

FINANCIAL STATEMENTS

2009/10

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OFFICERS AND STAFF PRINCIPALLY CONCERNED WITH FINANCIAL MATTERS

Membership of Council as at 26 November 2010

Dr M Acar
Dr J Aldridge
A Baumhoff

J Blackwell
Sir Bryan Carsberg^{3,4}
P Coates^{3,5}
Dr Sandie Dann
A Deakin¹
B Dent⁵

G Edila
Sir John Gains
Professor N Halliwell⁵

J Murphy
J Mutton²
T Neale
Professor R Parker
Professor R Parry-Jones
Professor S Pearce^{3,4}

S Proffitt¹
Professor I Reid⁴
Sir Nigel Rudd

M Sismey-Durrant²
J A M Strong⁴
N Tamplin¹
P Wilkinson-Blake
A A Woods^{2,3,4,5}

Membership of Committees as at 26 November 2010

Audit Committee¹
Treasurer's Committee²

Remuneration Committee³
Nominations Committee⁴

Performance Monitoring Group⁵

Officers and Staff in Post as at 26 November 2010

Chair of Council	Sir Bryan Carsberg, MSc(Econ), LLd(Hon), ScD(Hon), DUniv(Hon), DLitt(Hon), MA(Econ)(Hon), FCA, HonFIA, Hon DBA
	Director, Inmarsat plc Director, RM plc Director, Novae Group plc
University Treasurer and Chair of Treasurer's Committee	Alan Woods, DL, DUniv (Hon), FCA Former Chairman, Derbyshire Building Society A Deputy Lieutenant for the County of Derbyshire
Chair of Audit Committee	Nigel Tamplin FCA Director Mansfield Building Society Director Gyron Internet Ltd
Vice-Chancellor and Designated Officeholder	Professor Shirley Pearce, CBE, BA Oxon, MPhil, PhD
Director of Finance	Caroline Walker, FCCA, CPFA, MBA

Providers of Financial Services

External Auditors	Deloitte LLP, Nottingham
Internal Auditors	KPMG LLP, Nottingham
Bankers	Barclays Bank plc, Birmingham Lloyds Bank Ltd, Birmingham
Insurers	Universities Mutual Association Ltd, London

OPERATING AND FINANCIAL REVIEW

Contents

1. Summary of performance and current position
2. Vision and strategy
3. Funding, competitive and regulatory environment
4. Academic Review
5. Financial Review
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Summary of performance and current position

This review of 2009-10 records a year of good progress by the University in pursuit of its aims and mission. The University remains in a strong position in academic, financial and operational terms. This position of strength means that Loughborough is well placed as Higher Education in the UK approaches a time of considerable change and adjustment.

During the year the University has continued to undertake a wide range of significant research across all subject areas in its portfolio. Students have progressed well, benefiting from high quality teaching and learning as well as from the outstanding 'student experience' that is so much a strength of the University. Important developments in enterprise, including the development of strategic partnerships have taken place. A number of other successes are recorded in this full review.

In financial terms the University has performed well, recording a surplus of £10.663m for the year against a budget of £10.060m. Operating surpluses are essential if the University is to continue to invest in necessary facilities and infrastructure. (Details of future capital commitments are given in the financial review section.) The strength of the current situation will be tested in the next few years by expected severe reductions in public funding for teaching and pressures on the cost of pay and pensions.

The University remains confident in its position as it faces the future.

Financial highlights

	2009/10	2008/09
	£'000	£'000
Income	232,686	215,843
Expenditure	(222,388)	(209,360)
Transactions relating to property	376	0
Surplus for the year retained within reserves	10,663	6,477
Capital expenditure	39,253	27,302
Capital grants received	(13,404)	(7,502)
Net assets	173,457	152,100
Net funds (Note 33)	16,119	6,713

Vision and strategy

Loughborough University's vision for the future is articulated in the strategy '*Towards 2016*'. The plan outlines the way the University will work and sets out the outcomes it aspires to achieve. *Towards 2016* was originally developed in 2006. The viability of the plan is continually reviewed and a formal three-year review was undertaken in the latter part of 2009. This review took account of announcements by the then Government on funding reductions. This review confirmed that the plan remained essentially sound as a reflection of the aims and intentions of the Institution, although additional emphasis would be needed in some key areas.

Aspects of particular importance arising from the review included impact; value-for-money and financial sustainability, internationalisation, reputation and advancement, the student learning experience, organisational structure and sport. The University's mission is to:

- Increase knowledge and understanding through research which is internationally recognized.
- Provide a high quality international educational experience with wide opportunities for students from diverse backgrounds which prepares graduates for the global workplace.
- Influence the economic and social development of individuals, businesses, professions and communities.

Particular aims relating to the above for 2016 were restated as:

- Top 10 University in the UK.
- Top 5 University for Sport internationally.
- Top 100 internationally.
- Renowned for the strength and depth of partnerships with industry, business and the professions.
- An enhanced place to work and study.

The overarching strategy is underpinned by more detailed implementation plans, which outline the issues that need to be addressed in order to deliver the overall vision. These plans were also reconsidered as part of the review process, and the plans were updated to reflect progress made, the changing external environment and the priorities noted above.

This strategy and the implementation plans provide a framework for operation which will enable the University to respond speedily and positively to opportunities and threats as they arise. In drawing up its strategy, the University has taken into consideration a number of factors that could have a significant impact on its core business. Internationally there are global changes in trade and industry, in education and the environment, the political agenda and workforce issues. On a national level there has been the recent announcement of the 28% reduction in funding over the next four years as part of the government's comprehensive spending review which is on top of the £660million cuts to higher education the Government has already announced. In addition to this the VAT increase from 17.5% to 20% on 4 January 2011 will increase the cost of most supplies and services. The work of the review group led by Lord Browne to review HE funding and Student Finance is expected to compensate to some extent for the funding cuts by increasing fee income for HEIs by allowing HEIs to set their own fees, although this is subject to legislation.

It is essential that the University is well placed to respond to this changing situation and a process is underway to ensure that robust structures are in place to enable cost reductions. At regional and local level there are considerable changes underway following the General Election, and the University is engaged with partners to ensure that it plays a full role.

Loughborough's executive have been running various scenarios through its financial model for the next 5 year period and considering ways of reducing existing costs as well as increasing income and achieving better value for money (VFM).

VFM projects that have already been started include:

- Procurement.
- Internal economy at the University.
- Institutional robustness.
- Energy consumption and carbon reduction.
- Services working together.
- Student administration review.
- Finance system procure to payment.
- Simplification of Human Resources.
- Central timetabling.

The liabilities in all Loughborough's pension schemes present significant uncertainty in the financial plans for the future. It is expected that both the University and staff members will need to make greater contributions to all the University's pension schemes to maintain financial viability for the long term. Changes to the USS is subject to consultation at present with proposals for changes to LGPS expected shortly.

Funding, competitive and regulatory environment

The University is an exempt charity established by Royal Charter. Non primary purpose activities take place through separate limited companies established for a specific purpose. These financial statements relate to both the University and its subsidiary companies and are produced in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007. Additionally this statement has been prepared in accordance with the Accounting Standard Boards Reporting Statement.

The University is an autonomous body. However, universities are the main suppliers of publicly-funded higher education and they are bound by much of the legislation which applies to other public bodies (e.g. the Freedom of Information Act and positive responsibilities relating to diversity).

Whilst the quality of its teaching activity is regulated by the Quality Assurance Agency for Higher Education, the financial and regulatory relationship with government is mediated principally through the Higher Education Funding Council for England (HEFCE). HEFCE provides funding to the University for teaching, research and enterprise. The terms on which grants from HEFCE are made to the University are governed by a Financial Memorandum. The University is required to submit various data and accountability returns as part of the 'single conversation' with HEFCE and these processes are subject to scrutiny by the Audit Committee. However, 58% of University income is derived from entirely non-governmental sources including students, business and industry.

Competition for research funding, both from HEFCE, the Research Councils and other sources is very competitive and the University has invested significantly in high calibre staff and world-leading facilities, to strengthen its position in this area. Student markets are diverse, currently with regulated fees and student numbers for UK/EU undergraduates but flexibility to set fee levels for student intake for postgraduate and international students. The University is experiencing unprecedented demand from well qualified UK undergraduates. Recruitment is also strong at present in the postgraduate and international markets, not least as a result of the recession and favourable exchange rates.

The global economic down turn has already started to impact on our partners and some of our activity but has not as yet had any significant impact on the day to day finances of the University. However, there is considerable uncertainty surrounding the future, for example from public sector funding cuts, the outcome of the government review of undergraduate fees and financial support, demographic trends and the depth of the global recession. The University's financial plans and scenarios in response to this uncertainty are reviewed by its governing body, the Council.

Delivery of public benefit

The University's mission is set out above and it is against this that we measure the delivery of public benefit.

All the activities of the University support the delivery of public benefit. There are clear and direct public benefits from the research, teaching and learning and enterprise activities, and *these have been set out in the relevant sections of the Academic Review*. Many of the wider activities of the University, for example its involvement in sport, arts and cultural activities and its social responsibility actions also demonstrate direct public benefit, and once again *this is included in the relevant sections of this review*. Within these sections, we have considered the two general principles of public benefit, as set out in the Charities Act 2006 and have provided supporting evidence. We have also given due regard to guidance received from HEFCE.

As noted above activities that do not directly or indirectly contribute to the delivery of the mission and aims of the University take place within separate limited companies. Even in these cases there is a benefit to the public, as the profits of these companies are gift aided to the University and contribute to achievement of core aims.

Risk

The University's Risk Management Policy is to maintain a continuous process of identifying, evaluating and controlling the risks and opportunities involved in realising its objectives and to ensure that they are managed appropriately. The University's general approach is to recognise risk and mitigate the adverse consequences whilst also recognising opportunities and having a robust process for their assessment and exploitation.

The principal risks include:

- Inability to fund Pension scheme deficits.
- Failure to meet international recruitment targets.
- Failure to retain and/or recruit key staff.
- Deterioration of employee relations in HE at national level, leading to industrial action.
- Failure to provide Business continuity as a result of a loss of key service, such as gas, power, water.

An overall risk regarding the assumptions of the university financial plan in relation to levels of public funding reduction remains "high" at present as does the possible impact of increased employer pension contributions.

An institutional project has been set up to address Business Continuity and Emergency Planning and to position the University to manage better major incidents. The University is refreshing its major incident plan to make it consistent with BS25999 and is developing business continuity plans for key activities in line with the standard.

Academic Review

Research

The University is an internationally acclaimed centre of research excellence with over 1,000 staff engaged in research, fostering new knowledge and understanding across 23 academic departments. The Government's most recent Research Assessment Exercise (RAE), published in 2008, confirmed the high quality of this research. As a result in 2009-10 Loughborough received an additional £5.97million (36.88% up on 2008-09) of research funding from the Higher Education Funding Council for England (HEFCE). This increase is the fifth largest in the UK and the greatest increase of any UK university without a medical school.

Loughborough has made outstanding progress since the RAE 2001. The Times Higher Education (THE) magazine named Loughborough as one of three rising stars among research-intensive universities and the online specialist newspaper Research Fortnight placed Loughborough 23rd among the UK's 158 higher education institutions assessed in the RAE, a rise of nine places from 2001.

In the RAE every Department was found to be undertaking research that is internationally recognised, with over 10 Departments having over 20% of their research judged to be 'world leading'. According to analysis by the THE and The Guardian, research activity in Design and Technology, ESRI, and the School of Sport and Exercise Sciences was rated the best in the country in their respective fields. Combining research profile and volume of staff assessed, Loughborough's research across six departments - the School of Sport and Exercise Sciences, the Wolfson School of Mechanical and Manufacturing Engineering, Aeronautical and Automotive Engineering, Chemical Engineering, Materials, and Human Sciences - was assessed as the best in the UK. A further three departments - Information Sciences, Social Sciences, and Civil and Building Engineering – were assessed as being in the top five in the country. Loughborough submitted over 94% of its academic staff for assessment as part of the 2008 RAE - a rise of around 16% from the last RAE in 2001 and one of the highest returns of any university in the country.

Loughborough continues to undertake research that matters, driven by society's need for solutions to real-world issues; grants and contracts income totalled £35.9m in 2009-10, providing the resources needed for countless research projects. Recent examples of innovations and new products arising from research include:

- 'PERFORMS' – 'PERsonal perFORmance in Mammographic Screening'. A self assessment training scheme, which enables clinicians to be trained in the early detection of breast tumours, the programme is bought by the NHS and is recommended by the Royal College of Radiology.
- Interactive, solar powered playing equipment to encourage activity amongst children.
- Improvements in car safety for pregnant women.
- An explosive residue detection system to improve airport safety.

Pioneering research is integrated with the University's teaching at every opportunity to provide the very best quality learning experience. Such strengths are welcomed by Loughborough's students, who in 2009-10 voted their university experience to be the very best in the country for the fourth year in succession, according to THE. Loughborough students also benefit from the University's multi-faceted partnerships with industry and the commercial applicability that lies at the heart of much of its work.

