,411	—	(335)	1,076
Bank overdrafts	(371)	—	298	(73)
	1,040	—	(37)	1,003
Liquid resources				
Current asset investments	32,911	—	(8,771)	24,140
Debt				
Finance leases	(4)	—	4	—
Debts falling due within one year	(406)	(420)	406	(420)
Debts falling due after one year	(23,751)	420	—	(23,331)
	(24,161)	—	410	(23,751)
Net funds	9,790	—	(8,398)	1,392

24. FINANCIAL COMMITMENTS — GROUP AND CORPORATION

Provision has not been made for the following capital commitments at 31 July 2010.

	2009/2010 £'000	2008/2009 £'000
Commitments contracted for	6,407	12,350
Authorised but not contracted for	17,572	12,778
	23,979	25,128

25. CONTINGENT LIABILITIES

There are no material contingent liabilities.

26. RELATED PARTY TRANSACTIONS

The members of the Board of Governors have considered the requirement for disclosure concerning related parties under FRS 8.

Mr Ted Cassidy, Head of Regional and International Partnerships at the university, chairs the Board of Directors of Leicester Arts Centre Ltd. De Montfort University has made a contribution of £498,608 towards capital costs and a £20,000 revenue contribution to Leicester Arts Centre Ltd in respect of the Digital Media Centre. The total contribution held in respect of the Digital Media Centre is £675,000 which will be released to the Income and Expenditure Account over nine years. Mr Ted Cassidy is also a board member of Leicester Chamber of Commerce. De Montfort University has contributed £8,225 as a patron. Professor David Stevens, Co-opted Governor, is the Chairman of Firebird Trading, a wholly owned subsidiary of Leicester Arts Centre Ltd. The value of services provided to the university during 2009/10 is £11,343.

De Montfort University was represented, along with other local institutions, on the Board of Directors of East Midlands New Technology Initiative (EMNTI). In the 2009/10 financial year, the university has disbursed £125,000 (Note 28) of funding to EMNTI; the university also received £291,000 in respect of supporting the operations and providing facilities for EMNTI. On 31 July 2010 EMNTI ceased trading.

27. ACCESS FUNDS

	2009/2010 £'000	2008/2009 £'000
Balance unspent at 1 August	33	4
Funding council grants	580	583
Interest earned	4	12
	<u>617</u>	<u>599</u>
Disbursed to students	(573)	(566)
	44	33

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.

	2009/2010 £'000	2008/2009 £'000
Balance held on behalf of EMNTI at 1 August	125	125
Funding received during the period	–	500
Disbursements	(125)	(500)
Balance held on behalf of EMNTI at 31 July	–	125

29. INTANGIBLE FIXED ASSET

De Montfort Developments PLC, 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 2010. A review of the status of the intangible asset is undertaken annually.

	Group and Corporation 31 July 2010 £
Cost	
Expenditure	50,000
Impairment	
Charge to date	(50,000)
Adjustment for the year	–
Net book value at 31 July 2010	–

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	£2,057m	£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:

	2009/2010 £'000	2008/2009 £'000
Contributions to TPS and USS	5,553	5,374
Contributions to LGPS	3,823	3,769
The financial effects of the adoption of FRS17:		
LGPS	576	(266)
Total	9,952	8,877

Contributions to pension schemes

	2009/2010 From April 2010	2008/2009 From April 2009
TPS	14.10%	14.10%
USS	16.00%	16.00%
LGPS officers *	13.60%	13.60%
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 £1,137,617 (2009: £1,424,022), 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) Pension schemes

Teachers' Pension Scheme

The university is a member of the Teachers' Pension Scheme (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	£163,240 m
(estimated future contributions together with notional investments held at 31 March 1996)	
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 scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The Institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis 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 actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March are also included in this note.

The triennial 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.

Standard mortality tables were used as follows:

Male members mortality	PA92 MC YoB tables – rated down 1 year
Female members mortality	PA92 MC YoB tables – no age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 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 pay 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 scheme-wide 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, increased the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime has fallen from 103% to 91% (a deficit of £3,065 million). This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years 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 an AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

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. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Decrease/increase by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Decrease/increase by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

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 £228,684 (2009: £174,658). This includes £nil (2009: £nil) outstanding contributions at the Balance Sheet date. The contribution rate payable by the Institution was 16% 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 2010 for FRS17 purposes by a qualified independent actuary. The major assumptions used by the actuary were as follows:

	2010	2009
Salary increase rate	3.9%	5.2%
Pension increase rate	2.9%	3.7%
Discount rate	5.4%	6.0%
Inflation assumption rate CPI	2.9%	n/a
Inflation assumption rate RPI	3.4%	3.7%
Expected return on plan assets at 31 July	6.9%	6.9%
Number of employees opting for early retirement	3	2
	2010	2010
Mortality rates	Males	Females
Current pensioners	20.8 years	24.1 years
Future pensioners	22.3 years	25.7 years

Scheme assets

The assets in the scheme and the expected rate of return at 31 July 2010 were:

	Long-term rate of return expected at 31 July 2010	Value at 31 July 2010 £'000	Value at 31 July 2009 £'000
Equities	7.3%	1,645,600	1,388,820
Bonds	4.8%	143,990	158,220
Property	5.3%	246,840	158,220
Cash	4.4%	20,570	52,740
Total		2,057,000	1,758,000

	31 July 2010 £'000	31 July 2009 £'000
Opening fair value of asset plans	80,307	90,868
Expected return on assets	5,635	6,733
Contributions by members	1,855	1,831
Contributions by employer	4,032	3,831
Actuarial gains/(losses)	6,328	(20,084)
Estimated benefits paid	(3,075)	(2,872)
Total	95,082	80,307

The Group expects to contribute £3,861,000 to its defined benefit pension plan from 1 August 2010–31 July 2011.

