

Statement of Accounts 2008/09

UNIVERSITY OF HULL

Operating and Financial Review

Professor Calie Pistorius was appointed as the new Vice-Chancellor of the University of Hull on 1 September 2009, succeeding Professor David Drewry who had been the Vice-Chancellor since 1999. Previously, Professor Pistorius had been the Vice-Chancellor and Principal of the University of Pretoria in South Africa since 2001.

The University of Hull's current strategic plan addresses the time frame 2007 – 2012. However, the appointment of a new Vice-Chancellor at a university very often brings with it a refreshment of the strategic plan, particularly when there have been important changes in the environment. Since the University's current plan was adopted, the global and national economic environment has certainly experienced a significant change for the worse, impacting on a broad spectrum of other related environmental conditions. Professor Pistorius will therefore lead an initiative to refresh the University of Hull's strategic plan in the next year.

The refreshed strategic plan will be based on a confirmation of the University's vision, mission and strive for excellence, emphasising its strong regional mission, research and knowledge transfer as well as internationalisation. It will build on the University's strengths in learning and teaching, its financial stability as well as its well known excellent student experience. The plan will follow an integrated approach, addressing the role and positioning of the Scarborough campus, co-operation with the University's regional, national and international partners as well as the increasingly important role of community engagement. It is anticipated that innovation, interpreted in a broad sense, will be a prominent strategic driver

Scope of the Financial Statements

The Council of the University of Hull presents its results comprising the consolidated results of the University and its trading subsidiary undertakings for the year ended 31 July 2009.

Strategic & Operational Review

The University operates within the strategy approved by Council and which is summarised as follows:

Vision

To explore, create and communicate knowledge in order to enhance regional, national and global communities.

Mission

The University's mission is to provide an outstanding student experience, deliver research and teaching of the highest quality while serving the needs of communities as a broad subject-based institution and promoting international engagement.

Strategic aims

We aim to

- provide an outstanding experience for our students
- develop sustainable and distinctive academic provision
- expand and promote research excellence
- embed international perspectives across the institution
- lead knowledge transfer and contribute to the social and economic redevelopment of our locality
- enhance cultural and intellectual community life
- enlarge our student population
- ensure sustainable development

Enabled by

- committed, flexible and skilled people

- continued investment in ICT and related infrastructure
- developing the estate
- prioritising customer focus
- partnership working
- supportive alumni and friends
- effective marketing, communications and public relation

- **Risk Management**

The University has a robust systematic method of assessing and managing risks. Risks are identified through the planning process and institutional risks monitored regularly by the Senior Management Team. Reports are provided to the Audit Committee and Council. An external Assurance Review conducted during 2008/09 confirmed that HEFCE continued to be able to rely upon the arrangements and made no improvement recommendations.

FINANCIAL REVIEW

- **Financial Performance**

Financial stability is a goal that the higher education sector in general, and the University of Hull in particular has consistently achieved over several years. The operating surplus of £9.9m in the year under review, representing 6.5% of turnover, has been a significant achievement for the University and its staff.

Recruitment of undergraduate students from the UK/EU has been strong and exceeded targets. The international student market remained highly competitive but again, the University exceeded its targets both in terms of student numbers and the income generated from this area of activity. The year also sees the full three year cohort effect of increases in variable tuition fees. Largely as a result of these factors, total income rose by 7.0% (almost £10.0m) in the year.

Operating costs over the period rose by £6.4m (4.7%) to £141.6m. Significant elements contributing to this overall increase comprise a rise in staff costs of £4.6m (5.7%) as a result of the final stage of the nationally negotiated and agreed pay award, and increases shown under fellowships, scholarships and prizes of £1.9m (59%). The latter arise from increases in bursaries paid out gross but effectively funded from increased variable tuition fees.

The depreciation charge to the accounts has risen by £0.49m (7.1%) reflecting continuing capital investment on the part of the University.

- **Financial Performance compared to previous years**

The Council considers the financial performance in the year under review to be highly satisfactory when compared to recent performance and continues the strengthening trend of recent years:

	2009	2008	2007	2006	2005
Income	151,482	141,524	127,372	113,754	111,131
Expenditure	141,584	135,194	121,971	112,644	109,481
Operating Surplus	9,898	6,330	5,401	1,110	1,650
Exceptional gain					
On Sale of assets	413		5,604		
Historical Cost Surplus	10,310	6,341	10,671	1,082	1,670

- **Performance Management/KPIs**

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The University Council received at each meeting a set of key performance indicators (KPIs) for a range of University activity. Council is assisted in monitoring performance by a KPI Working Group. The indicators

were informed by the Committee of University Chairmen report: 'Monitoring of Institutional Performance and the Use of Key Performance Indicators' (November 2006). The indicators include:

1. Student Recruitment

The indicators show continued growth of the student population (10% over the four year period of the indicators). This reflects the availability of Additional Student Numbers for Home/EU students together with improved recruitment and marketing performance. International recruitment has also grown strongly after a number of years in which the University underperformed the sector.

2. Student Experience

The University has maintained a position within the top ten of English Full Service Universities with 87% of students satisfied overall. There is some evidence that other institutions are beginning to compete aggressively in an area of traditional strength for the University.

3. Research

The performance in the RAE2008 will result in a funding increase from 2009/10 of 50% compared to RAE2001; this is the 20th largest increase nationally.

4. Staffing

The pay:income ratio, which is total staff costs as a % of total income, improved from 57.3% in 2007-08 to 56.6% in 2008-09, an improvement of 0.7%. These figures exclude fee payments, which are classified as Other Operating Expenses within the Financial Statements. When the 2007-08 ratio was compared with other Universities in our comparator group, the University of Hull was the fourth lowest. This ratio will be closely monitored over the coming years as it is a key indicator of cost control within the University.

5. Estate

The indicators used by Council cover water and energy usage and demonstrated some success against environmental impact targets with reduced consumption. The data also showed very high levels of residential accommodation occupancy.

6. Financial sustainability

This is dealt with in more detail in these accounts, but the indicators received at each meeting allowed Council to monitor a generally strengthened financial performance.

• Capital Programme

The programme of long term planned maintenance continues with expenditure in year of £2.1m. In order to achieve sustainability, this programme will continue to ensure that the University campuses continue to provide a good and attractive environment for students and staff.

The University invested a further £12.0m in its ongoing capital programme, comprising significant ongoing investment in the refurbishment of the residential estate, the integration of the eastern and western elements of the main Hull campus, refurbishment of research laboratories and upgrade of teaching space across campus.

Moving forward, the University has made capital commitments over the next three years encompassing major upgrades to teaching and research facilities on the Hull campus and further residential refurbishment. These works will be financed by a combination of HEFCE capital allocations and the University's own cash resources combined with grants that the University is pursuing from other third party agencies to help us achieve this ambitious programme.

A major, fifteen year master planning exercise was completed and will serve as the basis for the prioritisation of further works to upgrade and improve the University's infrastructure via a process of consultation over the coming year. The University is also developing its plans to improve the quality and increase the availability of residential accommodation for students either from its own resources or in partnership with third parties.

• Future Financial Performance

The University continues to forecast operating surpluses over the next five years. The Council has tasked the University with achieving surpluses at or above the HEFCE recommended target of 3% of turnover and the

future projections are indicating that this will be achieved. The cumulative effects of financial pressures, particularly around pay and pensions at a time when opportunities for attracting increased funding are constrained means that careful financial management will need to be exercised in order to maintain this target moving forward.

Cash Flow

Information regarding the University's cash position for 2008/09 is included in the accounts and demonstrates that the University's net cash flow from operating activities was highly positive in the year (almost £20.0m per note 23). The £20m was broadly attributed in the accounts as follows: £5m to fund capital investment over and above capital grants received; £12m increase in short term cash deposits held and the balance to repay debt (see below).

In view of net cash flow and the lender's requirement to convert to a longer term loan at higher rate of interest, it was considered prudent to repay in full the outstanding short term credit facility of £3.25m. During the year capital repayments commenced on part of the University's long term loans and £50,000 was repaid making total debt repayment of £3.3m for the year. At the year end the university had moved to a position of positive net funds of £10.12m representing the excess of bank and short term deposit funds over remaining loans of £7.45m.

Moving forward, it is likely that budgeted surpluses over the next few years should mean that the University is generating cash from operating activities, although the net outcome is also influenced by other factors such as movement in debtors and creditors. In conjunction with cash deposits at the year end, it is therefore not envisaged that the University will have any requirement to seek further debt funding in the shorter term in relation to the existing capital programme. However, further debt financing may be required if it is to fulfil its capital investment aspirations outlined in the master planning exercise in the medium and long term or if the current plan is substantially expanded.

- **Treasury Management**

The University employs a robust treasury management policy which prevented continuing deposits with Icelandic banks in summer and autumn of 2008 when their credit ratings deteriorated prior to collapse.