Strong interactions between Research, Learning and Teaching and Enterprise are a key feature of the University and are underpinned in its strategy. Links with partners at all levels from industry, the professions, governments, academia, charities, and many other organisations enable the University to meet real world challenges and develop staff and students with the skills necessary to meet the needs of a global society.

Every year the University invests over £50m into research, much of which comes from external investors including a significant proportion from industry and commerce. However, internal funds are used to support early stage research. High quality research helps UK industry to compete effectively, shapes public policy and ultimately improves the quality of life. Nurturing intellectual enquiry and providing the very best infrastructural support enables technological breakthroughs, new products to be devised, best practice developed and knowledge shared.

The University was recently selected to host one of only three new *Engineering and Physical Sciences Research Council* Centres. The Centre will focus on *Innovative Manufacturing in Regenerative Medicine* supporting the development of manufacturing techniques and informing business models, policy and public debate around this complex area.

The University's strong history of collaboration with business, industry and the professions points to a proven ability to solve real world challenges which cross the borders of academia and have a real impact. In the annual *Higher Education Funding Council of England's (HEFCE), Higher Education – Business and Community Interaction Survey*, Loughborough has one of the highest levels of collaborative research within the sector; more than three times the national average for collaborative research.

In 2009/10 270 PhDs were awarded by Loughborough University. These individuals will be available to work in industry across the world, forwarding knowledge and assisting in wealth creation. They were part of a thriving community of approximately 1,160 students studying at this level.

All staff working within the University are governed by the following framework, contained within the ordinance and statutes:

- To ensure that academic staff have freedom within the law to question and test received wisdom, and to put forward new ideas and controversial or unpopular opinions, without placing themselves in jeopardy of losing their jobs or privileges.
- To enable the University to provide education, promote learning and engage in research efficiently and economically.
- To apply the principles of justice and fairness.

The University seeks to ensure that the conduct of all its staff and students carrying out teaching and research involving human participants, whether human biological, psychological or sociological, conforms to accepted professional and ethical standards and is known to do so. The Ethical Advisory Committee and Ethical Advisory Sub-Committee were established to guide and assist investigators, and to ensure that full consideration is given to protecting the rights, and the health and safety of participants.

Teaching

Teaching and Learning is the largest element of income from our academic activities. Total student numbers for this year were 16,629, including 13,731 full-time HE students. We have sought to manage student populations slightly downwards, and full-time UK/EU undergraduate recruitment (3,012) was intentionally reduced below target (3,103). Over 70% of the undergraduate applicants accepting a place entered with the equivalent of ABB or higher at A-level. Full-time taught postgraduate intakes for UK/EU students were up 22% and international up 7%. Strong recruitment is important in raising intake standards and securing the viability of vulnerable subject areas. Continued vigilance is required, especially in increasingly competitive international markets.

Approximately half of students are in the Faculties of Engineering and Science, with the balance in Social Sciences and Humanities. Just over 1 in 4 students are studying at postgraduate level. Approximately 40% of full-time undergraduates are registered on sandwich programmes and 862 undertook industrial professional training during 2008-09.

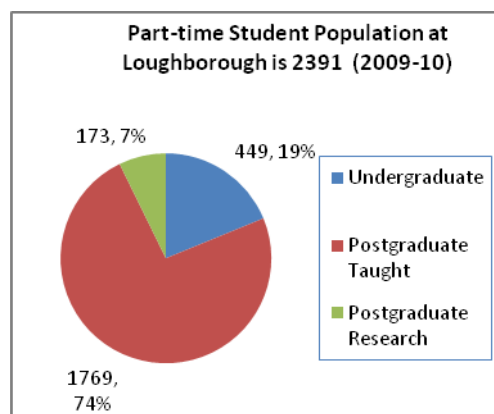
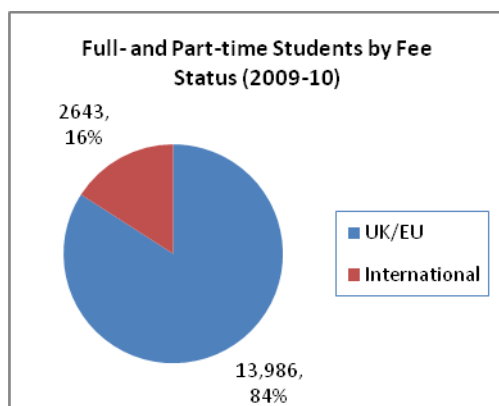
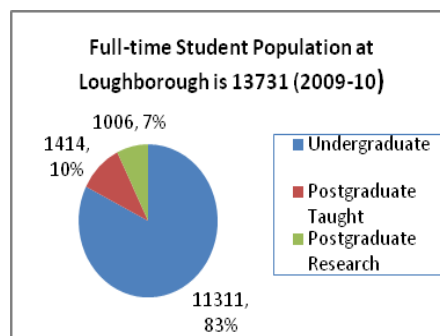
This year the University's popularity has continued to grow. Its degree programmes are highly regarded by professional institutions and businesses and, as a result, Loughborough's graduates are consistently targeted by the UK's top recruiters. The proportion of first-degree graduates for the academic year 2008-09 in employment within six months of graduation was 60% and rises to 85% when including those in further studies/work.

Loughborough's student centred ethos and its excellent reputation for high quality teaching and learning are among the strengths that matter to students. In the 2009 National Student Survey, 89% of the University's full-time students rated their overall satisfaction with their course as 'four' or 'five' on a five-point scale, with more than half of the subject areas offered by the University being ranked in the top ten overall for satisfaction. Since the Survey's inception Loughborough has consistently been ranked in the top five of UK universities for student satisfaction.

An outstanding Student Experience lies at the heart of Loughborough, helping to ensure the University's graduates are prepared intellectually, professionally and socially and to make a positive contribution to the social and economic context in which they hope to live and work. The balance of the benefits against any deterrent or harm is always considered during the decision processes at the University. Property purchases and developments always comply with building regulations and restrictive covenants and there is always consideration given to the wider environmental impacts.

Loughborough student population profile 2009/10

	L'borough 2009-10	England 2008-09
% International	16%	11%
% Full-time	83%	63%
% of Full-time Postgraduate	15%	18%
% Undergraduates on sandwich programmes	41%	10%
% Full-time mature undergraduates	4%	23%



Learning and welfare are supported through a range of specialist services such as :

- The prestigious Mathematics Learning Support Centre (MLSC) designated a Centre for Excellence in Teaching and Learning by HEFCE. The MLSC exists to provide a range of services designed to support any student at Loughborough in their learning of mathematics or statistics. In particular, it aims to help students in the earlier stages of their studies, who might benefit from resources and tuition over and above that normally provided as part of their programme.
- The Engineering Centre for Excellence in teaching and Learning seeks to integrate student input and focus into the activities of the centre, increase and improve student interaction with industry and develop employment skills for students.
- The English Language Support Service. This service assists students with the English language and study skills that they need to succeed on an academic programme. Loughborough currently runs a range of in-sessional and pre-sessional courses for international students and home students.
- Disability and Additional Needs Service (DANS). Each department has its own disability coordinator who works with the student and the DANS office to ensure their needs are met. DANS offers a well developed package of support and measures for disabled students including:
 - a) Assessment of specific support, equipment and software needs .
 - b) Arranging Educational Psychologist assessments, adaptation of course materials into other formats.
 - c) Arranging adapted accommodation for the duration of a student's course Trained note-takers in lectures and tutorials.
 - d) Mobility training.
 - e) British Sign Language interpretation.
 - f) Readers for research, or out-of-lecture activities.
 - g) Provision of communication support workers.
 - h) Study support for students who have dyslexia.

The University seeks to enable its students to reach their full potential regardless of their background before joining the University. One aspect of this is a commitment to doing all we can to ensure that finance does not present a barrier to the admission and progression of students whilst recognising that we must secure sufficient resources to maintain the high standard of the student experience which we offer in partnership with Loughborough Students' Union.

Our undergraduate degree programmes, many of which have been developed in partnership with employers, are characterised by a combination of relevance to employment and research-led teaching. The majority of courses offer an industrial placement year opportunity enabling students to develop their skills further. Where applicable to the discipline, degrees have received accreditation from the relevant professional body. The nature of many of our courses means that prior knowledge in certain subjects, e.g. mathematics or science, is often required for admission. Our teaching quality is rated amongst the highest nationally and our students have an outstanding record for employability.

The University's location and the distinctive nature of its degree programmes has resulted in an undergraduate student body that is predominately full-time, the majority of whom are young and living away from home. We recruit nationally accepting students from all parts of the United Kingdom. Loughborough is proud of its record for the admission of students from under-represented groups. Within the limits of the statistical significance of the data, we are already meeting or close to the relevant HESA benchmarks for socio-economic group, low participation neighbourhoods, mature students and students in receipt of Disability Allowance.

Loughborough is committed to the widening participation agenda and has introduced various measures to ensure that finance does not present a barrier to students. These include:

- **The Loughborough University Bursary Scheme** – which aims to minimise the financial barriers to entry and progression, to increase the proportion of students from under-represented groups, and to increase the proportion of mature students amongst our undergraduates
- **Access to learning fund** - enables financial help to be given to full-time and part-time undergraduate and postgraduate students (home-UK only) 'whose access to further or higher education might be inhibited by financial considerations or who, for whatever reason, including physical or other disabilities, have financial difficulties associated with their living costs'
- **Internal Emergency Payment Fund** – provision of assistance to international students finding it difficult to meet unforeseen expenses
- **Non means-tested care leaver's bursary for non-mature students** – this is additional to the standard bursary scheme. The care leaver's award amounts to £1,500 for each year of study apart from a sandwich placement year in which there is no award. The award made to a student in his/her first year of study consists of £750 from the University and £750 from the Frank Buttle Trust. In subsequent years, the total cost will be met by the University. A care leaver's bursary of £320 will be available to PGCE students.

Outreach work at Loughborough is delivered through a partnership between the central widening participation unit, our Faculties, academic and student support departments and Loughborough Students' Union. We work closely with the other Leicestershire universities, within the wider framework of AimHigher. Activity has grown significantly since 2000 and to date Loughborough has mainly targeted the following:

- Local students with no family history of HE.
- Students from lower socio-economic classes and low participation neighbourhoods.
- Mature students.
- Minority Ethnic Groups.
- Looked after children.
- Students with disabilities.
- Increasing achievement and interest in mathematics, science and engineering as well as additional mathematics support for our current students.
- Using our unique reputation and facilities for sport to promote the attractiveness of higher education.

This targeting builds on our distinctive strengths whilst also placing emphasis on groups that are significantly under-represented nationally in higher education.

Enterprise

Enterprise activities channel research and knowledge from the University to the businesses, governments and other organisations. This can involve the creation of new companies, the exploitation of intellectual property via licensing, the marketing of consultancy and access to specialist equipment. Enterprise also involves the development of strategic business partnerships with industry and government agencies, knowledge transfer through people and the fostering of a campus-wide enterprise culture.

In ten years, the University has formed 29 spin-out companies and has brokered numerous licensing deals from across its research portfolio. Realising the economic value of the University's work generates new jobs, enhances the international reputation of UK research and fosters economic prosperity for the region and the UK. Through business incubation activities the University supports new businesses bringing additional employment to Loughborough. The University has nurtured a cluster of technology based companies and this has attracted other businesses to the area stimulating growth and trade. Typically these clusters reflect the research strengths of the University, for example, in low carbon energy technologies and sport.

For many smaller companies working with Loughborough's researchers can be the equivalent to having their own research department, something that would normally be prohibitively expensive. Companies and other organisations, including government, can access the University's expertise through consultancy and schemes such as Knowledge Transfer Partnerships (KTPs). Many University initiatives have strategic importance for industry. For example, working closely with regional government, the University is stimulating economic growth through activities such as the Transport iNet – a network of industry and academics which supports small to medium sized companies in the transport sector with innovative new concepts and product or service development.

The University encourages its staff and students to be enterprising in their work. Staff undertaking research that has potential for exploitation are supported with investment, specialist advice, patenting, company formation, incubation and business planning as well as incubation facilities in the Innovation Centre. A fulltime Student Enterprise Officer supports fledgling student businesses by organising workshops, mentoring, competitions and providing practical help for student start-up companies. This is one way the University helps students to prepare for self-employment as well as employment. On campus the University manages the Loughborough Innovation Centre – a first stage incubation centre for start-up companies with a technology focus. Many companies are already benefitting from being located close to the University and developing important collaborations.

One of the University's flagship spin-outs - the clean power systems company, Intelligent Energy - this year expanded its UK operation, receiving an £800,000 Grant for Business Investment from East Midlands Development Agency (*emda*) to assist the company in moving from the University's Innovation Centre to larger premises at Holywell Park on the University campus. The company also launched the zero emission Suzuki Burgman Fuel Cell Scooter, in partnership with the Suzuki Motor Corporation, and a Fuel Cell Hybrid London taxi in collaboration with Lotus Engineering, LTI Vehicles and TRW Conekt.