Net pension liability

The following amounts at 31 July 2010 were measured in accordance with the requirements of FRS17:

	31 July 2010 £'000	31 July 2009 £'000
Fair value of employer assets	95,082	80,307
Present value of scheme liabilities	(145,738)	(137,028)
Net pension liability	(50,656)	(56,721)

	31 July 2010 £'000	31 July 2009 £'000
Present value of the defined benefit plan		
Opening defined benefit obligation	137,028	111,476
Current service cost	4,437	3,480
Interest cost	8,322	7,552
Contributions by members	1,855	1,831
Actuarial gains	7,199	15,476
Past service gains	(10,199)	–
Losses on curtailments	171	85
Estimated benefits paid	(3,075)	(2,872)
Closing defined benefit obligation	145,738	137,028

	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000	Year ended 31 July 2007 £'000
Analysis of amounts charged to Income and Expenditure Account				
Charged to staff costs				
Current service cost	(4,437)	(3,480)	(3,702)	(4,093)
Past service cost	–	–	(1,134)	–
Curtailment and settlements	(171)	(85)	(52)	(12)
Employer contributions	4,032	3,831	3,302	3,345
	(576)	266	(1,586)	(760)
Financing:				
Expected return on pension scheme assets	5,635	6,733	7,562	6,182
Interest on scheme liabilities	(8,322)	(7,552)	(6,331)	(5,595)
Net (charge)/return	(2,687)	(819)	1,231	587
Net Income and Expenditure Account cost	(3,263)	(553)	(355)	(173)
	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000		
Actual return on plan assets	11,995	(13,327)		

Analysis of amounts which would be recognised in the statement of total recognised gains and losses

	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000	Year ended 31 July 2007 £'000
Actual return less expected return on pension scheme assets	(871)	(20,084)	(16,969)	4,934
Experience losses arising on scheme liabilities	–	–	(139)	–
Changes in financial assumptions underlying the present value of scheme liabilities	10,199	(15,476)	2,475	9,541
Actuarial gains/(losses) in pension plan recognised	9,328	(35,560)	(14,633)	14,475
Cumulative actuarial (losses)/gains	(19,371)	(28,699)	6,861	21,494

In its June 2010 budget, the Government announced that it intended for future increases in [public sector/ occupational] pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The university has considered the Local Government Pension Scheme rules and associated members' literature and has concluded that, as a result, a revised actuarial assumption about the level of inflation indexation should be made, with the resulting gain recognised through the Statement of Total Recognised Gains and Losses ('STRGL'). The value of the gain recognised by the university in the STRGL is £10.2 million. At the date of these financial statements, the Urgent Issues Task Force (UITF) is in the process of consulting widely on the accounting treatment for this change and is expected to issue an Abstract towards the end of 2010. Should the Abstract call for a different accounting treatment it may be necessary to reflect any change in the financial statements for the following year.

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 2010 £'000	31 July 2009 £'000
Deficit on scheme at 1 August	(56,721)	(20,608)
Movements in year:		
- Current service cost	(4,437)	(3,480)
- Employer contributions	4,032	3,831
- Impact of settlements and curtailments	(171)	(85)
- Net return on assets	(2,687)	(819)
Total impact on Income and Expenditure Account (see note 18)	(3,263)	(553)
- Actuarial gains/(losses)	9,328	(35,560)
Total movement in the year	6,065	(36,113)
Deficit on scheme at 31 July	(50,656)	(56,721)

Experience gains and losses in the year

The experience gains and losses for the year ended 31 July 2010 were as follows:

	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000	Year ended 31 July 2007 £'000	Year ended 31 July 2006 £'000
Difference between the expected and actual return on scheme assets	6,328	(20,084)	(16,969)	4,934	5,026
Value of assets	95,082	80,307	90,868	101,761	88,195
Percentage of scheme assets	6.7%	(25.0%)	(18.7%)	4.8%	5.7%
Experience losses on liabilities	–	–	(2,850)	–	(1)
Total present value of liabilities	145,738	137,028	111,476	107,381	108,117
Percentage of the total present value of scheme liabilities	0.0%	0.0%	(2.6%)	0.0%	0.0%
Total actuarial (gains)/losses	(9,328)	35,560	14,633	14,475	750
Total present value of liabilities	145,738	137,028	111,476	107,381	108,117
Percentage of the present value of scheme liabilities	(6.4%)	26.0%	13.1%	13.5%	0.7%

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 2010
Discount rate	Increase/decrease by 0.5% p.a.	Increase/decrease liability c10%
Pension increase rate	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 c4%
Rate of mortality	Improve by one year	Increase by c3%

ALTERNATIVE FORMATS

Where possible DMU publications or specific sections can be supplied in alternative media. For further information on how we can help, please contact the Enquiry Centre on 08459 45 46 47 or +44 (0)116 257 7513, enquiry@dmu.ac.uk or text phone +44 (0)116 257 7908.