The policy was further strengthened during the year, with emphasis on reducing risk rather than maximising returns, by adoption of an approved list of highly rated selected institutions supplemented by flexibility to use any highly rated UK institution.

In practice this has now led to little or no deposits with Irish institutions or UK building societies

Also during the year and linked to the policy revision, the University used a cash management service for the first time for part of the available deposits to aid placements with a smaller restricted pool of potential institutions.

Overall control of the treasury management function continues to be done internally by a small team with production of rolling cash flow forecasts to ensure meeting of cash requirements and investment of surplus cash from a mixture of direct deposit placements and placements via the cash management service.

- **Pensions**

The FRS17 pension liability has risen from £18.2m to £29.4m during the year. The total deficit is a combination of £3.4m from the North Yorkshire Local Government Scheme and almost £26.0m from the in house University of Hull Pension and Assurance Scheme (UHPAS). This deficit arises despite the University's contributions to the in house scheme exceeding the required FRS17 service charge by over £1m.

The deficit on the University of Hull Pension and Assurance Scheme has risen by £10.8m mainly due to two factors: poor return on scheme assets (70% invested in equity and property) against expected returns; decrease in discount rate from 6.6% to 6.0% at 31 July 2009 as per Financial Reporting Standard 17 to base on AA rated corporate bond yield over a 15 year period.

The latest triennial actuarial review date of UHPAS was 6 April 2009 and this valuation is currently the subject of discussions between the UHPAS actuary, Trustees and the University. It is anticipated that the review process will be completed by the required 15 month deadline of 5 July 2010.

- **Endowments**

Following the University's decision to place over 50% of its endowment assets into an FTSE all share equity tracker investment in March 2007 and the subsequent poor performance of stock market investments in a difficult economic climate, unrealised losses on combined portfolios during the year stand at a total of £1.3m. However some market improvement was seen in the last quarter of the year to July 2009.

- **Creditor Payment Policy**

The University generally pays creditors 30 days from invoice date unless specified otherwise in the terms of contract. It is the University's policy to obtain the best value for money for its purchases and thus there is no over-riding policy as to payment terms. Where alternative terms have been negotiated with suppliers, all endeavours are made to abide by specific terms.

- **Accounting Policies**

The group financial statements have been prepared in accordance with its Statement of Principal Accounting Policies set out in this document. In accordance with Financial Reporting Standard 18, the University's Finance & Estates Committee has reviewed these policies and considers them to be appropriate to the Group's operations.

STAFF

With regard to human resources policy and activity our aim, in the broadest terms, has been to enable and support the delivery of the Strategic Plan. More specifically, it is designed to continue the process of modernising HR and employment relations practices and encouraging the alignment of individual aspirations and priorities with the business requirements of the University. Furthermore, we have striven to build upon the University's growing reputation as an employer of choice through the promulgation of fair employment and management practices, both as an objective in its own right and as a means of recruiting, retaining, motivating and developing the highest quality staff.

In order to deliver these broad objectives, we are committed to:-

- Maintaining a proactive approach to workforce planning, resourcing and reward and grading structures to ensure the maintenance of a motivated, high-quality workforce
- Further developing of, and investment in, organisational & professional development activities across all staff categories and levels
- Developing and embedding a positive and inclusive approach to employment relations - both collective and individual - with an emphasis on partnership and creative approaches to disputes resolution
- Promoting diversity and widening opportunity for people from all backgrounds to succeed within the University, moving the focus from legislative compliance to the mainstreaming and embedding of best employment practice
- Developing the "Psychological Contract", and promoting the University of Hull as a key employer of choice within the Sector and the Region
- Developing the HR function as a high performance directorate, delivering an exemplar professional and proactive support service

ACADEMIC REVIEW

- **Students**

The University experienced a rise of 17% in terms of H/EU UG applications and recruited well across all subject areas. Recruitment from the region is strong and outperforms all benchmarks.

The University is determined to stop slightly increasing non-completion rates and takes part with the Universities of Newcastle and Sunderland in a 3years HEFCE pilot on 'Good practice in student retention'.

- **Academic Portfolio**

The University is committed to its broad based portfolio, delivered on both campuses. Programme renewal in view of a changing environment plays an important part and particular effort was taken with regard to the postgraduate taught provision.

The year saw the introduction of a new VLE and this was seen as an opportunity for not only spreading the use of the VLE more widely but also for reconsidering the pedagogic approach to our modules.

- **Quality and Standards**

The Quality Assurance Agency undertook an Institutional Audit of the University in May 2009. The report confirms that confidence can be placed in the soundness of the University's current and likely future management of the academic standards of its awards and of the quality of the learning opportunities available to students. The report highlighted a number of areas of good practice as well as making recommendations for actions.

- **Research**

The University submitted 58% of its staff in the Research Assessment Exercise across 17 Units of Assessment resulting in a 47% increase of HEFCE quality research (QR) income. Significant new income was attracted in Allied Health Professions which will support the continued development of health research in Hull and the Hull York Medical School. Education, psychology and sport science also reached the funding threshold. As anticipated the redistribution of QR income, due to the new funding methodology, resulted in former grade 5 departments losing income. However, the overall outcome is pleasing and will allow the University to sustain and build research capacity across a broad range of academic disciplines.

- **Enterprise**

The University's new £2.14million Enterprise Centre was officially opened by His Royal Highness, The Duke of Edinburgh, on December 11th 2008 with the potential to house up to 45 prospective and early stage businesses. The Centre was jointly funded by the University, Yorkshire Forward and the European Regional Development Fund. There were 22 early-stage businesses operating from the Centre by the year-end. Enterprise-related events have been held at the Centre, helping the University develop a regional reputation for quality provision in business support. The project emerged successfully from a Government Office audit in January 2009 and was highlighted as an example of good practice. The University's Knowledge Exchange and Research Funding Office teams are based in the Centre.

The University was successful in its submission to the Economic Challenge Investment Fund which attracted £450,000 from HEFCE with £450,000 of Yorkshire Forward matched funding. The University has delivered training to a diverse group of businesses and individuals in the region to support the challenges imposed by the current economic climate. A particular focus on 'Advanced Professionals' has been welcomed by regional businesses as retention of highly skilled and qualified staff has been identified as a high priority to support economic recovery.

Mrs N J Duncumb
University Treasurer

Professor C W I Pistorius
Vice-Chancellor

Corporate Governance Statement

Summary of the University's Structure of Corporate Governance

The following statement is provided to enable readers of the Annual Report and Statement of Accounts of the University to obtain a better understanding of the governance and legal structure of the University.

The University endeavours to conduct its business in accordance with the seven principles identified by the Committee for Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which has been provided by the Committee of University Chairs in its *Guide for Members of Higher Education Governing Bodies in the UK*. The Council formally adopted the Guide's Governance Code of Practice on 14 July 2005.

The University is an independent corporation, whose legal status derives from a Royal Charter originally granted in 1954. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes which are approved by the Privy Council.

The University's Charter, Statutes and Ordinances require the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

- **The Council** is the executive governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution.

It has a majority of members from outside the University (described as lay members), from whom its Chair must be drawn. Also included in its members are representatives of the staff of the University and the student body. The lay members receive no fees or payment for the work which they do for the University. The Chair of Council is Mr J Standen.

- **The Senate** is the academic authority of the University and draws its membership from the academic staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the University.
- **The Court** is a large and formally constituted body. It offers a means whereby the wider interests served by the University can be associated with the institution and provides a public forum where members of Court can raise matters about the University. The Court normally meets once a year to receive the Annual Report and Statement of Accounts of the University.

A majority of the members of Court are from outside the University, representing the local community and other designated bodies with an interest in the work of the University, but the membership also includes representatives of the staff of the University (both academic and non-academic) and the student body

The principal academic and administrative officer of the University is the Vice-Chancellor who was Professor DJ Drewry for the period to 31 August 2009. He was succeeded by Professor C Pistorius. The Vice-Chancellor has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University.

Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the designated officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

As Chief Executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Pro-Vice-Chancellors and the senior administrative officers all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor.

Although the Council meets at least four times each academic year, much of its detailed work is initially handled by committees, in particular during 2008-2009, the Finance and Estates Committee (chaired by the Treasurer, Mrs N J Duncumb), the Nominations Committee (chaired by Mr J Standen), the Remuneration Committee (chaired by Mr J Standen), and the Audit Committee (chaired by Mr S Martin). The decisions of these committees are formally reported to the Council.

These committees are formally constituted as committees of the Council with written terms of reference and specified membership, including a proportion of lay members (from whom the Chair is selected).

The University has also had regard to the Committee of University Chairs Governance code of practice and its practices are consistent with the provisions of the code.

The University maintains a Register of Interests of Members of the Council and Senior Officers which may be consulted by arrangement with the Quality Director, University Registrar and Secretary.