Loughborough University has established an international reputation for the breadth of its partnerships with business, industry and commerce. It has long-standing collaborative links with many blue chip companies including Ford, BAE Systems, Rolls Royce and JCB. In the past year a new Innovation and Research Centre has been established with Caterpillar UK.

Through the activities of campus tenants over 1,700 people not employed directly by the University are also known to work on campus. Enterprise activities are not confined to campus. Support and networking opportunities are offered throughout the region.

Approximately 80% of the knowledge we produce through research and teaching is in the public domain and not protected by patents. Additionally Knowledge Transfer Partnerships provide access to Government funding stimulating innovation through collaborative projects between Loughborough and external organisations. Knowledge and expertise is applied to important organisational problems leading to rewarding and ongoing collaborations with innovative organisations assisting strategic change in organisations.

The University's residential hotel and conferencing business, attracts companies from all over the world to Loughborough, enhancing the reputation of the town as a centre for hospitality and good service which is well connected to the rest of the world by air, road and train. Recently, Imago expanded its business to begin running a local hotel (The Link Hotel) which was closing. The hotel was purchased by the University and is

leased back to Imago. The purchase saved a number of local jobs and further enhances the University's ability to attract prestigious conferences and tourism for the area.

Graduates often settle within a fifty mile radius of their university creating a skilled workforce for local businesses and attracting new business to the area. As higher than average earners they help to raise the overall wealth of the local population and support economic growth. A significant number go on to launch companies, further adding to the economic vibrancy of the area.

The University takes its responsibilities to the economic wellbeing of the area very seriously. It adopts an active role on a number of local initiatives designed to stimulate economic development bringing to these roles research expertise and an extensive networks of contacts. The University is an active member of the Charnwood Together Board which is improving public services and promoting the economic, social and environmental wellbeing of the Borough.

Financial Review

Financial performance

The University achieved a good overall result for 2009-10, with the surplus rising to £10.663m (from £6,477m in 2008-09). This was against a difficult economic climate and included in-year cuts in Government funding.

Income

Total income rose by £16.9m to £232.7m, the increase is principally due to:

- £5.3m (9%) increase in academic fees and support grants a large part of this relating to the fourth year of variable fees.
- £6.2m (9%) relating to the additional research funding received from HEFCE.

Expenditure

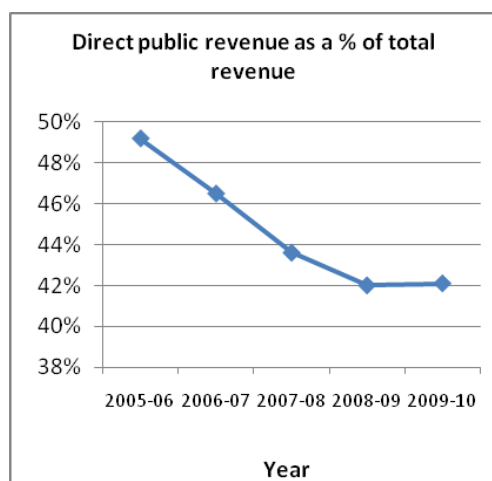
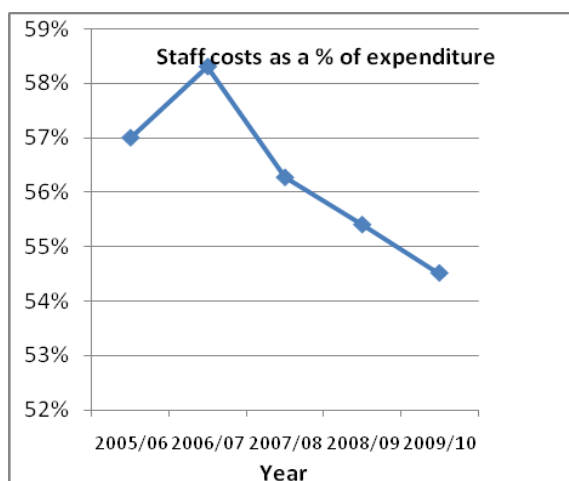
Total expenditure rose by £13.0m over the year to £222.4m, the increase principally being driven by:

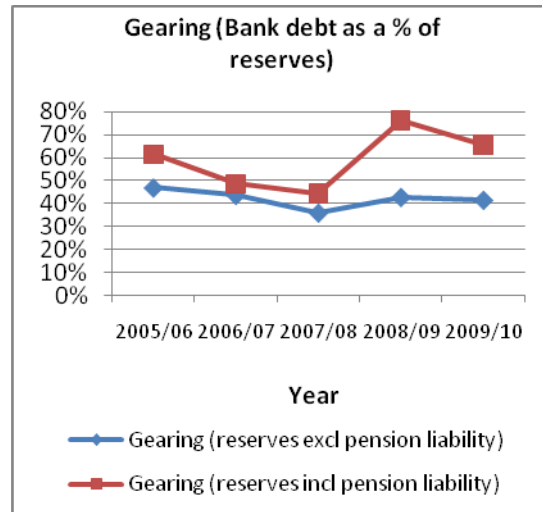
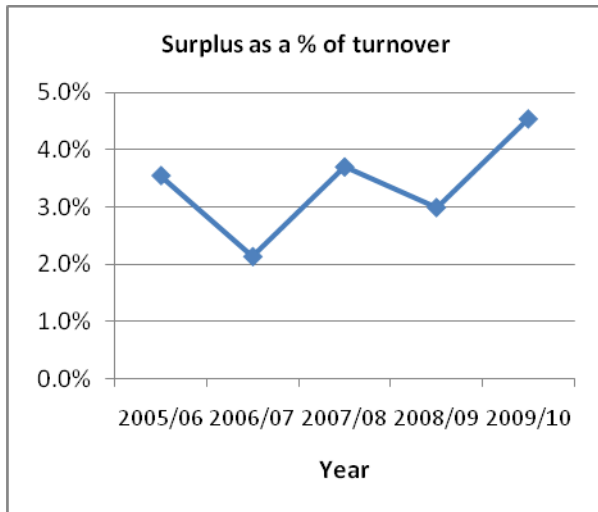
- £5.9m (5%) rise in staff costs as a result of a 0.5% nationally negotiated pay award, additional staff and a rise in employers contributions to the USS pension scheme.
- £1.5m (78%) rise in interest payable providing for interest on the pension fund deficit
- £5.9m (7%) increase in other operating expenses in line with the increases in turnover.

The key performance indicators emanate from themes within the strategic plan and are reported regularly to Council. Those relating to financial sustainability include:

- Staff costs as a percentage of total expenditure.
- Ratio of public to private revenue.
- Surplus as a percentage of turnover.
- Gearing (Bank debt as a % of reserves)

The following charts display this information over the last 5 years.





Cash flow

The University has a well developed Treasury Investment Strategy for its cash balances, dealing with requirements for availability (overnight, 7 & 30 days, 3 months etc) and counterparty risk viewed against credit ratings which are regularly reviewed. Additionally the University has fixed its interest payable on £29.0m of debt. Cash balances are currently well in excess of total debt. The University manages its cash investment portfolio in-house by placing all investments on the money market conforming to the treasury policy on levels of investments and counterparties to be used.

The University's financial strategy referred to above additionally sets minimum liquidity levels in order to ensure that sufficient financial flexibility is retained. Rolling five year forecasts are produced on an annual basis incorporating a review of the capital expenditure against the capital plan and cash generation in order that future borrowing needs are addressed on a timely basis.

There was an operating cash inflow of £31.9m for the year (2008/09 £20.5m). Cash balances increased from £7.5m to £20.1m over the year whilst long term debt increased from £42.3m to £46.0m. Currently, £14.3m of this debt is fixed at 5.1625%, £17.5m is charged at 0.19% above base rate, £9.6m is fixed at 4.725% and £4.5m is fixed at 4.68%.

Balance sheet

The University's net assets increased from £152.1m to £173.5m over the year due to retained surpluses and the increase in deferred capital grants. At the year end the University held £20.1m in cash and £43.1m in short term investments, with banks and building societies. This together with an unused loan facility of £30m is required to assist the long term capital programme.

The net current assets of the University have increased from £27k to £1.5m.

Pensions

The University operates three pension schemes. The Universities Superannuation Scheme (USS) is open to all academic members of staff and the Local government Scheme (LGPS) is open to non-academic members of staff. A small number of staff who were in the Teachers Pension Scheme on transfer to the University are entitled to remain in the scheme but this is closed to new members

On an FRS 17 valuation as at 31 July 2010 the deficit in the LGPS reduced from £43.995m to £41.634m over the year largely due to a credit of £7.2m as a result of the changes in RPI to CPI, less increasing liabilities for a fall in the discount rate and mortality assumptions. The triennial valuation of the scheme was carried out in March 2010 and as at today's date the results are not known.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary for the USS has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065m.). Compared to the previous 12 months, the funding level has improved from 74% (as at 31 March 2009) to 91%. Employer contributions in the USS rose from 14% to 16% on 1 October.

As part of the review of the Universities Superannuation Scheme (USS) to reduce future liabilities, a formal consultation with members over the changes to the scheme began on 20th October 2010 and is scheduled to end on 22nd December 2010. The proposed measures include:

- Normal pension age of 65 (existing members over 55 exempt) and this to be linked to increases in the state pension age.
- A flexible retirement scheme for members from age 55.
- Rise in employee contributions for existing members from 6.3% to 7.5%.
- Pension increases (for pensions in payment) to be inflation proofed in line with increases in the Consumer Prices Index (CPI) subject to a 5% inflationary cap.
- Benefits for new members calculated on career average revalued earnings.

Capital investment

Capital expenditure amounted to £39.3m (2008/09 £27.3m) of which £13.4m was funded from external sources. The balance was funded from internal sources and a £5m loan specifically taken out for the purchase of The Link Hotel, a modern budget hotel, together with a contribution towards the hotel's refurbishment.

The main projects include the commencement of work on the East Park design centre, refurbishment of Haslegrave, and Hazlerigg and Rutland Hall and, completion of the refurbishment of the Towers Hall (student residence) and the new bespoke sports administration hub, SportPark.

The capital plan 1 August 2010 to 2016 assumes a spend of £196m to 2016. This is expected to include the development of the University's East Park area including the new design centre and a second Health and Exercises Bio-Sciences building. The University expects to continue with the capital plan, which is necessary to ensure that the estate and infrastructure provide a quality environment for staff and students that ensures the University remains competitive in the sector, even in the face of expected reductions in public funding. This position will, of course, be under review as details of future funding become clear.

Operations Review

Staff

Staff numbers increased slightly during the year, rising from 2,761 (full time equivalents) in April 2009 to 2,814 (full time equivalents) in April 2010. This continued an upward trend, year on year, since 2001. The ability to invest in staffing is supported by careful financial management. There will, however, be challenges ahead particularly in relation to the USS and Local Government Pensions Schemes. Both schemes are likely to see significant changes, determined at national level, that will impact on the University and its staff.

The situation in respect of pay for 2010/11 has not yet been resolved following the 'failure to agree' at the national negotiations. As a consequence and also fuelled by concern over changes to the pensions schemes, it is likely that the HEI sector will face the threat of industrial action during the next year.

During 2009/10 the University has carried forward its Human Resources Implementation Plan, the strategic objectives of which are:-

- To ensure that the HR function is appropriately skilled and resourced to provide effective support to managers in the management, motivation and development of staff.
- To enhance the contribution of all staff. Provide them with effective management and leadership and assist them in achieving their full potential

- To attract and retain high calibre of staff at all levels.
- To engage effectively with individual staff and their representatives to maximise employee engagement and effective staff management.
- To promote, support and monitor diversity ensuring that it is reflected in all our policies and practices and that our staffing reflects the composition of our local community.
- To provide a safe working environment for all staff that promotes an appropriate work-life balance and supports staff well-being at work.

A key element supporting this plan has been the additional investment in Staff Development and improvement to associated policies and procedures. This additional staffing in the staff development function, together with agreed Performance and Development Review and Probation procedures for newly appointed staff are important to meeting of our commitment to maintain our position as a good employer, as well as helping to ensure that we are fully prepared to meet the challenges which lie ahead.

Corporate Responsibility

The University participates in the Universities that Count corporate responsibility benchmarking exercise being promoted to the HE sector by HEFCE. This is based on the Business in the Community (BiTC) Index. Council has adopted the index as a KPI for corporate responsibility and we are pleased to report that in 2009-10 we achieved Bronze Standard, scoring 74.5% (up from 60.7% in 2008-09).

Considerable progress has been made in the area of **environment and sustainability** during the year. A major campaign to reduce energy consumption was launched. The “It’s better OFF!” initiative reduced consumption by more than 5%, saving in excess of £100K and a significant amount of carbon emissions. More than 150 volunteer Environmental Champions helped achieve this success. The programme was Highly Commended in the Green Gown Awards and won the Carbon Positive Pioneer Award at the BiTC East Midlands Awards.

The University continues its strategy of linking its research and teaching activities in sustainability with its practices in operations and estates developments. The new SportPark building has achieved a BREAM excellent rating for its environmental performance.

Recognising its corporate **social responsibility**, the University has a strategic aim to work with the town and its local authorities to deliver an environment in which the inter-related communities of the University, the locality and the region can thrive. The University is a large organisation based in a relatively small setting and this means that its local impact, both positive and less well received, is more substantial than for many other institutions and is of considerable significance.

The University and its students continued their long-standing record of positive engagement. The Students Union volunteer scheme is called ‘Action’ and mobilized more than 1,000 student volunteers, some of whom were recognized at a well supported awards event hosted by the Mayor. Opening up the campus continues to be an important aspect of the University’s community strategy. The series of annual children’s sports camps continues to grow in popularity and there is widespread community usage of the University’s extensive world-class sporting facilities and expertise to promote sport and healthy living with the town and region.

The University’s Community Donations Fund saw its first full year of operation during 2009-10, with a total of £25,000 distributed to a wide range of local community groups and organisations. The majority of the funds are distributed in response to bids from groups, and around 30 such grants have been made this year. The balance has been awarded strategically in larger amounts following an extensive consultation process to identify areas of particular need in the local community.

In addition to formal relationships with local organisations, and underpinning many of them, are informal engagements with the community at an individual level. Members of staff in all grades are involved with voluntary work; they include magistrates, school governors, elected members of local authorities, and people engaged in a wide range of charitable, social, cultural, political and sporting activities. This enrichment of civil society in the town and region is of mutual benefit.

Sport

Loughborough University is the leading university for sport in the UK. With a partnership with the Japanese Olympic Committee already signed, the University this year also reached an agreement with British Olympic Association to be the Official Preparation Camp Headquarters for Team GB prior to the London 2012 Olympic Games. As part of the agreement many of Team GB's sports disciplines will use Loughborough's facilities for their pre-Games preparation.

Central to the University's position in sport is the University's leading place in sport science and technology research and education. This year saw the successful first year of activity for the new School of Sport Exercise and Health Sciences. This new organisational structure highlights the importance of the link between sport and health sciences and provides new opportunities to further strengthen the research portfolio. The University was the exclusive research partner for the adidas 'JABULANI' ball, which was developed in partnership with staff from the Sports Technology Institute and the Department of Aeronautical and Automotive Engineering and used at the 2010 Football World Cup in South Africa.

Long renowned for its contribution to elite level sport, the University continued to achieve on the world stage in 2009-10. It sent its largest ever contingent to the 2009 Swimming World Championships, which won five of Britain's seven medals. Loughborough swimmers also set three new world records throughout the year. University-based athletes also featured strongly in the 2009 World Athletics Championships, claiming three of Britain's six medals, and the England Women's Cricket team, which won the World Cup final in March, was helped to victory by three players from Loughborough. The same trio was also integral to England's World Twenty20 Cup victory in June.

Building on the University's continued success in sports performance, education and technology, Loughborough this year opened SportPark – a unique concept in British sport funded by the East Midlands Development Agency (emda), Sport England Lottery Fund, Leicestershire County Council, Charnwood Borough Council and the University. The £15 million facility is a purpose-built management hub, providing sports governing bodies with an environment that fosters high performance in sports administration and offers access to the University's world-leading expertise and its world-class facilities.

Alongside its elite level provision, student sport is equally important at Loughborough and the University's students this year achieved historic sporting win, picking up the British Universities and Colleges Sport (BUCS) overall trophy for the 30th year running. Loughborough was also chosen to host the 2011 UK Corporate Games, Europe's largest corporate multi-sports festival, following a successful bid by the University, Charnwood Borough Council and Leicestershire County Council.

A significant amount of time has been spent consulting with staff, students and other activity users on the campus to find new and innovative ways of engaging as many people as possible in sport and active recreation. Strategic plans include the release of outdoor grass spaces (that have previously been used for high performance sport) for informal recreational space, the development of outdoor multi-use games areas, the development of a state-of-the-art health and fitness gym and the use of space in and around the student village for informal, social recreational sport.

Future developments

Throughout the year Loughborough continued to invest, not only in its own the future, but also in society.

Having first come together in 2007 to secure the national Energy Technologies Institute for the region, the universities of Loughborough, Nottingham and Birmingham this year launched the collaborative £3m Midlands Energy Graduate School, which will help to satisfy the increasing national demand for academic and industrialists in the low-carbon energy sector. The School's graduates will make a major contribution to addressing the skills gap, by combining specialist knowledge of energy technologies with highly-developed engineering skills to put solutions into practice.

Loughborough was also named as one of the research partners (with Nottingham and Birmingham Universities and TWI) for the Manufacturing Technology Centre (MTC) being built at Ansty Park research and development site outside Coventry. A new model of collaborative partnership between industry, universities and research and technology organisations, the MTC will support UK manufacturing companies, and their supply chains, to bring about major improvements in their manufacturing competitiveness. Construction began in the first quarter of 2010 and the centre will open in early summer 2011.

The redevelopment of the East Park area of campus continued throughout the year. In April work began on the new Design Centre – a 7,760m² state-of-the-art facility for the various design disciplines at the University. The Centre will feature innovative teaching, research and lecture space, workshops, offices, studios, computer suites and a display area. Construction is anticipated to be completed by early summer 2011.

The University also expanded its facilities for local visitors and conference guests, with the purchase in January of 'The Link at Loughborough', a hotel located adjacent to the campus. Now fully refurbished, the new hotel will help to benefit the local economy and provide another valuable income generation stream for the University.

Conclusion

This review presents continued success for the University. It is clear that we will be facing different challenges over the next few years. We will need to take positive action to handle the implications of the comprehensive spending review and the accepted recommendations from the Browne report. We are operating from a strong foundation and are well placed to respond to these changes. Our strengths are those that matter to students and this gives us confidence as we enter into the new regime for Higher education.

STATEMENT OF CORPORATE GOVERNANCE

The following statement is given to assist readers of the Financial Statements to obtain an understanding of the governance procedures applied by the University Council.

The University is committed to exhibiting best practice in all aspects of Corporate Governance. This statement describes the manner in which the University has applied the principles set out in the CUC Governance Code of Practice (March 2009).

Throughout the year ended 31 July 2010, the University has been in compliance with all the Code provisions. In addition the University has had regard to the Charity Commission's guidance on public benefit.

Summary of the University's Structure of Corporate Governance

The **Council**, the governing body of the University, comprises independent, academic, non-academic and student members appointed or elected under the Statutes and Ordinances of the University, the majority of whom are non-executive. The role of Chair of the Council is separated from the role of the University's Chief Executive, the Vice-Chancellor. The Council holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from the Executive Officers on the day to day operations. Certain matters are specifically reserved for Council under the Financial Memorandum with the Higher Education Funding Council for England (HEFCE). The Council meets at least four times a year, and it is advised by the Senate on academic issues.

Both Council and Senate conduct their routine business through committees, some of which are jointly composed. The financial management of the University rests with the Operations Committee, Treasurers Committee and Performance Monitoring Group. The **Operations Committee**, comprising executive officers, has responsibility for the integration of academic, financial and physical planning and the allocation of resources to departments and sections. The Operations Committee and Performance Monitoring Group monitor the performance of faculties and business units regularly

Treasurers Committee is responsible for advising Council on both the University's financial strategy and treasury management; the committee is chaired by a non-executive member of Council on which there is a majority of independent members.

The External Auditors address their report on the Financial Statements to Council through both the **Treasurer and the Audit Committee**.

The **Audit Committee** comprises independent members of Council, who are not otherwise involved in the management of the University, and other independent persons appointed by Council. Both Internal and External Auditors report to the Audit Committee on a regular basis. The Committee considers the detailed reports together with the recommendations on the systems and controls in operation. The Committee takes account of guidance issued by the HEFCE through its Code of Practice on Accountability and Audit. The Committee appoints the Internal Auditors whilst Council appoints the External Auditors. Both Internal and External auditors have direct access to the Chair of Council, the Chair of Audit Committee and the Vice-Chancellor at any time.

The **Nominations Committee** of Council is chaired by the Chair of Council and includes lay members, academic members and the Vice-Chancellor with lay members in the majority. Its role is to make recommendations to Council on the appointment of senior lay officers (excluding the Chair of Council) and on the appointment of other lay members of Council.

The **Remuneration Committee** of Council, comprising lay members and the Vice-Chancellor (except for discussions on her own remuneration), determines the remuneration of professorial and senior administrative staff.

Internal Control

The Council, as the governing body of Loughborough University, 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 Charter and the Financial Memorandum with the HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing review process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2010 and up to the date of approval of the financial statements, and accords with HEFCE guidance. During the year the risk register was

revised to reflect the new strategic themes as detailed in the University's strategic plan to 2016. This entailed significant review of the register and supporting documents; risks have been managed according to the normal process and the usual cyclical reviews with audit committee have been completed. The Executive Leadership Team (ELT) continued to receive appropriate updates from managers but reviewed the register at one point in time.

The principal features of the University's internal control structure are:

- A comprehensive strategic and operational planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets with clear allocation of responsibilities for achievement of strategic and operational plans is reported to Council through Operations Committee, Performance Monitoring Group and Treasurers Committee. In addition the Council has adopted clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving substantial capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council. Comprehensive Financial Regulations, detailing financial controls and procedures, have been approved by the Council. Regular reviews of academic performance and financial results involving variance reporting and updates of forecast out-turns take place.

ELT is tasked with the identification, evaluation and management of risk. A risk management strategy and policy document and an organisation-wide risk register have been established. It has been agreed where the principal responsibility rests for risks identified and a control and reporting strategy which now involves annual reporting back to the ELT has been implemented for each of the significant risks.

- The Audit Committee monitors the effectiveness of control, governance, the management of risk and gain assurance on the University's arrangements to secure value for money. It receives regular reports from the Internal Auditors, and where relevant, the External Auditors. The internal audit approach reflects the increased emphasis on risk management. Periodic reports concerning internal control are received by Council from the Audit Committee. Reports on the progress on key projects and regular reports from senior management on the steps they are taking to manage risks in their area of responsibility are received by the Council and its principal committees.
- The Performance Monitoring Group, comprising of lay members and executive officers, and the Research Performance Monitoring Group which comprises of executive officers and the lay chair of council, monitor the performance of all sections of the University in the light of the University's targets set in the Strategic and Operational Plan. Both groups report to Senate and Council.

The University Council, through the Audit Committee, has reviewed the effectiveness of the system of internal control of the University and its subsidiary companies for the period covered by these financial statements. Any system of internal control can, however, only provide reasonable but not absolute assurance against material financial misstatement or loss.

Going Concern

The University Council is satisfied that the University and its subsidiary companies have adequate resources to continue in operation for the foreseeable future. The Council has reviewed the University's financial forecasts for the period to 31 July 2015, prepared under the direction of the Funding Council and on the basis of assumptions made. On that basis, Council has a reasonable expectation that the University has adequate resources to continue operations for its foreseeable future or that appropriate action to reduce expenditure can be taken. For this reason, the financial statements continue to be prepared on the going concern basis.

STATEMENT OF THE RESPONSIBILITIES OF THE COUNCIL OF LOUGHBOROUGH UNIVERSITY

The University Charter establishes Council as the Governing Body of the University, subject to other terms of the Charter and the Statutes, and its responsibility for:

1. general control over the University and all its affairs, purposes and functions.
2. the management and administration of the revenue and property of the University.
3. the custody and use of the Common Seal of the University.

The Council has identified a number of primary responsibilities arising from these general duties under the Charter, which are consistent with the functions of Council noted in Section 6 of Statute XIII:

4. 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.
5. To approve the annual budget and financial statements, 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.
6. 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.
7. To appoint the Vice-Chancellor as chief executive and principal Academic and Administrative Officer of the University, in accordance with paragraph 7. of the Charter, and to put in place suitable arrangements for monitoring his/her performance.
8. To delegate authority to the Vice-Chancellor for the appointment of University nominees to the boards of public bodies, limited companies and other institutions.
9. To establish processes to monitor and evaluate the performance and effectiveness of Council itself.
10. 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.
11. To safeguard the good name and values of the University.
12. To appoint the Secretary to Council, and to ensure that, if he/she has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.
13. To be the employing authority for all staff in the University and to be responsible for establishing a human resources strategy.
14. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, and to have overall responsibility for the University's assets, property and estate.
15. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
16. To make such provision as it thinks fit for the general welfare of students, in consultation with Senate.
17. To ensure that the University's Charter, Statutes and Ordinances are followed at all times and that appropriate advice is available to enable this to happen.

It follows from the above that the University Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and its subsidiary companies and enable it to ensure that the financial statements are prepared in accordance with the relevant parts of the Royal Charter, company

law, the Statement of Recommended Practice on Accounting for Further and Higher Education and other Accounting Standards. In addition, within the terms and conditions of the Financial Memorandum between the Higher Education Funding Council for England and the University, the latter, through its accountable officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and its subsidiary companies and of the surplus or deficit and cash flows of the University and its subsidiary companies for that year.