The Council has adopted a Risk Management Policy and agreed a Risk Register. The Vice Chancellor reports to the Council and the Audit Committee monitors the risk management process. The Council's practice complies with the guidance from the Higher Education Funding Council for England.

The Quality Director, University Registrar and Secretary acts as Secretary of the Council. Any enquiries about the constitution and governance of the University should be addressed to the Quality Director, University Registrar and Secretary.

Responsibilities of the Council of the University of Hull

In accordance with the University's Charter and Statutes, the Council is responsible for the strategic direction, administration and management of the affairs of the University. It has published a Statement of Primary Responsibilities which is reproduced at the end of this statement. One of its responsibilities is to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the University's Charter and Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council for the University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on a going-concern basis unless it is inappropriate to presume that the University will continue in operation.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds 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.

Statement of Internal Control

As the governing body of the University of Hull, the Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in the University's Charter and Statutes and the Financial Memorandum with the HEFCE.

The system of internal control is designed to manage rather than eliminate risk; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2009 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

As the governing body, the Council has responsibility for overseeing and reviewing the effectiveness of the system of internal control. The following processes exist:

- The plans and strategic direction of the institution are reviewed at regular intervals.
- Council receives regular reports from the Audit Committee concerning internal control, and reviews annually the results of risk identification, evaluation and management. Council also approves annually the institutional risk register.
- The Senior Management Team (SMT) Monitoring Group, chaired by the Vice-Chancellor, takes responsibility for risk identification, evaluation and management.
- An institution-wide risk register, maintained by the Senior Management Team, is revised 'in year' as the result of emergent risks. Risks are monitored monthly by the SMT. The register is reviewed annually on a more formal basis.
- Risk assessment is an integral part of the planning and budgeting processes. Each academic and service area Head is required to compile a risk register, to manage and review regularly the identified risks. Deans and Heads of Departments are briefed annually on risk processes and controls are reviewed twice per year.
- A risk prioritisation methodology is used based on the probability and likely impact of the risk materialising.

The Council's review of the effectiveness of the system of internal control is informed by the University's internal auditors who operate to standards defined in the HEFCE Audit Code of Practice. The internal auditors submit regular reports, via the Audit Committee, which include an independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.

The Council's review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports. The University risk management processes are also subject to periodic review by the HEFCE Audit Service and have been adjudged to provide a high level of assurance.

The most recent review took place in March 2009.

Council - Statement of Primary Responsibilities

The principal responsibilities of the Council of the University of Hull are as follows:

1. To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the Vice-Chancellor, as chief executive, for the academic, corporate, financial, estate and personnel management of the University. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.

4. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the Council itself.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the University.
8. To appoint the Vice-Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to the Council and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the University and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
12. To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name.
13. To ensure that appropriate provision is in place for the general welfare of students, in consultation with the Senate.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
15. To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

Independent Auditors' Report to the Council of the University of Hull

We have audited the Group and University financial statements (the 'financial statements') of the University of Hull for the year ended 31 July 2009 which comprise the consolidated income and expenditure, the balance sheets, the consolidated cash flow statement, the 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 Council, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the Council 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 Council, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the University's Council and Auditors

The University's Council responsibilities for preparing the Treasurer's Report and the group 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 2007, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities within the Corporate Governance Statement.

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, the Financial Memorandum with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council. We also report to you whether in our opinion the Treasurer's Report is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Treasurer's Report and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the University's Council 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 affairs of the University and the Group as at 31 July 2009 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2009 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2009 has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England, the Financial Memorandum with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council.

Grant Thornton UK LLP
Chartered Accountants
Registered Auditor

Statement of Principal Accounting Policies

1. Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of Endowment Asset Investments and certain Land and Buildings, and in accordance with both the Statement of Recommended Practice 2007: Accounting for Further and Higher Education Institutions (SORP) and applicable Accounting Standards.

2. Basis of consolidation

The University has set up a number of companies for commercial purposes. The details are included in Note 11 to the financial statements.

A small number of companies in which the University has a minority shareholding are accounted for as fixed asset investments as disclosed in Note 11.

The consolidated financial statements include the University of Hull and its subsidiary undertakings referred to as 'The Group'. The results of subsidiaries acquired during the period are included in the consolidated profit and loss account from the date of their acquisition. Intragroup sales and profits are eliminated fully on consolidation.

The financial statements do not include those of the University of Hull Students' Union as the University does not have a dominant influence over its policy decision.

3. Provisions for liabilities and charges

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

4. Recognition of income

Income from Specific Endowments and Donations, Research Grants, Contracts and Other Services Rendered is included to the extent to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits and General Endowment Asset Investments is credited to the Income and Expenditure Account on a receivable basis.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

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

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

5. Pensions

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme for academic and academic-related staff and the University of Hull Pension and Assurance Scheme for other staff. The schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. Pension costs are assessed in accordance with the advice of the actuaries to each scheme, based on the latest actuarial valuations of the schemes. A small number of staff remain in other pension schemes.

The difference between the fair value of the assets held in the University's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the University's balance sheet as a pension scheme asset or liability as appropriate.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the University are charged to the income & expenditure account or the statement of total recognised gains and losses in accordance with FRS17 'Retirement Benefits'.

For the Universities Superannuation Scheme pension costs are brought to account on the basis of charging the costs of providing pensions over the period during which the University benefits from the employees' services.

6. 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 at year-end rates and the resulting exchange differences are included in the determination of the surplus or deficit for the year.

7. Leases

Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

Finance leasing agreements which transfer to the University substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against income in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the life of the lease.

8. Land and buildings

Land and Buildings are stated at cost or valuation. Land is not depreciated as it is considered to have an indefinite useful life. New buildings are depreciated over their expected useful lives of 50 years or the length of lease for leasehold properties. All capital expenditure (recent and historic) classed as building refurbishment is depreciated over 20 years from financial year 2007/08 (previously written off over 25 years). No depreciation is charged in the year of acquisition on either category.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

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

9. Equipment

Equipment costing less than £20,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life, as follows:

General equipment	5 years
Motor Vehicles	4 years

Equipment acquired for specific research projects project life financial year

No depreciation is charged in the year of acquisition.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected useful life of the equipment (the period of the grant by financial year in respect of specific research projects).

10. Maintenance of premises

The cost of routine maintenance is charged to the Income and Expenditure account in the period that it is incurred.

11. Endowment Asset Investments

Endowment asset investments are included in the Balance Sheet at market value. Current Asset Investments are included at the lower of cost or market value.

12. Stocks

Stocks are valued at the lower of cost or net realisable value. Stocks held in teaching and service departments are excluded.

13. Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. No investments, however liquid, are included as cash. Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock but exclude any such assets held as Endowment Asset Investments. Current Asset Investments represent liquid resources held wholly as term deposits.

14. 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 Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax. The University's subsidiary companies are subject of corporation tax and VAT in the same way as any commercial organisation.

Consolidated Income and Expenditure Account for the year ended 31 July 2009

	Note	2009 £'000	2008 £'000
INCOME			
Funding Council Grants	1	55,172	55,882
Tuition Fees and Education Contracts	2	59,856	48,630
Research Grants and Contracts	3	9,375	10,063
Other Income	4	26,403	25,688
Endowment and Investment Income	5	676	1,261
TOTAL INCOME		151,482	141,524
EXPENDITURE			
Staff Costs	6	85,685	81,091
Other Operating Expenses	7	47,787	46,419
Depreciation	10	7,427	6,933
Interest Payable	8	685	751
TOTAL EXPENDITURE	9	141,584	135,194
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax and exceptional items		9,898	6,330
Surplus on Disposal of Tangible Fixed Assets		413	0
Taxation		0	0
Transfer (to)/from accumulated income within specific endowments		(1)	11
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets, tax and exceptional items and transfers in respect of specific endowments	20	10,310	6,341

The income and expenditure account is in respect of continuing activities

Balance Sheets as at 31 July 2009

	Note	Consolidated		University	
		2009	2008	2009	2008
		£000	£000	£000	£000
FIXED ASSETS					
Tangible Assets	10	102,708	98,166	102,708	98,166
Investments	11	3,576	4,140	3,578	5,822
		<u>106,284</u>	<u>102,306</u>	<u>106,286</u>	<u>103,988</u>
ENDOWMENT ASSETS					
	12	9,896	10,552	9,896	10,552
CURRENT ASSETS					
Stocks		89	71	89	71
Debtors	13	11,943	13,870	11,943	15,588
Investments		17,049	5,045	17,049	5,045
Cash at Bank and in Hand		524	674	524	645
		<u>29,605</u>	<u>19,660</u>	<u>29,605</u>	<u>21,349</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	14	(33,572)	(29,799)	(33,574)	(31,547)
NET CURRENT LIABILITIES					
		<u>(3,967)</u>	<u>(10,139)</u>	<u>(3,969)</u>	<u>(10,198)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>112,213</u>	<u>102,719</u>	<u>112,213</u>	<u>104,342</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	15	(7,175)	(7,500)	(7,175)	(9,143)
PROVISIONS FOR LIABILITIES AND CHARGES					
	16	(645)	(1,432)	(645)	(1,432)
NET ASSETS EXCLUDING PENSION LIABILITY					
		104,393	93,787	104,393	93,767
PENSION LIABILITY					
	29	<u>(29,388)</u>	<u>(18,231)</u>	<u>(29,388)</u>	<u>(18,231)</u>
NET ASSETS INCLUDING PENSION LIABILITY					
		<u>75,005</u>	<u>75,556</u>	<u>75,005</u>	<u>75,536</u>
DEFERRED CAPITAL GRANTS					
	17	53,305	49,763	53,305	49,763
ENDOWMENTS					
Specific	18	4,127	4,384	4,127	4,384
General	18	5,769	6,168	5,769	6,168
		<u>9,896</u>	<u>10,552</u>	<u>9,896</u>	<u>10,552</u>
RESERVES					
Designated MRI Reserve	21	4,098	5,609	4,098	5,609
Revaluation Reserve	19	2,516	2,563	2,516	2,563
		<u>6,614</u>	<u>8,172</u>	<u>6,614</u>	<u>8,172</u>
General reserve excluding pension liability	20	34,578	25,300	34,578	25,280
Pension Reserve	29	(29,388)	(18,231)	(29,388)	(18,231)
		<u>5,190</u>	<u>7,069</u>	<u>5,190</u>	<u>7,049</u>
General reserve including pension liability	20				
TOTAL		<u>75,005</u>	<u>75,556</u>	<u>75,005</u>	<u>75,536</u>

The financial statements were approved by the Council on 24 November 2009, and signed on its behalf by:

MR J.STANDEN (Chairman of Council)

MRS N.J. DUNCUMB(Treasurer)

PROFESSOR C.W.I. PISTORIUS (Vice-Chancellor)

Consolidated Cash Flow Statement for the year ended 31 July 2009

	Note	2009 £000	2008 £000
Cash flow from operating activities	23	19,956	(1,740)
Returns on investments and servicing of finance	24	217	529
Capital expenditure and financial investment	25	(5,019)	(7,328)
Management of liquid resources	26	(12,004)	12,267
Financing	27	(3,300)	(3,250)
(Decrease)/increase in cash in the year		<u>(150)</u>	<u>478</u>

Reconciliation of net cash flow to movement in net funds/(debt)

	2009 £000	2008 £000
(Decrease)/increase in cash in the year	(150)	478
Inflow/(outflow) from liquid resources	<u>12,004</u>	<u>(12,267)</u>
Change in net debt resulting from cash flows	11,854	(11,789)
Decrease in Debt	<u>3,300</u>	<u>3,250</u>
MOVEMENT IN NET FUNDS IN THE PERIOD	15,154	(8,539)
Net (Debt)/Funds at 1 August	<u>(5,031)</u>	<u>3,508</u>
NET FUNDS/(DEBT) AT 31 JULY	<u>10,123</u>	<u>(5,031)</u>

Statement of consolidated total recognised gains and losses for the year ended 31 July 2009

		2009	2008
	Note	£'000	£'000
Surplus on continuing operations after Depreciation of Assets at Valuation and Disposal of Assets and before transfers in respect of specific endowments		10,311	6,330
Depreciation of Endowment Asset Investments	18	(757)	(991)
New Endowments	18	100	517
FRS17 actuarial loss recognised in pension schemes	29	(12,236)	(7,018)
Net Movement on Specific MRI reserve	21	(1,511)	(740)
TOTAL RECOGNISED LOSSES RELATING TO THE YEAR		(4,093)	(1,902)

Reconciliation

		2009
		£'000
Opening Reserves and Endowments		25,793
Total recognised losses for the year		(4,093)
Closing Reserves and Endowments		21,700

Consolidated Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2009

Surplus on continuing operations before taxation		10,311	6,330
Difference between an Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	19	47	47
Historical Cost Surplus for the year before and after taxation		10,358	6,377

Notes to the Accounts

	2009 £'000	2008 £'000
1. FUNDING COUNCIL GRANTS		
Recurrent Grant	45,545	44,929
Specific Grants		
TDA	3,070	2,898
JISC	472	425
Other	3,289	4,930
Deferred Capital Grants Released in Year (Note 17)	2,796	2,700
	<u>55,172</u>	<u>55,882</u>

Funding Council Grants represent grants from the Higher Education Funding Council for England and the Training and Development Agency for Schools

2. TUITION FEES AND EDUCATION CONTRACTS		
Full-time Students	39,641	31,997
Full-time Students Charged Overseas Fees	14,441	11,701
Part-time Students	2,772	2,574
Research Training Support Grants	917	793
Short Course Fees	2,085	1,565
	<u>59,856</u>	<u>48,630</u>

3. RESEARCH GRANTS AND CONTRACTS		
Research Councils	2,885	2,724
UK Charities	1,856	1,667
UK Central Govt	632	576
Local Authorities	55	273
Health & Hospitals	471	612
UK Industry	1,359	1,374
EU	1,524	2,193
Overseas and Other Sources	593	644
	<u>9,375</u>	<u>10,063</u>

Notes to the Accounts

	2009 £'000	2008 £'000
4. OTHER INCOME		
Residences, Catering and Conferences	11,855	11,127
Other Services Rendered	3,263	3,207
Health Authorities	4,766	4,795
Other Donations	291	305
Released from Deferred Capital Grants	978	1,003
Rents Receivable and Facilities income	849	832
ERASMUS Grants	296	207
Other Revenue Grant and Departmental income	2,869	2,333
Other Income	1,236	1,879
	<u>26,403</u>	<u>25,688</u>
5. ENDOWMENT INCOME AND INVESTMENT INCOME		
Transferred from Specific Endowments (note 18)	147	186
Income from General Endowment Asset Investments (note 18)	249	326
Income from Short Term Investments	261	718
FRS17 Pension finance income	0	0
Loan Interest receivable	19	31
	<u>676</u>	<u>1,261</u>
6. STAFF		
Staff Costs:		
Wages & Salaries	70,222	67,252
Social Security Costs	5,855	5,502
Other Pension Costs	9,608	8,337
	<u>85,685</u>	<u>81,091</u>

In May 2009 the University introduced a pension salary sacrifice scheme for most staff: from that date employee pension contributions effectively paid over by the university on behalf of employees are included within other pension costs as employer contributions (and are construed as such) with a corresponding reduction in the wages and salaries heading which formerly included employee contributions (08/09 part year effect: £874,000).

Emoluments of the Vice-Chancellor	<u>213</u>	<u>186</u>
	<u>213</u>	<u>186</u>

The emoluments of the Vice-Chancellor excludes the University's pension contributions to USS on his behalf which amounted to £29,799 (2008: £26,087).

Total emoluments therefore comprised £242,799 (2008: £212,087).

Notes to the Accounts

6. STAFF (continued)	2009	2008
	Number	Number
Average Staff Numbers by Major Category		
Academic/Clinical	1,119	1,094
Technical	134	108
Administrative	420	390
Other	315	405
	1,988	1,997

Remuneration of Higher Paid Staff (excluding employers pension contributions). Staff to whom payments are made on behalf of the NHS, in respect of contracted clinical responsibilities, are shown in the column headed *.

	2009		2008	
	*	No. of Staff	*	No. of Staff
£190,000 - £199,999	1	0	0	0
£180,000 - £189,999	2	0	1	0
£170,000 - £179,999	1	0	2	0
£160,000 - £169,999	1	0	1	0
£150,000 - £159,999	2	0	1	0
£140,000 - £149,999	5	1	4	0
£130,000 - £139,999	3	1	4	1
£120,000 - £129,999	2	0	2	2
£110,000 - £119,999	1	2	3	0
£100,000 - £109,999	3	1	2	2

Notes to the Accounts

	2009	2008
	£000	£000
7. OTHER OPERATING EXPENSES		
Residences, Catering and Conferences	5,133	4,637
Academic Departmental Expenditure	13,626	13,463
Books, Periodicals and related Media	1,558	1,411
Other Library and Computing and Academic Services	3,381	3,734
General Educational Expenditure	3,310	2,697
Administration	2,140	1,894
Fellowships, Scholarships and Prizes	5,247	3,309
Heat, Light, Water and Power	2,179	2,578
Repairs and General Maintenance	893	949
Planned Maintenance	2,071	2,842
Rent, Rates and Insurance	690	636
Grants to University's Students Union	1,087	1,102
Research Grants and Contracts	3,173	3,644
Services Rendered	1,125	1,099
Auditors' Remuneration	46	47
Auditors' Remuneration re Non-Audit Services	0	12
Bad and Doubtful Debts	394	607
Other Expenses	1,734	1,758
	<u>47,787</u>	<u>46,419</u>