In preparing the financial statements, the University Council has to ensure 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
- the going concern basis is used unless it is inappropriate to presume that the University will continue in operation.

The University 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 income from the Training and Development Agency for Schools is applied for the purpose for which it has been received and in accordance with the funding agreement with the Agency
- ensure that income from the Skills Funding Agency and the Young People's Learning Agency is applied for the purpose for which it has been received and in accordance with the funding agreement with the Council
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the University and its subsidiary companies and prevent and detect fraud, and
- secure the economical, efficient and effective management of the resources and expenditure of the University and its subsidiary companies.

26 NOVEMBER 2010

**Sir Bryan Carsberg
Chair of Council**

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF LOUGHBOROUGH UNIVERSITY

We have audited the financial statements of Loughborough University for the year ended 31 July 2010 which comprise the consolidated income and expenditure accounts, the statement of consolidated total recognised gains and losses, the consolidated balance sheet, the University balance sheet, the consolidated cash flow statement, reconciliation of net cash flow to movement in net funds, and the related notes 1 to 36. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Council of the University, as a body, in accordance with the Financial Memorandum dated June 2008. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditors' 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 and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Members of the Council and auditors

The Council's responsibilities for preparing the Annual Report and the financial statements in accordance with the University's statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education and other applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of the responsibilities of the Council.

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 have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. We also report 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 income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We also report if, in our opinion, the information given in the Operating and Financial Review is not consistent with the financial statements, if the University has not kept adequate accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Operating and Financial Review as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Operating and Financial Review.

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 Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group'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:

- (a) the financial statements give a true and fair view of the state of affairs of the University and the Group as at 31 July 2010 and of the surplus of the Group for the year then ended;
- (b) the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice on Accounting for Further and Higher Education;
- (c) in all material respects income from Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2010 have been applied only for the purposes for which they were received; and
- (d) in all material respects income during the year ended 31 July 2010 has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum, dated June 2008 with the Higher Education Funding Council for England.

Deloitte LLP

Chartered Accountants and Statutory Auditors
Nottingham, UK

An audit does not provide assurance on the maintenance and integrity of the web-site, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1 Accounting Convention

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

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

2 Basis of Consolidation

The University and its subsidiaries prepare accounts to 31 July. The consolidated financial statements combine the financial statements of the University and all its subsidiary undertakings for the financial year to 31 July 2010. The individual subsidiary companies' financial statements have been prepared in accordance with the Companies Act and other relevant Accounting Standards.

The consolidated financial statements do not include the accounts of Loughborough Students Union, as it is a separate body over which the University does not have the power to exercise and nor does it exercise dominant influence. An amount of expenditure, which is included in the Consolidated Income and Expenditure Account of the University, relates to the University's contribution to Union activities.

3 Recognition of Income

Income from Specific Endowments, Donations, Research Grants and Contracts is included to the extent of recurrent expenditure incurred and depreciation charged during the year, together with any related contributions towards overhead costs. Unspent endowments are shown as Endowment Reserves on the balance sheet, whilst unspent donations, where terms require are classed as deferred income. All income from other sources is credited to the Income and Expenditure Account on an accruals basis.

4 Merger with Loughborough College of Art and Design

Loughborough College of Art and Design merged with Loughborough University on 1 August 1998. The merger was accounted for by the 'acquisition method of accounting' in order to comply with the requirements of the Financial Reporting Standard (FRS) 6, "Acquisitions and Mergers". Fair values are attributed to the net separable assets and liabilities. The benefit arising as a consequence of no consideration having been paid by the University for the net value of the assets acquired is included in the Consolidated Balance Sheet as a deduction from Tangible and Intangible Assets. The fair value of the benefit is released to the Income and Expenditure Account over the periods in which the non-monetary assets are recovered, whether through depreciation or disposals. The release is aligned with the corresponding depreciation charge relating to the assets.

5 Pension Schemes

The University participates in the Universities Superannuation Scheme (USS), the Local Government Pension Scheme (LGPS) and the Teachers' Pensions Scheme (TPS).

The USS and the TPS are defined benefit schemes which are contracted out of the State Second Pension. The institution is unable to identify its share of the underlying assets and liabilities of these schemes on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for these two schemes as if they were defined contributions schemes. As a result the amount charged to the Income and Expenditure Account represents the contributions payable to the schemes during the year.

The LGPS is a defined benefit scheme which is externally funded and contracted out of the State Second Pension Scheme. The institution is able to identify its share of the assets and liabilities of this scheme. 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. The carrying value of any resulting pension scheme asset is restricted to the extent that the University is able to recover the surplus through reduced contributions in the future or through refunds from the scheme.

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 and Expenditure Account or the statement of total recognised gains and losses in accordance with FRS17 "Retirement benefits".

The funds of the USS and LGPS are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the Schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the Schemes, and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. The TPS is valued every five years by the Government Actuary. Contributions are paid at the rate specified by the Government Actuary. It is an unfunded Scheme and contributions are made to the Exchequer.

The pension charge for the period includes an amount in respect of enhanced pension entitlements relating to specific University staff who have taken early retirement in prior years. The calculation of the cost of early retirement provisions charged to the Income and Expenditure Account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns in excess of price inflation.

A provision is made for liabilities and charges representing the extent to which the capital cost of enhanced pension entitlements charged exceeds actual payments made. The provision will be released against the cost to the University of enhanced pension entitlements over the life of each relevant employee.

6 Land and Buildings

Land and buildings are stated at cost or, in the case of buildings acquired as a result of the merger with Loughborough College of Art and Design, at valuation: the basis of valuation is depreciated replacement cost and the valuation on 31 July 1998 was performed by GVA Grimley, International Property Advisors. Land which is held freehold is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated over their estimated useful lives, which range between ten and sixty years depending on the method of construction used. Leasehold land and buildings are amortised over the life of the lease up to a maximum of sixty years. Improvements to buildings and long term maintenance projects are capitalised, where they are seen to increase the value or effective life of a building or building related plant and the value of the improvements is in excess of £50,000. Depreciation is charged from the year of completion and is calculated to write the cost off over the remaining life of the improved building or building related plant.

Where building projects are financed with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the Income and Expenditure Account over the expected useful, economic life of the building on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

7 Fixtures, fittings, plant and equipment

All such items, where the cost is less than £20,000 per individual item or group of related items, are written off in the year of acquisition. All other items are capitalised.

Items are stated at cost and depreciated over their expected useful life, as follows:

Main computer systems and equipment over £100k	- between 4 and 7 years
Motor vehicles and other general equipment	- 4 years
Equipment acquired for specific research projects	- project life (generally 3 years)
Plant, furniture and fixtures	- between 5 and 20 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and released to the Income and Expenditure Account over the expected useful, economic life of the equipment (the period of the grant in respect of specific projects).

8 Investments

Endowment asset investments are included in the Balance Sheet at market value. Fixed asset investments are included at cost. Short-term deposits are included at the lower of cost and net realisable value. Provision is made for any impairment in value of investments whether or not the impairment is expected to be permanent.

The income receivable from short-term investments includes the effects of identified reductions in value in investments (both realised and unrealised).

9 Stocks

Stocks of goods for re-sale are stated at the lower of cost and net realisable value. Stocks of consumable materials held in academic and service departments are excluded.

10 Maintenance of Premises

Actual expenditure on long-term repairs and maintenance of buildings and building-related plant below £50,000 and routine corrective maintenance is charged to the Income and Expenditure Account in the year in which it is incurred. The costs of long-term maintenance projects above £50,000 in value are capitalised with effect from 1 August 1998.

11 Foreign currency transactions

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. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

12 Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand less overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash. Liquid resources comprise assets held as a readily disposable store of value. University's treasury management activities consist of term deposits. They exclude any such assets held as endowment asset investment.

13 Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

All subsidiary companies (with the exception of Loughborough University Development Trust, which is a registered charity) are liable to Corporation tax and Value Added Tax in the same way as any other commercial organisation.

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

14 Operating lease rentals receivable

Operating lease rentals received are credited to the Income and Expenditure Account on an accruals basis over the period of the lease.

15 Leases

The costs of operating leases are charged to the Income and Expenditure Account as they accrue.

Consolidated Income and Expenditure Account

Year Ended 31 July 2010

	Note	2009/10 £'000	2008/09 £'000
INCOME			
Funding Council Grants	1	71,712	65,524
Academic Fees and Support Grants	2	64,463	59,195
Research Grants and Contracts	3	35,949	34,618
Other Income	4	60,031	55,623
Endowment and Investment Income	5	531	883
Total Income		<u>232,686</u>	<u>215,843</u>
EXPENDITURE			
Staff Costs	6	121,862	115,994
Depreciation	11	12,473	12,664
Other Operating Expenses		84,568	78,740
Interest Payable	7	3,485	1,962
Total Expenditure	8	<u>222,388</u>	<u>209,360</u>
SURPLUS ON CONTINUING OPERATIONS BEFORE DISPOSAL OF ASSETS AND TAX		10,298	6,483
Transactions relating to property		376	0
SURPLUS ON CONTINUING OPERATIONS AFTER DISPOSAL OF ASSETS BUT BEFORE TAX	9	<u>10,674</u>	<u>6,483</u>
Tax	10	(13)	28
SURPLUS ON CONTINUING OPERATIONS AFTER TAX		<u>10,661</u>	<u>6,511</u>
Transfer to/(from) accumulated income within specific endowments		2	(34)
Surplus for the year retained within reserves	23	<u>10,663</u>	<u>6,477</u>

Note: The consolidated income and expenditure account is wholly in respect of continuing operations.

Balance Sheets as at 31 July 2010

	Note	2009/10		2008/09	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Tangible Assets	11	262,401	252,466	241,630	231,722
Benefit Arising from the Acquisition of LCAD	12	(2,763)	(2,763)	(2,896)	(2,896)
Investments	13	313	8,402	313	8,452
Long-term Loans	14	231	954	210	1,168
Total fixed assets		260,182	259,059	239,257	238,446
Endowment assets	15	1,246	1,115	1,146	1,025
Stocks and Stores in Hand		218	137	169	110
Debtors:					
Due within one year	16	16,149	17,090	16,249	17,105
Due after one year	16	702	702	474	474
Short Term Deposits	17	43,055	43,005	42,055	42,005
Cash at Bank and in Hand		20,075	15,737	7,528	3,359
Total current assets		80,199	76,671	66,475	63,053
Less: Creditors - amounts falling due within one year	18	(78,673)	(76,150)	(66,448)	(64,104)
Net current assets/(liabilities)		1,526	521	27	(1,051)
Total assets less current liabilities		262,954	260,695	240,430	238,420
Less: Creditors - amounts falling due after more than one year	19	(45,978)	(45,978)	(42,287)	(42,287)
Less: Provisions for liabilities	20	(1,885)	(1,751)	(2,048)	(1,896)
NET ASSETS excluding pension liability		215,091	212,966	196,095	194,237
Pension liability	34	(41,634)	(41,634)	(43,995)	(43,995)
NET ASSETS including pension liability		173,457	171,332	152,100	150,242
Deferred Capital Grants	21	100,299	99,810	94,403	93,796
Endowments					
Expendable		422	422	376	376
Permanent		824	693	770	649
	22	1,246	1,115	1,146	1,025
Reserves excluding pension liability		113,546	112,041	100,546	99,416
Pension reserve	23,34	(41,634)	(41,634)	(43,995)	(43,995)
Reserves including pension liability	23	71,912	70,407	56,551	55,421
TOTAL		173,457	171,332	152,100	150,242

The financial statements were approved by Council and signed on its behalf by:
S PEARCE, Vice-Chancellor and Designated Officeholder
B CARSBURG, Chair of Council

26 November 2010

Statement of Consolidated Total Recognised Gains and Losses Year Ended 31 July 2010

	Note	2009/10 £'000	2008/09 £'000
SURPLUS ON CONTINUING OPERATIONS AFTER TAX		10,661	6,511
Gain/(loss) on endowment asset investments	22	85	(86)
Actuarial gain/(loss) in respect of pension scheme	34	4,777	(25,953)
Adjustment to reserves		(79)	0
New endowments	15	<u>18</u>	<u>0</u>
TOTAL RECOGNISED GAINS/(LOSSES) RELATING TO THE YEAR		15,461	(19,528)
Reconciliation			
Opening reserves and endowments		57,697	
Total recognised gains and losses for the year		15,461	
Closing reserves and endowments		<u><u>73,158</u></u>	

Consolidated Cash Flow Statement

Year ended 31 July 2010

	Notes	Year Ended 31 July 2010 £'000	Year Ended 31 July 2009 £'000
Net cash inflow from operating activities	28	31,863	20,540
Returns on investments and servicing of finance	29	(2,894)	(970)
Capital expenditure and financial investment	30	(19,563)	(15,121)
Management of liquid resources	31	(1,000)	(16,000)
Financing	32	4,138	9,388
Increase/(decrease) in cash in the year	33	<u>12,544</u>	<u>(2,163)</u>

Reconciliation of net cash flow to movement in net funds

		31 July 2010 £'000	31 July 2009 £'000
Increase/(decrease) in cash in the year		12,544	(2,163)
Change in short term deposits	31	1,000	16,000
Change in debt	32	<u>(4,138)</u>	<u>(9,388)</u>
Change in net funds		9,406	4,449
Net funds at 1 August	33	6,713	2,264
Net funds at 31 July	33	<u>16,119</u>	<u>6,713</u>

Notes to the Accounts

Year Ended 31 July 2010

1 FUNDING COUNCIL GRANTS

	2009/10 £'000	2008/09 £'000
HEFCE Recurrent:		
Teaching	39,233	39,115
Research	22,115	16,156
Other	4,431	4,650
LSC Recurrent	772	816
TDA	921	796
Deferred Capital Grants Released in Year :		
Buildings (Note 21)	1,438	1,301
Equipment (Note 21)	2,802	2,690
	<u>71,712</u>	<u>65,524</u>

2 ACADEMIC FEES AND SUPPORT GRANTS

Home Students	39,326	34,785
International Students	<u>25,137</u>	<u>24,410</u>
	<u>64,463</u>	<u>59,195</u>

3 RESEARCH GRANTS AND CONTRACTS

Research Councils and Charities	21,099	19,524
Industry and Commerce	4,966	4,459
Governmental	<u>9,884</u>	<u>10,635</u>
	<u>35,949</u>	<u>34,618</u>

Research grants and contracts income includes £898,000 (2008-09 - £517,000) in respect of the release of deferred capital grants on equipment.