Notes to the Accounts

	2009 £000	2008 £000
8. INTEREST PAYABLE		
Bank and other Loans repayable within 1 year	71	340
Bank and other Loans wholly or partly repayable in more than 5 years	388	392
FRS17 pension finance charge	226	19
	<u>685</u>	<u>751</u>

9. ANALYSIS OF 2008/2009 EXPENDITURE BY ACTIVITY

	Staff Costs	Depreciation	Other Operating Expenditure	Interest Payable	Total
Academic Departments	54,426	1,342	13,627	0	69,395
Academic Services	7,383	651	4,939	0	12,973
Research Grants and Contracts	4,307	169	3,173	0	7,649
Residences, Catering and Conferences	2,466	1,238	5,133	0	8,837
Premises	5,076	3,776	6,252	685	15,789
Administration	6,591	35	2,140	0	8,766
Services Rendered	1,528	0	1,125	0	2,653
Other Expenses	3,908	216	11,398	0	15,522
	<u>85,685</u>	<u>7,427</u>	<u>47,787</u>	<u>685</u>	<u>141,584</u>

The depreciation charge has been funded by:	£000
Deferred Capital Grants Released (note 17)	3,943
Revaluation Reserve Released (note 19)	47
General Income	<u>3,437</u>
	<u>7,427</u>

Notes to the Accounts

Consolidated and University

10. TANGIBLE ASSETS

	Land & Buildings		Equipment	Total
	Freehold	Leasehold		
	£000	£000	£000	£000
Cost/Valuation:				
At 1 August 2008				
Cost/Valuation	110,569	865	33,325	144,759
Additions at Cost	8,226	0	3,780	12,006
Disposals	0	0	(1,795)	(1795)
At 31 July 2009	<u>118,795</u>	<u>865</u>	<u>35,310</u>	<u>154,970</u>
Depreciation:				
At 1 August 2008				
Charge for the year	4,111	43	3,273	7,427
Eliminated on Disposal	0	0	(1,758)	(1758)
At 31 July 2009	<u>24,489</u>	<u>559</u>	<u>27,214</u>	<u>52,262</u>
Net Book Value				
At 31 July 2009	<u>94,306</u>	<u>306</u>	<u>8,096</u>	<u>102,708</u>
Net Book Value				
At 1 August 2008	<u>90,191</u>	<u>349</u>	<u>7,626</u>	<u>98,166</u>

Certain buildings were revalued at market value during the year ended 31 July 1998 by E.C. Harris, Chartered Surveyors and Messers G.J.A Grimley, Chartered Surveyors. The historical cost of these items is £4,031,000. Following the implementation of FRS15 'Tangible Fixed Assets' the tangible assets previously revalued have been retained at their book amounts as permitted by the transitional provisions of FRS15, and the valuation has not been updated.

Buildings with a net book value of £37,086,616 (2008: £33,426,385) have been funded from Treasury sources: should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum of the Higher Education Funding Council for England. Land and Buildings and Equipment at 31 July 2009 include £4,038,589 (2008: £nil) of assets in the course of construction which are not depreciated until completed.

Notes to the Accounts

	Consolidated		University	
	2009	2008	2009	2008
	£000	£000	£000	£000
11. FIXED ASSET INVESTMENTS	3,576	4,140	3,578	5,822

£2,000 of University investments relate to interests in subsidiary undertakings and other companies in which the University has an interest, as follows:

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held (%)	Nature of business
Nursco Limited	England & Wales	Ordinary	100	Nursing training
Guildtech Limited	England & Wales	Ordinary	100	Dormant
Wide Vista Limited	England & Wales	Ordinary	100	Dormant
Pollerwin Limited	England & Wales	Ordinary	100	Dormant
Abiquest Limited	England & Wales	Ordinary	100	Dormant
Polar Oled Limited	England & Wales	Ordinary	52	Materials
Imagel	England & Wales	Ordinary	7	3G Imaging Solutions
Vertual	England & Wales	Ordinary	34	Virtual Radiography
Kingston Chemicals Limited	England & Wales	Ordinary	18	Liquid Crystals
TLM Technology Limited	England & Wales	Ordinary	18	Predictive Software
CHeMTriX Limited	England & Wales	Ordinary	39	Micro reactor systems

All of the above companies operated entirely in their country of incorporation except for CHeMTriX Ltd.

£87,000 of the University and Group investments relate to the holdings in CHeMTriX, Kingston Chemicals and TLM technologies. The investment in CHeMTriX represents an underlying 24% holding in the company CHeMTriX BV expressed as two thirds equity, one third subordinate loan. Any associate companies by virtue of the university's shareholding or influence have not been accounted for as such because they are not material to the assets or results of the university. The balance of University and Group investments of £3,489,000 relate to equity portfolio investments partly representing the specific MRI reserve (see note 21) as follows:

	Consolidated and University
	£000
At 1 August 2008	4,053
Additions	0
(Depreciation) on revaluation	(564)
At 31 July 2009	3,489

Notes to the Accounts

Consolidated and University

	2009 £000	2008 £000
12. ENDOWMENT ASSET INVESTMENTS		
At 1 August	10,552	11,037
Additions	0	42
Increase in cash balances	101	464
Disposals	0	0
Depreciation on Revaluation	(757)	(991)
At 31 July	<u>9,896</u>	<u>10,552</u>
Fixed Interest Stocks	0	0
Equities	4,685	5,442
Bank Balances	5,211	5,110
	<u>9,896</u>	<u>10,552</u>
Equities and Fixed Interest Stocks at Cost	<u>6,270</u>	<u>6,270</u>

	Consolidated		University	
	2009 £000	2008 £000	2009 £000	2008 £000
13. DEBTORS				
Trade, student and research debtors	10,267	12,222	7,104	9,334
Amounts owed by subsidiary undertakings	0	0	3,163	4,606
Prepayments and Accrued Income	1,431	1,170	1,431	1,170
Loan to Students' Union	245	478	245	478
	<u>11,943</u>	<u>13,870</u>	<u>11,943</u>	<u>15,588</u>

Amounts fall due within one year.

The loan to the Students' Union was made in August 2007 comprising £700,000 repayable in 36 monthly instalments at fixed interest rate of 5%.

Notes to the Accounts

	Consolidated		University	
	2009	2008	2009	2008
	£000	£000	£000	£000
14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Grants and Donations Received in Advance	14,243	9,400	14,243	9,400
Credit Facility	0	3,250	0	3,250
Secured Bank Loan (note 15)	275	0	275	0
Creditors	9,227	8,619	9,227	8,619
Amounts owed to subsidiary undertakings	0	0	2	1,748
Social Security and other Taxation Payable	2,346	2,385	2,346	2,385
Accruals and Deferred Income	7,481	6,145	7,481	6,145
	<u>33,572</u>	<u>29,799</u>	<u>33,574</u>	<u>31,547</u>

	Consolidated		University	
	2009	2008	2009	2008
	£000	£000	£000	£000
15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Secured Loan Repayable 2010 to 2035	7,175	7,500	7,175	7,500
Amounts owed to subsidiary undertakings	0	0	0	1,643
	<u>7,175</u>	<u>7,500</u>	<u>7,175</u>	<u>9,143</u>

		Consolidated and University	
		£000	
The secured loan has several elements as follows:			
Fixed interest rate of 4.94% repayable 2009 to 2034			2,450
Fixed interest rate of 5.30% repayable 2010 to 2035			2,500
Fixed interest rate of 5.38% repayable 2010 to 2035			<u>2,500</u>
			<u>7,450</u>

	Consolidated	
	2009	2008
The secured loan (2008: additionally credit facility of £3250k) is repayable as follows:		
Less than one year	275	3,300
Between one and two years	300	275
Between two and five years	900	900
In five years or more	5,975	6,275
	<u>7,450</u>	<u>10,750</u>

Notes to the Accounts

	Consolidated and University			Total £000
	Pension £000	Restructuring £000	Flood Damage £000	
16. PROVISION FOR LIABILITIES AND CHARGES				
At 1 August 2008	696	0	736	1,432
Expenditure in Year	(51)	0	(736)	(787)
Additions from Income & Expenditure Account	0	0	0	0
At 31 July 2009	<u>645</u>	<u>0</u>	<u>0</u>	<u>645</u>

The pension enhancement provision of £645,000 partly represents the present value of future pension enhancements in respect of former University College Scarborough employees who have taken early retirement (£541,000); plus an amount of £104,000 for former University of Hull employees where the pension is paid directly by the University.

The University provided in 2006/07 for flood damage incurred and the remaining provision has been fully expended in the current year.

	Consolidated and University		
	Funding Council £000	Other Grants & Benefactors £000	Total £000
17. DEFERRED CAPITAL GRANTS			
At 1 August 2008			
Buildings	33,426	12,148	45,574
Equipment	2,455	1,734	4,189
	<u>35,881</u>	<u>13,882</u>	<u>49,763</u>
Received in year			
Buildings	5590	99	5,689
Equipment	816	980	1,796
	<u>6,406</u>	<u>1,079</u>	<u>7,485</u>
Released in year			
Buildings	(1,471)	(580)	(2,051)
Equipment	(1,325)	(567)	(1,892)
	<u>(2,796)</u>	<u>(1,147)</u>	<u>(3,943)</u>
At 31 July 2009			
Buildings	37,545	11,667	49,212
Equipment	1,946	2,147	4,093
	<u>39,491</u>	<u>13,814</u>	<u>53,305</u>

The £980,000 received in the year for equipment under "Other Grants & Benefactors" includes the £947,000 transferred from the MRI Reserve (see note 21).

Notes to the Accounts

18 ENDOWMENTS

Consolidated and University

	Unrestricted Permanent £000	Restricted Expendable £000	Restricted Permanent £000	Restricted Total £000	Total £000
Capital value	6,168	388	2,545	2,933	9,101
Accumulated income	0	41	1,410	1,451	1,451
at 1 August 2008	6,168	429	3,955	4,384	10,552
Additions	0	96	4	100	100
Depreciation of Endowment Asset Investments	(399)	0	(358)	(358)	(757)
Income for year	249	13	134	147	396
Released to income and expenditure(note 5)	(249)	(74)	(73)	(147)	(396)
Transferred from Income and Expenditure(see below)	0	0	1	1	1
At 31 July 2009	5,769	464	3,663	4,127	9,896
Represented by:					
Capital	5,769	418	2,191	2,609	8,378
Accumulated income	0	46	1,472	1,518	1,518
	5,769	464	3,663	4,127	9,896

The HE Statement of Recommended Practice(SORP) now requires income from specific endowments to be credited to the income and expenditure account on a receivable basis as before by matching to spend, but achieved by a new separate transfer entry in respect of the same. This means that any income in the year from specific endowments earned in excess of that applied to the specific purpose is transferred from the income and expenditure account to accumulated endowment income in the balance sheet by transfer after striking an initial result for the year. Similarly any expenditure for the specific purpose applied in excess of income generated in the year is matched by transfer from accumulated endowment income again after striking an initial result for the year. The resultant new transfer entry is shown on the face of the income and expenditure account.

Furthermore from 2007/08 the SORP introduced a new category of endowment called "expendable" where the initial capital sum can be expended on the intended restricted purpose, in effect by conversion to income, as opposed to previous conventions where within endowments the initial capital sum was permanent and only income generated used for the purpose. The SORP also now requires a division between capital (expendable and permanent) and accumulated unexpended income. In implementing these revisions the University has had to review its new and existing endowments against the criteria of restricted, expendable and permanent. The above classifications represent management's best estimates.

Notes to the Accounts

	Consolidated £000	University £000
19. REVALUATION RESERVE		
At 1 August 2008	2,563	2,563
Released in Year (note 9)	(47)	(47)
At 31 July 2009	<u>2,516</u>	<u>2,516</u>

	Consolidated £000	University £000
20. GENERAL RESERVE		
At 1 August 2008	7,069	7,049
Surplus for the year after Depreciation of assets at Valuation	10,310	10,330
Release from Revaluation Reserve	47	47
FRS 17 actuarial loss on pension scheme	(12,236)	(12,236)
At 31 July 2009	<u>5,190</u>	<u>5,190</u>
The general reserve is subdivided as follows at 31 July 2009:		
Excluding pension reserve	34,578	34,578
Pension reserve	(29,388)	(29,388)
Total	<u>5,190</u>	<u>5,190</u>

	Consolidated £000	University £000
21 DESIGNATED MRI RESERVE		
At 1 August 2008	5,609	5609
Additions	0	0
Transferred to Deferred Capital grants	(947)	(947)
(Depreciation) from element invested on revaluation	(564)	(564)
At 31 July 2009	<u>4,098</u>	<u>4,098</u>

In March 2007 the equivalent endowment asset investment was split between equity investments (£4,669,000) and current asset investments (£1,556,000) instead of being represented totally by current asset investments. Income generated by the reserve's assets is reported as research income in line with its original funder's requirements (Yorkshire Cancer Research). At 31 July 2009 the reserve was represented by portfolio equity investments of £3,489,000 and current asset investments of £609,000.

The transfer in year of £947,000 to deferred capital grants was done in connection with the funding of a new scanner for the Centre for Magnetic Resonance Imaging.

	Consolidated and University	
	2009 £000	2008 £000
22 CAPITAL COMMITMENTS		
Commitments Contracted for at 31 July	<u>3,614</u>	<u>4,890</u>

These commitments will be funded by operating cash flows.

Notes to the Accounts

	2009	2008
	£000	£000
23. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Surplus	10,311	6,330
Depreciation (note 10)	7,427	6,933
Profit on Disposal of Tangible Fixed Assets	(413)	0
Deferred Capital Grants Released to Income (note 17)	(3,943)	(3,820)
Investment Income (notes 5,18)	(676)	(1,261)
Interest Payable (note 8)	685	751
(Increase) in Stocks	(18)	(6)
Decrease/(Increase) in Debtors	1,927	(504)
Increase/(Decrease) in Creditors	6,748	(6,665)
(Decrease) in Provisions	(787)	(2,414)
Difference between pension charge and cash contributions	(1,305)	(1,084)
Net Cash Inflow from Operating Activities	<u>19,956</u>	<u>(1,740)</u>
24. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Income from endowments (note 18)	396	512
Income from short term investments (note 5)	261	718
Interest paid (note 8)	(459)	(732)
Interest receivable(note 5)	19	31
Net cash inflow from returns on investments and servicing of finance	<u>217</u>	<u>529</u>
25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Tangible fixed assets and investments acquired (note 10)	(12,006)	(17,813)
Sales of Tangible Fixed Assets	450	0
Endowment asset investments acquired (note 12)	(101)	(506)
Sales of endowment asset investments (note 12)	0	0
Deferred Capital Grants Received (note 17)	6,538	10,474
Endowments Received (note 18)	100	517
Net cash outflow from capital expenditure and financial investment	<u>(5,019)</u>	<u>(7,328)</u>

Notes to the Accounts

	2009 £000	2008 £000
26. MANAGEMENT OF LIQUID RESOURCES		
(Increase)/Decrease in short term deposits	(12,004)	12,267
(Outflow)/inflow from management of liquid resources	<u>(12,004)</u>	<u>12,267</u>

	2009 £000	2008 £000		
27. FINANCING				
	Credit Facility	Loans	Total	Total
Balance at 1 August	3,250	7,500	10,750	14,000
Capital Repayments	(3,250)	(50)	(3,300)	(3,250)
New Loan	0	0	0	0
Balance at 31 July	<u>0</u>	<u>7,450</u>	<u>7,450</u>	<u>10,750</u>

	At 1 August 2008 £000	Cash Flow £000	Other Changes £000	At 31 July 2009 £000
28. ANALYSIS OF CHANGES IN NET DEBT				
Cash at Bank and in Hand	674	(150)	0	524
Liquid Resources:				
Short term deposits	5,045	12,004	0	17,049
	<u>5,719</u>	<u>11,854</u>	<u>0</u>	<u>17,573</u>
Debt Due within one year	(3,250)	3,250	(275)	(275)
Debt Due after one year	(7,500)	50	275	(7,175)
	<u>(10,750)</u>	<u>3,300</u>	<u>0</u>	<u>(7,450)</u>
	<u>(5,031)</u>	<u>15,154</u>	<u>0</u>	<u>10,123</u>

Notes to the Accounts

29. PENSION SCHEMES

(a) Universities Superannuation Scheme (“USS”)

The University participates in the USS, a defined benefit scheme which is externally funded and contracted-out of the State Earnings Related Pension Scheme. The assets of the scheme are held in a separate trustee administered fund.

The latest actuarial valuation of the scheme was at 31 March 2008. The assumptions which have the most significant effect on the valuation are those relating to the rate of return on investments (ie. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.4% per annum, that the rate of increase in salaries would be 4.3% per annum and that of pensions in payment, 3.3% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.1% per annum, including an additional investment return assumption of 1.7% per annum, that the rate of increase in salaries would be 4.3% per annum and pensions in payment, 3.3% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £28.8bn and the value of the past service liabilities was £40.6bn leaving a deficit of £11.8bn. The assets were therefore sufficient to cover only 71% of the benefits, which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16% of salaries and it was therefore agreed that this new employer contribution rate would become effective on the 1st October 2009. The employee contribution rate remains unchanged at 6.35%.

The next actuarial valuation is due to take place on 31 March 2011.