4 OTHER INCOME

	2009/10 £'000	2008/09 £'000
Residences, Catering and Conferences	34,354	31,543
Other income	24,117	22,646
Benefit on acquisition of LCAD - Release to Income (Note 12)	133	133
Released from Deferred Capital Grants	<u>1,427</u>	<u>1,301</u>
	<u>60,031</u>	<u>55,623</u>

5 ENDOWMENT AND INVESTMENT INCOME

Income from Specific Endowments (Note 22)	72	51
Income from Short-term Investments	453	832
Net return on pension scheme (Note 34)	<u>6</u>	<u>0</u>
	<u>531</u>	<u>883</u>

Notes to the Accounts

Year Ended 31 July 2010

6 STAFF COSTS

	2009/10	2008/09
	£'000	£'000
Staff Costs :		
Wages and Salaries	100,513	96,605
Social Security Costs	7,331	7,288
Other Pension Costs (Note 34)	13,916	11,950
Restructuring Costs	102	151
Total	<u>121,862</u>	<u>115,994</u>

The remuneration of the Vice-Chancellor (excluding employer's pension contributions) amounted to £240,000 (2008/09 - £210,000) and is disclosed on the same basis as for higher paid staff. The University's pension contributions to the Universities Superannuation Scheme (USS) in respect of the Vice-Chancellor are on the standard basis for academic and related staff and amounted to £35,365 (2008/09 - £29,400).

Remuneration of other higher paid staff, excluding employer's pension contributions:	No.	No.
£100,000 to £109,999	10	11
£110,000 to £119,999	2	2
£120,000 to £129,999	0	1
£130,000 to £139,999	3	1
£140,000 to £149,999	1	1
£150,000 to £159,999	0	1
£160,000 to £169,999	1	1
£180,000 to £189,999	1	0

Average Staff Numbers by Major Category:

	No.	No.
Academic	673	656
Teaching and scholarship	54	59
Research	324	305
Management & Specialist	462	458
Technical	222	219
Other	1,079	1,064
	<u>2,814</u>	<u>2,761</u>

The average staff numbers, by major category, are expressed as full-time equivalents and are disclosed at a consistent date, that is at 1 April each year.

Notes to the Accounts

Year Ended 31 July 2010

7 INTEREST PAYABLE

	2009/10	2008/09
	£'000	£'000
Loans not wholly repayable within five years	1,392	1,218
Net pension charge (note 34)	<u>2,093</u>	<u>744</u>
	<u><u>3,485</u></u>	<u><u>1,962</u></u>

8 ANALYSIS OF EXPENDITURE BY ACTIVITY

	£'000	£'000
Academic Departments	85,429	84,916
Academic Services	17,324	15,234
Research Grants and Contracts	29,060	28,118
Residences, Catering and Conferences	31,105	28,013
Premises	22,871	23,049
Administration and Central Services	20,883	20,306
Other Expenses	<u>15,716</u>	<u>9,724</u>
	<u><u>222,388</u></u>	<u><u>209,360</u></u>

Notes to the Accounts

Year Ended 31 July 2010

9 SURPLUS BEFORE TAX

	2009/10 £'000	2008/09 £'000
This is stated after charging:		
External Auditors Remuneration in Respect of Audit Services (University 2009/10 - £54,000, 2008/09 - £52,000)	76	73
External Auditors Remuneration in Respect of Tax Services	7	7
Transactions relating to property	376	0
Loss on disposal of Fixed Assets	86	97
Operating Lease Rentals		
Plant & machinery	83	81
Other	181	319

No trustee has received any remuneration from the group during the year.

Travel and subsistence expenses are reimbursed to trustees incurred in attending Council, Committee meetings and Charity events in their official capacity. 19 trustees claimed a total of £14,000.

10 TAX

UK Corporation Tax credit on the profits of subsidiary companies	(5)	(6)
Deferred Tax re subsidiary company - accelerated capital allowances	<u>18</u>	<u>(22)</u>
	<u>13</u>	<u>(28)</u>

Notes to the Accounts

Year Ended 31 July 2010

11 TANGIBLE ASSETS

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Fixtures, Fittings Plant and Equipment £'000	Assets in Course of Construction £'000	Total £'000
CONSOLIDATED					
Cost:					
At 1 August 2009	208,966	51,406	50,429	23,315	334,116
Additions at cost	22,141	0	12,716	4,396	39,253
Transfer Categories	51,325	(51,406)	81	0	0
Disposals at cost	(4,756)	0	(2,745)	0	(7,501)
At 31 July 2010	<u>277,676</u>	<u>0</u>	<u>60,481</u>	<u>27,711</u>	<u>365,868</u>
Depreciation:					
At 1 August 2009	(51,094)	(6,212)	(35,180)	0	(92,486)
Charge for the year	(7,078)	0	(5,395)	0	(12,473)
Transfer Categories	(6,212)	6,212	0	0	0
Eliminated on disposals	199	0	1,293	0	1,492
At 31 July 2010	<u>(64,185)</u>	<u>0</u>	<u>(39,282)</u>	<u>0</u>	<u>(103,467)</u>
Net Book Value:					
At 31 July 2010	<u>213,491</u>	<u>0</u>	<u>21,199</u>	<u>27,711</u>	<u>262,401</u>
At 31 July 2009	<u>157,872</u>	<u>45,194</u>	<u>15,249</u>	<u>23,315</u>	<u>241,630</u>
UNIVERSITY					
Cost:					
At 1 August 2009	200,138	51,406	45,354	23,315	320,213
Additions at cost	21,898	0	12,229	4,396	38,523
Transfer Categories	51,325	(51,406)	81	0	0
Disposals at cost	(4,710)	0	(2,473)	0	(7,183)
At 31 July 2010	<u>268,651</u>	<u>0</u>	<u>55,191</u>	<u>27,711</u>	<u>351,553</u>
Depreciation:					
At 1 August 2009	(50,041)	(6,212)	(32,238)	0	(88,491)
Charge for the year	(6,859)	0	(4,925)	0	(11,784)
Transfer Categories	(6,212)	6,212	0	0	0
Eliminated on disposals	164	0	1,024	0	1,188
At 31 July 2010	<u>(62,948)</u>	<u>0</u>	<u>(36,139)</u>	<u>0</u>	<u>(99,087)</u>
Net Book Value:					
At 31 July 2010	<u>205,703</u>	<u>0</u>	<u>19,052</u>	<u>27,711</u>	<u>252,466</u>
At 31 July 2009	<u>150,097</u>	<u>45,194</u>	<u>13,116</u>	<u>23,315</u>	<u>231,722</u>

Note: Freehold and leasehold buildings with a net book value of £48m (2008/09 - £43m) and cost of £63m (2008/09 - £56m) 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 with the Higher Education Funding Council for England.

Business combination

On 29 January 2010, Loughborough University combined with the Compass Hotel. This has been accounted for as an acquisition in accordance with FRS 6.

	Freehold Land and Buildings £'000	Trading assets £'000	Total £'000
Cost	4,320	30	4,350
Fair value	4,320	30	4,350
Purchased/negative goodwill	<u>0</u>	<u>0</u>	<u>0</u>

Notes to the Accounts

For the year ended 31 July 2010

12 MERGER WITH LOUGHBOROUGH COLLEGE OF ART & DESIGN (CONSOLIDATED AND UNIVERSITY)

	£'000
Fair Value:	
At 31 July 2010 and at 1 August 2009	<u>5,565</u>
Released to Income and Expenditure Account :	
At 1 August 2009	(2,669)
Release for year (Note 4)	(133)
At 31 July 2010	<u>(2,802)</u>
Net Book Value :	
At 31 July 2010	<u>2,763</u>
At 31 July 2009	<u>2,896</u>

Note: The amortisation period is up to 60 years

13 INVESTMENTS

Consolidated	Subsidiary companies		Investments	Total
	(Note 36)	in spinouts		
	£'000	£'000	£'000	£'000
At 1 August 2009	0	65	248	313
Additions	0	0	0	0
Disposals	0	0	0	0
At 31 July 2010	<u>0</u>	<u>65</u>	<u>248</u>	<u>313</u>
University				
At 1 August 2009	8,139	65	248	8,452
Additions	0	0	0	0
Disposals	(50)	0	0	(50)
At 31 July 2010	<u>8,089</u>	<u>65</u>	<u>248</u>	<u>8,402</u>

Note: The market value of all shareholdings at 31 July 2010 is not significantly different from those values stated above.

Notes to the Accounts

Year Ended 31 July 2010

14 LONG-TERM LOANS

	2009/10		2008/09	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Loughborough Students Union	180	180	210	210
Imago @ Loughborough Ltd	0	723	0	958
Manufacturing Technology Centre Ltd	51	51	0	0
	<u>231</u>	<u>954</u>	<u>210</u>	<u>1,168</u>

Note: The loan granted to Loughborough Students Union is unsecured, interest is linked to base rate and is repayable over the period to 1 November 2015.

Note: The loan granted to Imago @ Loughborough Ltd is unsecured, interest is linked to base rate and is repayable over the period to 31 July 2012.

Note: The loan granted to the Manufacturing Technology Centre Ltd is unsecured, interest is charged at 3% and the loan and accumulated interest are repayable on the final repayment date of 31 March 2014.

15 ENDOWMENT ASSET INVESTMENTS

	2009/10		2008/09	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Balance at 1 August 2009	1,146	1,025	1,198	1,067
Additions	18	18	59	0
Disposals	0	0	(59)	0
Appreciation/(depreciation) on Revaluation	85	74	(86)	(76)
(Decrease)/increase in cash balances	(3)	(2)	34	34
Balance at 31 July 2010	<u>1,246</u>	<u>1,115</u>	<u>1,146</u>	<u>1,025</u>
Represented by:				
Quoted Unit Trusts (Unlisted)	1,068	959	965	867
Bank Balances	178	156	181	158
Total Endowment Asset Investments	<u>1,246</u>	<u>1,115</u>	<u>1,146</u>	<u>1,025</u>

Notes to the Accounts

Year Ended 31 July 2010

16 DEBTORS

	2009/10		2008/09	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Trade debtors	14,913	13,350	14,754	13,566
Prepayments and Accrued Income	1,236	1,109	1,495	1,363
Amounts due from subsidiary companies	0	2,631	0	2,176
	<u>16,149</u>	<u>17,090</u>	<u>16,249</u>	<u>17,105</u>
Amounts falling due after one year:				
Trade debtors	<u>702</u>	<u>702</u>	<u>474</u>	<u>474</u>
Total	<u>16,851</u>	<u>17,792</u>	<u>16,723</u>	<u>17,579</u>

17 SHORT TERM DEPOSITS

Short term deposits include 63,113 BTG plc ordinary shares of 10p each.

The cost of the shares was £4,722 and their market value as at 31 July 2010 was £134,431.