The total pension contributions paid by the University to the USS during the year amounted to £7,139,352 (2008: £6,032,507). The contribution rate payable by the University was 14% of pensionable salaries.

(b) University of Hull Pension and Assurance Scheme

The University operates a funded pension scheme providing benefits based on the final pensionable pay. The assets of the scheme are held separately from those of the University and are invested in a segregated fund.

The contributions to the final salary scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The last declared actuarial valuation was carried out at 6 April 2006, although a recent exercise was carried out on the 6th April 2009. The results have yet to be announced. The market value of the scheme assets as at the 2006 date, excluding additional voluntary contributions, was £48.1 million. The actuarial value of these assets was maintained at this figure under revised assumptions.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investment and to the rates of increase in pay and pensions. It was assumed that the investment returns would exceed pay increases by an average 2.5% per annum. On this basis the scheme was funded at 77%.

Employer contributions to the scheme during the year totalled £2,905,538 (2008: £2,564,749). Following the actuarial valuation at 6 April 2006 and in order to meet the agreed recovery plan, the University maintained its contribution rate at 25.40% of pensionable salaries.

(c) Other Pension Schemes

A small number of staff remain in other pension schemes. Employer contributions to such schemes totalled £868,453 during the year (2008: £823,678).

Notes to the Accounts

(d) Financial Reporting Standard 17

The University has fully adopted accounting standard FRS 17 "Retirement Benefits" during the year. Disclosure information is provided for relevant schemes as outlined below.

i) Universities Superannuation Scheme

It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are brought to account as if the scheme were a defined contribution scheme. The cost is recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

ii) University of Hull Pension and Assurance Scheme

A full actuarial valuation of this scheme was carried out at 6 April 2006 and financial assumptions updated to 31 July 2009 by a qualified independent actuary. The major assumptions used by the actuary were:

	2009	2008	2007
Rate of increase in salaries	3.80%	4.10%	3.60%
Rate of increase in pensions in payment	3.30%	3.60%	3.10%
Discount rate	6.00%	6.60%	5.70%
Inflation assumption	3.30%	3.60%	3.10%

The current mortality assumptions include some allowance for future improvements in mortality rates. The assumed life expectations (years) on retirement at 65 are:

	2009	2008
Retiring today		
Males	21.1	19.8
Females	25.2	22.8
Retiring in 20 years		
Males	23.3	21
Females	27.3	24

The assets in the scheme and the expected rate of return were:

	Long-term expected return	2009 £000	Long-term expected return	2008 £000	Long-term expected return	2007 £000
Equities	8.90%	31,839	9.40%	33,675	7.40%	36,853
Bonds	5.25%	12,045	5.70%	11,845	5.20%	10,618
Property	8.90%	1,414	9.40%	2,074	7.40%	2,390
Cash/Other	0.50%	1,537	5%	688	5.75%	2,326
		<u>46,835</u>		<u>48,282</u>		<u>52,187</u>

Notes to the Accounts

The following amounts at 31 July each year were measured in accordance with the requirements of FRS 17:

	2009	2008	2007
	£000	£000	£000
Total market value of assets	46,835	48,282	52,187
Present value of scheme liabilities	(72,823)	(63,498)	(62,939)
Deficit in the scheme	<u>(25,988)</u>	<u>(15,216)</u>	<u>(10,752)</u>

The following amounts are recognised in the performance statements in the year to 31 July 2009 under the requirements of FRS 17:

	2009	2008
	£000	£000
OPERATING PROFIT		
Current service cost	1,587	1,429
Past service cost	0	0
Total Operating Charge	<u>1,587</u>	<u>1,429</u>
OTHER FINANCE INCOME		
Expected return on pension scheme assets	4,092	3,610
Interest on pension scheme liabilities	(4,164)	(3,570)
Net Return	<u>(72)</u>	<u>40</u>
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)		
Actual return less expected return on pension scheme assets	(6,094)	(8,082)
Experience gains and losses arising on scheme liabilities	(57)	288
Changes in assumptions underlying the present value of the scheme liabilities	(5,917)	2,085
Actuarial loss	<u>(12,068)</u>	<u>(5,709)</u>

Notes to the Accounts

	2009	2008
	£000	£000
MOVEMENT IN DEFICIT DURING THE YEAR		
Deficit in scheme at beginning of the year	(15,216)	(10,752)
Movement in the year:		
Current service cost	(1,587)	(1,429)
Contributions	2,955	2,634
Past service costs	0	0
Other financial income	(72)	40
Actuarial loss	(12,068)	(5,709)
Deficit in scheme at end of year	<u>(25,988)</u>	<u>(15,216)</u>

	2009	2008
	£000	£000
ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME LIABILITIES		
At beginning of the year	63,498	62,939
Current service cost	1,587	1,429
Interest on liabilities	4,164	3,570
Contributions	530	658
Past service costs	0	0
Pensions paid	(2,930)	(2,725)
Actuarial losses/(gains)	5,974	(2,373)
At end of year	<u>72,823</u>	<u>63,498</u>

	2009	2008
	£000	£000
ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME ASSETS		
At beginning of the year	48,282	52,187
Expected return on assets	4,092	3,610
Contributions	3,485	3,292
Pensions paid	(2,930)	(2,725)
Actuarial losses	(6,094)	(8,082)
At end of year	<u>46,835</u>	<u>48,282</u>

Notes to the Accounts

DETAILS OF EXPERIENCE GAINS AND LOSSES FOR THE YEAR TO 31 JULY 2009

	2009	2008	2007	2006
Differences between the expected and actual return on scheme assets:				
Amount (£000)	(6,094)	(8,082)	1,606	1,602
Percentage of scheme assets	(13%)	(15%)	3%	3%
Experience gains and losses on scheme liabilities:				
Amount (£000)	(57)	288	(486)	0
Percentage of the present value of the scheme liabilities	0%	0%	(1%)	0%
Total amount recognised in statement of total recognised gains and losses:				
Amount (£000)	(12,068)	(5,709)	1,634	1,110
Percentage of the present value of the scheme liabilities	(17%)	(9%)	(3%)	(2%)

iii) North Yorkshire Pension Fund (within "other pensions schemes" at (c) above)

The assumptions used in this scheme are different to those used in respect of the University of Hull Pension and Assurance Scheme because the University has no control over the assumptions adopted by the actuary to this scheme.

A full actuarial valuation of this scheme was carried out at 31 March 2007 and financial assumptions updated 31 July 2009 by a qualified actuary. The major assumptions used by the actuary were:

	2009	2008	2007
Rate of increase in salaries	5.45%	5.55%	4.95%
Rate of increase in pensions in payment	3.70%	3.80%	3.20%
Discount rate	6.30%	5.90%	5.80%
Inflation assumption	3.70%	3.80%	3.20%

The current mortality assumptions include some allowance for future improvements in mortality rates. The assumed life expectations (years) on retirement at 65 are:

	2009	2008
Retiring today		
Males	21.2	21.1
Females	24	24
Retiring in 20 years		
Males	22.2	22.2
Females	25	25

Notes to the Accounts

The assets in the scheme and the expected rate of return were:

	Long-term expected return	2009 £000	Long-term expected return	2008 £000	Long-term expected return	2007 £000
Equities	7.50%	2,273	7.50%	2,397	7.50%	2,768
Bonds	5.80%	744	5.90%	928	5.80%	651
Property/Cash/Other	0.50%	149	7.50%	124	5.75%	199
		<u>3,166</u>		<u>3,449</u>		<u>3,618</u>

The following amounts at 31 July each year were measured in accordance with the requirements of FRS 17:

	2009 £000	2008 £000	2007 £000
Total market value of assets	3,166	3,449	3,618
Present value of scheme liabilities	(6,566)	(6,464)	(5,144)
Deficit in the scheme	<u>(3,400)</u>	<u>(3,015)</u>	<u>(1,526)</u>

Notes to the Accounts

The following amounts are recognised in the performance statements in the year to 31 July 2009 under the requirements of FRS 17:

	2009	2008
	£000	£000
OPERATING PROFIT:		
Current service cost	369	296
Past service cost	0	62
Total Operating Charge	<u>369</u>	<u>358</u>
OTHER FINANCE INCOME:		
Expected return on pension scheme assets	238	249
Interest on pension scheme liabilities	(392)	(308)
Net Return	<u>(154)</u>	<u>(59)</u>
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)		
Actual return less expected return on pension scheme assets	(810)	(673)
Experience gains and losses arising on scheme liabilities	0	(119)
Changes in assumptions underlying the present value of the scheme liabilities	642	(517)
Actuarial loss recognised in STRGL	<u>(168)</u>	<u>(1,309)</u>
MOVEMENT IN DEFICIT DURING THE YEAR		
Deficit in scheme at beginning of the year	(3,015)	(1,526)
Movement in the year:		
Current service cost	(369)	(296)
Contributions	306	237
Past service costs	0	(62)
Other financial income	(154)	(59)
Actuarial loss	(168)	(1,309)
Deficit in scheme at end of year	<u>(3,400)</u>	<u>(3,015)</u>

During the accounting period there have been no significant changes to the scheme.

Notes to the Accounts

	2009	2008
	£000	£000
ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME LIABILITIES		
At beginning of the year	6,464	5,144
Current service cost	369	296
Interest on liabilities	392	308
Contributions	113	98
Past service costs	0	62
Pensions paid	(130)	(77)
Actuarial (gain)/loss	(642)	633
At end of year	<u>6,566</u>	<u>6,464</u>

	2009	2008
	£000	£000
ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME ASSETS		
At beginning of the year	3,449	3,618
Expected return on assets	238	249
Contributions	419	335
Pensions paid	(130)	(77)
Actuarial loss	(810)	(676)
At end of year	<u>3,166</u>	<u>3,449</u>

Notes to the Accounts

DETAILS OF EXPERIENCE GAINS AND LOSSES FOR THE YEAR TO 31 JULY 2009

	2009	2008	2007	2006
Differences between the expected and actual return on scheme assets:				
Amount (£000)	(810)	(673)	173	178
Percentage of scheme assets	(26%)	(20%)	5%	6%
Experience gains and losses on scheme liabilities:				
Amount (£000)	0	(119)	0	(134)
Percentage of the present value of the scheme liabilities	0%	(2%)	0%	(3%)
Total amount recognised in statement of total recognised gains and losses:				
Amount (£000)	(168)	(1,309)	216	(123)
Percentage of the present value of the scheme liabilities	(3%)	(20%)	4%	(3%)

When the above amounts are recognised in the financial statements, the group's net assets and income and expenditure reserves at 31 July become:

	2009 £000	2008 £000	2007 £000
Net assets excluding pension liability	104,393	93,787	83,082
Pension liability-UOH	(25,988)	(15,216)	(10,752)
Pension liability-NYPF	(3,400)	(3,015)	(1,526)
Net assets including pension liability	<u>75,005</u>	<u>75,556</u>	<u>70,804</u>
Income and expenditure reserve excluding pension liability	34,578	25,300	19,977
Pension liability-UOH	(25,988)	(15,216)	(10,752)
Pension liability-NYPF	(3,400)	(3,015)	(1,526)
Income and expenditure reserve including pension liability	<u>5,190</u>	<u>7,069</u>	<u>7,699</u>

The total pension liability for the group is therefore shown as:

	2009 £000	2008 £000	2007 £000
	<u>(29,388)</u>	<u>(18,231)</u>	<u>(12,278)</u>

Notes to the Accounts

	Consolidated and University	
	2009	2008
	£000	£000
30 ACCESS FUNDS		
Balance brought forward at 1 August	25	66
Funding Council Grants	520	600
Interest earned	6	9
	<u>551</u>	<u>675</u>
Disbursed to students	(548)	(650)
Balance unspent at 31 July	<u>3</u>	<u>25</u>

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

	Consolidated and University	
	2009	2008
	£000	£000
31 TDA BURSARY FUNDS		
Balance brought forward at 1 August	79	125
TDA Grants	1,378	1,747
	<u>1,457</u>	<u>1,872</u>
Disbursed to students	(1,412)	(1,793)
Balance unspent at 31 July	<u>45</u>	<u>79</u>

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

	Consolidated and University	
	2009	2008
	£000	£000
32 TDA MINORITY ETHNIC RECRUITMENT		
Balance brought forward 1 August	4	4
TDA Grants	3	5
	<u>7</u>	<u>9</u>
Expenditure	(7)	(5)
Balance unspent at 31 July	<u>0</u>	<u>4</u>

These are funds for aiding recruitment and retention of students from minority ethnic backgrounds and are excluded from the Income and Expenditure Account.

Notes to the Accounts

33 UNIVERSITY COMPANIES AND OTHER INTERESTS

Details of subsidiaries and other investments are given in note 11.

The University of Hull Maritime History Trust Limited is a company limited by guarantee which has charity status. It has been formed for the advancement of the education of the public by promotion of maritime historical studies at the University of Hull and the provision and facilitation of research in all aspects of maritime history. The Trust has ten trustees, of whom three are employees of the University.

During the year payments were made to the Trust for donations received amounting to £7,862 (2008: £7,852). The University payment from the Trust for payments made on its behalf amounted to £67,186 (2008: £930). The amount owing to the University at 31 July 2009 was £12 (2008: £661). The amount owing by the University to the Trust at 31 July 2009 was £7,390 (2008: £600).

The Ferens Education Trust is constituted by a deed of trust and is registered as a charitable body. It has been formed to promote the advancement of liberal, technical and professional education and knowledge in the East Riding of Yorkshire and to assist the University of Hull in the furtherance of the objects for which it was founded. The Trust has seven trustees, of whom two are employees of the University.

During the year grants were made from the Trust to the University amounting to £35,100 (2008:£13,059). The amount owing to the University at 31 July 2009 was £332 (2008:£159).

The above Trusts are not consolidated into the financial statements because the University of Hull does not exercise sufficient control or influence.

34 RELATED PARTY DISCLOSURE

During the year ended 31 July 2009, the University paid a grant of £1,085,951 (2008: £1,088,941) to the Students Union. Further payments were made to the Union of £73,905 (2008: £108,262) in respect of goods and services rendered. The Union made payments to the University of £ 477,072 (2008: £568,091) in respect of facilities recharges. At 31 July 2009 the University owed the Union £ 8,041 (2008: £6,442). An amount of £24,155 (2008: £2,296) was owing from the Union to the University. The Union also owed the University £245,000 (2008: £478,000) in relation to a loan made during 2008 (see note 13) and £21,000 for other debtors.

During the year ended 31 July 2009, the University made payments to EMIH Ltd of £ 68,497 (2008: £44,159) in respect of rent for the flume laboratory and the use of and admission to facilities. EMIH Ltd made payments to the University of £80 (2008: nil) in respect of training charges. At the year end the University owed EMIH Ltd £34 (2008: £418). An amount of £nil (2008: £nil) was owing from EMIH Ltd to the University. The company has charitable status with a Board of nine directors, three of whom are nominees of the University.

During the year ended 31 July 2009, the University made payments to Information by Design of £1,642 (2008: £11,421) in respect of professional services and fees. Information by Design Ltd made payments to the University of £7,511 (2008: £12,969) in respect of project support services and postal/cleaning charges. At the year end the University owed Information by Design £nil (2008: £nil). An amount of £1,478 (2008: £nil) was owing from Information by Design Ltd.

During the year ended 31 July 2009, the University made payments to Kingston Chemicals Ltd of £677 (2008: £nil) for chemicals and equipment. Kingston Chemicals Ltd made payments to the University of £18,702 (2008: £16,276) for goods and services. At the year end the University owed Kingston Chemicals Ltd £nil (2008: £nil). An amount of £1598 (2008: £nil) was owing from Kingston Chemicals Ltd to the University.

During the year ended 31 July 2009, Chemtrix BV Ltd made payments to the University of £21,000 (2008: £2,122) for use of laboratory facilities. An amount of £15,637 (2008:£nil) was owing from Chemtrix Ltd to the University.

Notes to the Accounts

35 CONTINGENT LIABILITY

The University was subject to an audit by the Government Office for Yorkshire and the Humber (GOYH) in February 2006 in relation to an ERDF grant awarded from January 2002 to December 2004, linked to Small and Medium size Enterprise participants (SMEs).

In summary, the University strongly believes that it adhered to procedures originally agreed with the GOYH funding team regarding documentation relating to SMEs. However, in retrospect, the GOYH audit team have sought additional evidence not collected from SMEs during the project at the time and now very difficult to obtain.

As the holder of the grant it was the University's responsibility to hold documents for audit purposes including those relating to expenditure by other organisations, in this case SMEs. The University believed, in agreeing with the GOYH funding team the format of a document setting out the value of project financial contributions, jobs created *et al*, and getting the SME to sign off that document, that it had met this requirement. The GOYH audit team subsequently indicated that this was inadequate and required additional documentation to support what was signed off by the SME through items such as timesheets and other information. The University feels this reversal of prior agreement with the same overall organisation is unreasonable and, years later, this additional evidence is in practice very difficult to procure.

The University has made final representations in October 2009 to GOYH following over three years of protracted exchanges and correspondence. The liability is contingent upon any recommendation made by GOYH to the European Union (EU) and the ultimate response of the latter. The EU do have the ability to seek repayment or initiate their own audit reviews but to date the University has not received any correspondence from the EU in relation to any action GOYH may have made.

The maximum contingent liability on a systemic basis, representing the total grant awarded, is £846,233. If confined solely to outstanding audit issues it would be circa £400,000 or less. To date, whilst the issue continues, the University has not yet been requested to repay any grant by either GOYH or the EU.