	2009/10		2008/09	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
	<u>43,055</u>	<u>43,005</u>	<u>42,055</u>	<u>42,005</u>

Deposits are held with banks and building societies operating in the London market and regulated by the Financial Services Authority with more than 24 hours maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2010 the weighted average interest rate of the cash and fixed rate deposits was 0.81% per annum and the weighted average period for which the interest rate is fixed was 72 days. The fair value of the deposits was not materially different from the book value.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009/10		2008/09	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured Loans (note 19)	1,210	1,210	764	764
Payments Received on Account	45,150	45,150	39,103	39,103
Trade creditors	20,350	19,476	13,251	12,758
Social Security and Other Taxation Payable	2,747	2,446	2,421	2,162
Accruals and Deferred Income	9,216	7,868	10,909	9,317
	<u>78,673</u>	<u>76,150</u>	<u>66,448</u>	<u>64,104</u>

Notes to the Accounts Year Ended 31 July 2010

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2009/10		2008/09	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loan repayable by 2035	31,862	31,862	32,495	32,495
Unsecured fixed rate loan repayable by 2039	9,621	9,621	9,792	9,792
Unsecured fixed rate loan repayable by 2020	4,495	4,495	0	0
	<u>45,978</u>	<u>45,978</u>	<u>42,287</u>	<u>42,287</u>
Analysis of unsecured loans:				
Due within one year or on demand	1,210	1,210	764	764
Due between one and two years	1,265	1,265	803	803
Due between two and five years	4,207	4,207	2,661	2,661
Due in five years or more	40,506	40,506	38,823	38,823
	<u>47,188</u>	<u>47,188</u>	<u>43,051</u>	<u>43,051</u>
Due within one year or on demand	(1,210)	(1,210)	(764)	(764)
Due after more than one year	<u>45,978</u>	<u>45,978</u>	<u>42,287</u>	<u>42,287</u>

Note on loan repayable by 2035: £14.33m reducing is fixed at a rate of 5.1625% until March 2019. Interest on the remaining value of the loan is charged at 0.19% above base rate. This loan is repayable by instalments over the period to 10 December 2035.

Note on fixed rate loan repayable by 2039: The loan is fixed at a rate of 4.4725% for the term. The loan is repayable by instalments over the period to 7 February 2039.

Note on fixed rate loan repayable by 2020: The loan is fixed at a rate of 4.68% for the term. The loan is repayable by instalments over the period to 30 March 2020.

20 PROVISIONS FOR LIABILITIES

CONSOLIDATED

	Deferred tax	Premature Retirement Compensation	Pension enhancements on Retirement	Total
	£'000	£'000	£'000	£'000
At 1 August 2009	152	141	1,755	2,048
Utilised in year	0	(141)	(76)	(217)
Transfer from Income and Expenditure Account	(18)	18	54	54
At 31 July 2010	<u>134</u>	<u>18</u>	<u>1,733</u>	<u>1,885</u>

The deferred tax relates to accelerated capital allowances for one of the subsidiary companies

UNIVERSITY

	Premature Retirement Compensation	Pension enhancements on Retirement	Total
	£'000	£'000	£'000
At 1 August 2009	141	1,755	1,896
Utilised in year	(141)	(76)	(217)
Transfer from Income and Expenditure Account	18	54	72
At 31 July 2010	<u>18</u>	<u>1,733</u>	<u>1,751</u>

Note: The assumptions for calculating the Provision for Enhanced Pension Costs under Financial Reporting Standard (FRS) 17, Retirement Benefits, are as follows:

	31 July 2010	31 July 2009
Discount Rate	5.4%	6.0%
Inflation	<u>6.9%</u>	<u>3.7%</u>

Notes to the Accounts

Year Ended 31 July 2010

21 DEFERRED CAPITAL GRANTS

CONSOLIDATED	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2009:			
Buildings	42,525	36,949	79,474
Equipment	8,755	6,174	14,929
Total	<u>51,280</u>	<u>43,123</u>	<u>94,403</u>
Cash Receivable:			
Buildings	6,859	1,782	8,641
Equipment	2,699	2,064	4,763
Total	<u>9,558</u>	<u>3,846</u>	<u>13,404</u>
Released to Income and Expenditure:			
Buildings	(1,438)	(1,383)	(2,821)
Equipment	(2,802)	(1,885)	(4,687)
Total	<u>(4,240)</u>	<u>(3,268)</u>	<u>(7,508)</u>
At 31 July 2010:			
Buildings	47,946	37,348	85,294
Equipment	8,652	6,353	15,005
Total	<u>56,598</u>	<u>43,701</u>	<u>100,299</u>
UNIVERSITY	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2009:			
Buildings	42,525	36,342	78,867
Equipment	8,755	6,174	14,929
Total	<u>51,280</u>	<u>42,516</u>	<u>93,796</u>
* Cash Receivable:			
Buildings	6,859	1,891	8,750
Equipment	2,699	2,064	4,763
Total	<u>9,558</u>	<u>3,955</u>	<u>13,513</u>
Released to Income and Expenditure:			
Buildings	(1,438)	(1,374)	(2,812)
Equipment	(2,802)	(1,885)	(4,687)
Total	<u>(4,240)</u>	<u>(3,259)</u>	<u>(7,499)</u>
At 31 July 2010:			
Buildings	47,946	36,859	84,805
Equipment	8,652	6,353	15,005
Total	<u>56,598</u>	<u>43,212</u>	<u>99,810</u>

Notes to the Accounts

Year Ended 31 July 2010

22 ENDOWMENTS (CONSOLIDATED AND UNIVERSITY)

Consolidated

	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2010 Total £'000	2009 Total £'000
Balances at 1 August 2009					
Capital	641	641	324	965	1,051
Accumulated income	129	129	52	181	147
	<u>770</u>	<u>770</u>	<u>376</u>	<u>1,146</u>	<u>1,198</u>
New endowments	4	4	14	18	0
Investment income	26	26	46	72	51
Expenditure	(33)	(33)	(42)	(75)	(17)
	<u>(3)</u>	<u>(3)</u>	<u>18</u>	<u>15</u>	<u>34</u>
Transfer to endowments	0	0	0	0	0
Increase/(decrease) in market value of investments	57	57	28	85	(86)
At 31 July 2010	<u>824</u>	<u>824</u>	<u>422</u>	<u>1,246</u>	<u>1,146</u>
Represented by:					
Capital	702	702	366	1,068	965
Accumulated income	122	122	56	178	181
	<u>824</u>	<u>824</u>	<u>422</u>	<u>1,246</u>	<u>1,146</u>

University

	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2010 Total £'000	2009 Total £'000
Balances at 1 August 2009					
Capital	543	543	324	867	943
Accumulated income	106	106	52	158	124
	<u>649</u>	<u>649</u>	<u>376</u>	<u>1,025</u>	<u>1,067</u>
(Redeemed)/new endowments	4	4	14	18	0
Investment income	26	26	46	72	46
Expenditure	(32)	(32)	(42)	(74)	(12)
	<u>(2)</u>	<u>(6)</u>	<u>18</u>	<u>(2)</u>	<u>34</u>
Increase/(decrease) in market value of investments	46	46	28	74	(76)
At 31 July 2010	<u>693</u>	<u>693</u>	<u>422</u>	<u>1,115</u>	<u>1,025</u>
Represented by:					
Capital	593	593	366	959	867
Accumulated income	100	100	56	156	158
	<u>693</u>	<u>693</u>	<u>422</u>	<u>1,115</u>	<u>1,025</u>

Within the above figures, there are three Endowed Funds worth over £100k:

The American Aid Industrial Fund had a closing balance of £224k, including £22k in cash. The fund supports the provision of Industrial Engineering education.

The John S Webber Memorial Fund had a closing balance of £193k, including £56k in cash. The fund supports the furtherance of research in Automotive Engineering.

The Davis-Swindin Memorial Lecture Fund had a closing balance of £148k, including £21k in cash. The fund supports lectures in Chemical Engineering at the University.

Notes to the Accounts

Year Ended 31 July 2010

23 RESERVES

Income and expenditure account including pension reserve

	2009/10		2008/09	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
At 1 August	56,551	55,421	76,027	74,840
Surplus retained for the year	10,663	10,288	6,477	6,534
Adjustment to reserves	(79)	(79)	0	0
Actuarial gain/(loss)	4,777	4,777	(25,953)	(25,953)
At 31 July	<u>71,912</u>	<u>70,407</u>	<u>56,551</u>	<u>55,421</u>

Pension reserve only

At 1 August	(43,995)	(43,995)	(17,599)	(17,599)
Actuarial gain/(loss)	4,777	4,777	(25,953)	(25,953)
Deficit within reserves	(2,416)	(2,416)	(443)	(443)
At 31 July	<u>(41,634)</u>	<u>(41,634)</u>	<u>(43,995)</u>	<u>(43,995)</u>

24 LEASE OBLIGATIONS

	2009/10		2008/09	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Land and Buildings				
Annual, non-cancellable operating lease commitments in respect of leases expiring:				
Over five years	83	83	81	81
	<u>83</u>	<u>83</u>	<u>81</u>	<u>81</u>
Other				
Annual, non-cancellable operating lease commitments in respect of leases expiring:				
Within one year	69	20	18	0
Between one and two years	29	14	123	105
Between two and five years	217	148	178	99
Over five years	7	0	0	0
	<u>322</u>	<u>182</u>	<u>319</u>	<u>204</u>

Notes to the Accounts

Year Ended 31 July 2010

25 CAPITAL COMMITMENTS

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

	2009/10		2008/09	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted	25,921	25,921	8,592	8,290
Authorised but not contracted	11,136	11,136	15,629	15,629
	<u>37,057</u>	<u>37,057</u>	<u>24,221</u>	<u>23,919</u>

26 CONTINGENT LIABILITIES

Note: The University has given written undertakings to support the subsidiary companies for at least the next twelve months from the date of approval of the financial statements.

27 HARDSHIP FUNDS (CONSOLIDATED AND UNIVERSITY)

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Income:				
Excess of Income over Expenditure Brought Forward	23		22	
Funding Council Grants	187		210	
Interest Earned	<u>0</u>	210	<u>1</u>	233
Expenditure:				
Disbursed to Students	(192)		(199)	
Fund Running Costs	<u>(6)</u>	(198)	<u>(11)</u>	(210)
Excess of Income over Expenditure Carried Forward		<u>12</u>		<u>23</u>

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

Notes to the Accounts

Year Ended 31 July 2010

28 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Note	2009/10	2008/09
		£'000	£'000
Surplus Before Tax and exceptional items		10,298	6,483
Depreciation	11	12,473	12,664
Benefit on Acquisition of LCAD released to Income	12	(133)	(133)
Deferred Capital Grants released to Income	21	(7,508)	(6,249)
Deferred capital grants released relating to asset disposal		928	
Investment Income	5	(531)	(883)
Interest Payable	7	3,485	1,962
(Increase)/decrease in Stocks		(49)	5
Increase in Debtors		(161)	(588)
Increase in Creditors		10,046	6,726
Decrease in provision		(163)	(4)
Pension costs less contributions payable		2,416	443
Endowment Expenditure Adjustment		75	17
Loss on disposal of fixed assets		86	97
Transactions relating to property		601	0
NET CASH INFLOW FROM OPERATING ACTIVITIES		<u>31,863</u>	<u>20,540</u>

29 Returns on Investment and Servicing of Finance

Income from Endowments	22	72	51
Other Interest received		492	967
Interest Paid		<u>(3,458)</u>	<u>(1,988)</u>
		<u>(2,894)</u>	<u>(970)</u>

30 Capital Expenditure and Financial Investment

Payments made to acquire fixed assets		(33,276)	(28,665)
Payment made to acquire Link Hotel		(4,350)	0
Proceeds from sales of fixed assets		4,755	0
Fixed Asset Investment Additions		0	(34)
Net disposals of endowments		(75)	(17)
Changes in long term Loans		(21)	30
Deferred Capital Grants Received	21	13,404	7,502
Deferred Capital Grants Received in Deferred Income		0	6,063
		<u>(19,563)</u>	<u>(15,121)</u>

31 Management of Liquid Resources

Withdrawals of deposits		<u>(1,000)</u>	<u>(16,000)</u>
		<u>(1,000)</u>	<u>(16,000)</u>

32 Financing

New Loan		5,000	10,000
Capital repayments on all loans		<u>(862)</u>	<u>(612)</u>
		<u>4,138</u>	<u>9,388</u>

Notes to the Accounts

Year Ended 31 July 2010

33 ANALYSIS OF CHANGES IN NET FUNDS

	At 1st August 2009	Cash Flows	Other Non-Cash Changes	At 31st July 2010
	£'000	£'000	£'000	£'000
Cash at Bank and In Hand :				
Endowment Assets	181	(3)	0	178
Other	7,528	12,547	0	20,075
	<u>7,709</u>	<u>12,544</u>	<u>0</u>	<u>20,253</u>
Short Term Investments	42,055	1,000	0	43,055
Debts Due Within One Year	(764)	862	(1,308)	(1,210)
Debts Due After One Year	(42,287)	(5,000)	1,308	(45,979)
	<u>6,713</u>	<u>9,406</u>	<u>0</u>	<u>16,119</u>

Notes to the Accounts

34 PENSION SCHEMES

The two principal pension schemes for the Institution's staff are the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS). Also for academic staff employed by Loughborough University, contributions are paid to the Teachers' Pension Scheme (TPS).

The total pension cost for the Institution and its subsidiaries was:

	2009/10	2008/09
	£'000	£'000
USS contributions paid	10,363	8,986
LGPS charge to the Income & Expenditure account	3,439	2,840
TPS contributions paid	114	123
Contributions paid to other pension schemes	<u>0</u>	<u>1</u>
Total Pension Cost (Note 6)	13,916	11,950
Outstanding Pension Contributions at 31 July	1,673	1,518

The assumptions and other data relevant to the determination of the contribution levels of the Schemes are as follows:

	USS	LGPS	TPS
Latest actuarial valuation	31 March 2008	31 March 2007	1 January 2007
Investment returns per annum	6.40%	4.50%	6.50%
Salary scale increase per annum	4.30%	4.70%	3.50%
Pension increase per annum	3.30%	3.20%	3.50%
Market value of assets at date of last valuation	£28,843m	£2,179m	£163,240m
Proportion of members' accrued benefits covered by the actuarial value of the assets (Technical Provision)	103%	93%	100%

Teachers' Pension Scheme

TPS is valued every year by the Government Actuary. Contributions are paid by the Institution at the rate specified. The Scheme is unfunded and contributions are made to the Exchequer. The payments from the Scheme are made from funds voted by Parliament. The contribution rate payable by the employer was increased to 14.1% of pensionable salaries from 1 January 2007 and will be capped for 3 years.

Under the definitions set out in Financial Reporting Standard 17 "Retirement benefits" (FRS 17), the TPS is a multi-employer defined benefit pension scheme. The Institution is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the Institution has taken advantage of the exemption in FRS 17 and has accounted for its contributions as if it were a defined contribution scheme.

Notes to the Accounts

Universities Superannuation Scheme

Under the definitions set out in FRS 17, the USS is a multi-employer defined benefit pension scheme. The Institution is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the Institution has taken advantage of the exemption in FRS 17 and has accounted for its contributions as if it were a defined contribution scheme.

USS is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the USS actuary reviews the progress of the USS scheme.

The contribution rate payable by the Institution to USS is 16% of pensionable salaries (14% to 30 September 2009). The last triennial actuarial valuation of the scheme was at 31 March 2008 at which time the assets were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings. In particular, the contribution rate recommended following the 2008 valuation has regard to the surplus disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread surplus in a prudent manner over the future working lifetime of current scheme members.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

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

Local Government Pension Scheme

LGPS is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the LGPS actuary reviews the progress of the LGPS scheme.

For LGPS, the actuary has indicated in the 2007 valuation that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS Regulations. As a result of that valuation, the contribution rates payable by employees and employers were increased from April 2008. Eight new contribution rates were introduced based on salary bands, with the employer's rate increasing to 250% of the employees' contributions. The average employer's rate is 16.25%.

Under the definitions set out in FRS 17, the LGPS is a multi-employer defined benefit pension scheme. In the case of the LGPS, the actuary of the scheme has identified the Institution's share of its assets and liabilities as at 31 July 2010

The pension scheme assets are held in a separate Trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the Scheme after consultation with professional advisers.

Notes to the Accounts

A full actuarial valuation was carried out at 31 March 2007 and updated to 31 July 2010 on an FRS 17 basis by a qualified independent actuary. The material assumptions used by the actuary at 31 July 2010 were:

	2009/10	2008/09
	%	%
Price increases	2.9	3.7
Salary increases	4.9	5.2
Pension increases	2.9	3.7
Discount rate	5.4	6.0

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

	Males	Females
	%	%
Current pensioners	20.8 years	24.1 years
Future pensioners	22.3 years	25.7 years

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

	2009/10		2008/09		2007/08	
	LONG – TERM RETURN %	FUND VALUE £'000	LONG –TERM RETURN %	FUND VALUE £'000	LONG –TERM RETURN %	FUND VALUE £'000
Equities	7.3	57,284	7.3	48,419	7.8	53,686
Bonds	5.3	5,012	5.3	5,516	5.7	5,932
Property	5.3	8,593	5.3	5,516	5.7	8,359
Cash	4.3	716	4.3	1,839	4.8	2,120
		<u>71,605</u>		<u>61,290</u>		<u>70,097</u>

Notes to the Accounts

The following amounts at 31 July 2010 were measured in accordance with the requirements of FRS 17.

Analysis of the amount shown in the balance sheet	2009/10	2008/09
	£'000	£'000
The Institution's estimated asset share	71,605	61,290
Present value of the Institution's scheme liabilities	(113,239)	(105,285)
Deficit in the scheme - Net pension liability	<u>(41,634)</u>	<u>(43,995)</u>
Analysis of the amount charged to staff costs within operating surplus	2009/10	2008/09
	£'000	£'000
Current service cost	3,389	2,686
Past service cost	0	50
Settlements and curtailments	50	104
Total operating charge	<u>3,439</u>	<u>2,840</u>
Analysis of the amount that is charged to interest payable	2009/10	2008/09
	£'000	£'000
Expected return on pension scheme assets	4,271	5,169
Interest on pension scheme liabilities	(6,364)	(5,913)
Net return/(charge)	<u>(2,093)</u>	<u>(744)</u>
	2009/10	2008/09
	£'000	£'000
Actuarial gain/(loss) recognised in STRGL	<u>4,777</u>	<u>(25,953)</u>
Movement in deficit in the year	2009/10	2008/09
	£'000	£'000
Deficit in scheme at beginning of the year	(43,995)	(17,599)
Movement in the year:		
Current service costs	(3,389)	(2,686)
Contributions	3,116	3,141
Past service costs	0	(50)
Net return on assets	(2,093)	(744)
Impact of settlements and curtailments	(50)	(104)
Actuarial gain/(loss)	4,777	(25,953)
Deficit in the scheme at the end of the year	<u>(41,634)</u>	<u>(43,995)</u>

Notes to the Accounts

Analysis of the movement in the present value of scheme liabilities	2009/10	2008/09
	£'000	£'000
At beginning of the year	105,285	87,696
Current service cost	3,389	2,686
Interest costs	6,364	5,913
Contributions by members	1,239	1,199
Actuarial losses	19	10,537
Past service costs *	0	50
Losses on curtailments	50	104
Liabilities extinguished on settlements	0	0
Estimated benefits paid	(3,107)	(2,900)
At end of the year	<u>113,239</u>	<u>105,285</u>

Analysis of movement in the fair value of scheme assets	2009/10	2008/09
	£'000	£'000
At beginning of the year	61,290	70,097
Expected return on assets	4,271	5,169
Contributions by members	1,239	1,199
Contributions by the employer	3,116	3,141
Actuarial gains/(losses)	4,796	(15,416)
Assets distributed on settlements	0	0
Estimated benefits paid	(3,107)	(2,900)
At end of the year	<u>71,605</u>	<u>61,290</u>

History of experience gains and losses	2009/10	2008/09	2007/08	2006/07	2005/06
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligations	(113,239)	(105,285)	(87,696)	(82,935)	(93,688)
Fair value of scheme assets	71,605	61,290	70,097	74,170	76,177
Surplus/(deficit) in the scheme	<u>(41,634)</u>	<u>(43,995)</u>	<u>(17,599)</u>	<u>(8,765)</u>	<u>(17,511)</u>
Experience adjustments on scheme liabilities Amount (£000)	0	0	(2,057)	32	1
Percentage of scheme liabilities %	<u>0.00</u>	<u>0.00</u>	<u>(2.30)</u>	<u>0.00</u>	<u>0.00</u>
Experience adjustments on scheme assets Amount £'000	4,796	(15,416)	(9,463)	4,250	4,388
Percentage of scheme liabilities %	<u>6.70</u>	<u>(25.25)</u>	<u>(13.50)</u>	<u>5.70</u>	<u>5.80</u>

Defined benefit scheme assets do not include any of the institution's own financial instruments, or any property occupied by the institution. The estimate for the contribution for the defined benefit scheme for 2010/11 is £3,000,000. The actual gain/(loss) on scheme assets in the year was £9,067,000 and for 2009 was (£10,247,000).

* This relates to the changes in assumption of retirement benefits from RPI to CPI.

The Government has announced (originally at the Emergency Budget on 22 June 2010) that it intends to change the inflation rate used for determination of pension increases from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) for certain public sector schemes.

Loughborough University's LGPS scheme is a public sector scheme (local government) and thus does increase pensions in line with the Pensions (Increase) Act 1971. This has led to a £7.2 million actuarial gain in relation to this change which contributes to the overall actuarial gain of £4.777m million shown in the STRGL. The applicability of CPI has been confirmed by the actuary

Notes to the Accounts

For the year ended 31 July 2010

35 DISCLOSURE OF RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the compositions of the Council being drawn from local public and private sector organisations, it is inevitable that transactions will take place between the University and with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest, including those identified below, are conducted at arms' length and in accordance with the University's Financial Regulations and usual procurement procedures.

	Income £'000	Expenditure £'000	Balances as at 31.7.10 due to the University £'000
Members of Council			
Prof N Halliwell as Governor of Loughborough College	173	121	(3)
R Hulme as President of Loughborough Students Union	261	1,089	(23)
J Morgado as Vice President of Loughborough Students Union	261	1,089	(23)
J Mutton as Principal of Loughborough College	173	121	(3)
S Pearce as member of the Board of Trustees for the Youth Sport Trust	560	12	(75)
Member of Executive Leadership Team			
S W Spinks as member of the Board of Trustees of Loughborough Students Union	261	1,089	(23)
Member of Executive Management Group			
P Richards as Director of the East Midlands Metropolitan Area Network Limited	196	59	0

During the financial year 2009-10, £14,000 (rounded to the nearest £1,000) of expenses were paid to or on behalf of the trustees (being members of council) as a whole. The expenses included hotel, travel and subsistence costs. There were 19 trustees involved.

The University has taken advantage of the exemption allowed by Financial Reporting Standard 8 not to disclose transactions between group companies.

The University Officers and Members of Council have used the catering, sporting and other facilities of the University on terms which are available to all members of University staff.

Related party transactions with University spinout companies have not been disclosed as they are not material.

Notes to the Accounts

For the year ended 31 July 2010

36 SUBSIDIARY COMPANIES

The subsidiary companies (all of which are registered in England & Wales), wholly-owned by the University, are as follows:

Company	Principal Activity
Loughborough University Enterprises Ltd	Marketing of the expertise and facilities of the University in applicable specialist areas.
CASCAiD Ltd	Production and sale of computer-aided careers guidance
Imago @ Loughborough Ltd	Management of conference and related commercial facilities
Loughborough Sport Ltd	Management of sports facilities
Loughborough University Services Ltd	Provision of utility and other services
Loughborough University Development Trust	Promotion of the charitable purposes of the University
Loughborough Innovation Centre Ltd	Letting of premises to business start-up companies
Campuslife Ltd	Production of student information films (commenced trading 1 November 2008)

Supplementary Information to the Accounts

Consolidated Five Year Results

INCOME AND EXPENDITURE ACCOUNT

	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000	2005/06 £'000
Income	232,686	215,843	200,264	177,153	*166,105
Expenditure	(222,388)	(209,360)	(193,085)	(170,594)	(160,699)
Surplus For The Year Retained Within Reserves	10,663	6,477	7,438	3,795	5,908

BALANCE SHEET

	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000	2005/06 £'000
Fixed Assets and Investments	260,182	239,257	224,605	209,690	192,814
Endowment Assets	1,246	1,146	1,198	2,177	1,434
Net Current (Liabilities)/Assets	1,526	27	(2,683)	(5,029)	(2,115)
Less Amounts Due After More Than One Year:					
Creditors Due After More Than One Year	(45,978)	(42,287)	(33,094)	(33,663)	(34,191)
Provisions	(1,885)	(2,048)	(2,052)	(2,049)	(2,106)
Pension liability	(41,634)	(43,995)	(17,599)	(8,765)	(17,511)
Total Net Assets	173,457	152,100	170,375	162,361	138,325
Represented by:					
Deferred Capital Grants	100,299	94,403	93,150	89,765	80,142
Specific Endowments	1,246	1,146	1,198	2,177	1,434
Reserves	113,546	100,546	93,626	79,184	74,260
Pension reserve	(41,634)	(43,995)	(17,599)	(8,765)	(17,511)
Total	173,457	152,100	170,375	162,361	138,325

CASH FLOW STATEMENT

	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000	2005/06 £'000
Net Cash Inflow from Operating Activities	31,863	20,540	13,569	17,382	19,050
Returns on Investment and Servicing of Finance	(2,894)	(970)	212	162	(353)
Taxation	0	0	0	(4)	(46)
Capital Expenditure and Financial Investment	(19,563)	(15,121)	(12,195)	(15,692)	(13,705)
Management of Liquid Resources	(1,000)	(16,000)	663	(1,642)	7,139
Financing	4,138	9,388	(541)	(528)	(18,383)
Increase/(decrease) In Cash Balances	12,544	(2,163)	1,708	(322)	(6,298)

*Income in 2005/06 has not been restated for the impact of the prior year adjustment made in 2008/09 of £6,035. This arose from a change in accounting treatment of deferred capital grants following the issue of the SORP in 2008.