

FINANCIAL STATEMENTS

2013-14

Operating & Financial Review

Our Annual Review for 2013-14, published separately, highlights a selection of our achievements and developments from the year.

We have enjoyed continued research success, achieving significant growth in grant income and becoming the lead or a partner in a number of new Centres for Doctoral Training. Our proposals to enhance the Loughborough University Science and Enterprise Parks have attracted significant investment and our plans for a second campus on the Queen Elizabeth Olympic Park in London are going from strength to strength.

We were awarded our seventh Queen's Anniversary Prize for Higher & Further Education and were named University of the Year for Sport by The Times and Sunday Times. Our sporting prestige was further enhanced by our athletes' performance at the Glasgow Commonwealth Games, where we won 35 medals. Had Loughborough been a country it would have finished 10th in the table ahead of countries such as Kenya and Jamaica; a truly outstanding achievement.

Our student recruitment for 2013-14 was strong, with increases in both UK/EU and international numbers, and our undergraduate applications for 2014-15 increased by 15% on the previous year, compared with a rise of just 4% nationally.

In the Government's autumn statement in 2013, it was announced that Universities would next year be able to admit an additional 30,000 students and from 2015-16 the cap on numbers would be lifted completely. The higher education environment is changing rapidly and we have considered these and other external factors carefully as we set out our strategic plan for Loughborough's development over the coming decade.

The development this year of our long term vision also gave us the opportunity to reflect on the progress we have made since the introduction of our previous strategy in 2006.

We have an outstanding reputation for the relevance of our research. We are among the world's leaders in a diverse range of areas, from sport, health and exercise to engineering, technology and child welfare policy, and our work has led to changes in industrial practice and brought improvements to the quality of people's lives.

The Witty Review, published in October 2013, considered the vital contribution that UK Universities make to economic growth, highlighting the need for them to work with business, and I believe that Loughborough is well-placed to deliver this key agenda. We have a strong record of working in partnership with industry, with long-standing collaborative links with companies of all sizes. Our campus is also home to a growing number of entrepreneurs and burgeoning businesses, who frequently win national and international prizes.

One of Loughborough's distinctive features is the irrefutable link between our research and teaching. Our aim as part of the Loughborough experience is to equip our students for every aspect of their life and career, and employers are invariably impressed by the energy, enthusiasm and competitiveness that Loughborough students demonstrate.

Our students past and present, our staff and campus-based partners are at the heart of all we do, and in developing our strategy we consulted widely, with people and organisations both within and outside the University. We wanted to take into account what they considered Loughborough's priorities and goals should be for the next phase of our development. As a result, our strategy has been shaped by those who will play an important part in delivering it.

Entitled *Building Excellence*, our strategy focuses on four central pillars – investing in our staff, educating for success, growing capacity and influence, and raising standards and aspiration. We have centred our 2013-14 annual review around these themes, with our core activities of research, teaching, enterprise and sport embedded in each.

Our strategy was launched at the House of Commons in April 2014 at an event hosted by our local MP, Nicky Morgan, now Secretary of State for Education. Speaking at the event, David Willetts, then Minister of State for Universities and Science, complimented us on our pre-eminent position in engineering, our sporting prowess and the close working relationship between the University and Students' Union, which from his perspective is one of the best in the country.

We are indeed fortunate to have such a rewarding partnership with our students' union. Their contribution to the development of the University, the Loughborough student experience and local, national and international life is second to none. Their fundraising through Rag is an achievement of which many national charities would be proud; their volunteering efforts make a huge difference to people's lives; and of course their success in the British Universities and Colleges Sport championship is unprecedented.

Sport is firmly embedded in Loughborough's heritage and I believe its ethos lies at the core of much of what we do. There's an atmosphere of determination on campus and a will to succeed that pervades all our activities – it is an environment that motivates everyone to be the very best they can be.

Investing in our staff

We will be an outstanding employer, supporting our staff to achieve their full potential through development opportunities. We will recognise excellence and achievement through performance and reward mechanisms and ensure that all staff are empowered to operate at their highest levels.

We will maintain a staffing profile that allows us to enhance our centres of research excellence and enrich the academic student experience we offer. By attracting the highest quality staff and maintaining the best possible student staff ratios, we will provide our students with a dynamic learning environment.

In spring the University appointed a new wave of clinical academics to drive forward research that will translate Loughborough's sport and exercise knowledge into patient care. Professor Michael Steiner, a consultant respiratory physician, and Dr Patrick Wheeler, a sports and exercise consultant, from the University Hospitals of Leicester NHS Trust are the first clinicians to take up posts at the University under the 'exercise is medicine' agenda.

The posts were funded through the Higher Education Funding Council (HEFCE) Catalyst Fund and will support the work of the Loughborough-based National Centre for Sport and Exercise Medicine.

New professorial appointments were also made to lead key subject areas at Loughborough University in London. Ahmet Kondozi joined Loughborough, from the University of Surrey, as Professor of Digital Technologies and Director of the Institute for Digital Technologies, and James Skinner was made Professor of Sport Management and Director of the Institute for Sport Business, joining Loughborough from Griffith University in Australia.

Ensuring staff reach their full potential is a key priority and this year the University applied for renewal of its institutional Athena SWAN Bronze Award, which it has held since 2009. Loughborough Design School also made its first application for Silver Award accreditation.

The Athena SWAN Charter is a national awards scheme which recognises commitment to advancing women's careers in science, technology, engineering, maths and medicine (STEMM) in academia and in May Loughborough researchers revealed the findings of their independent evaluation of the scheme's benefits.

Commissioned by the Equality Challenge Unit, the researchers concluded that the scheme has a positive impact, advancing gender equality and changing the working culture and attitudes within participating departments and Universities. In STEMM departments that hold an Athena SWAN award, there is less gender bias, better career satisfaction for both men and women, and greater progress in addressing unequal representation.

As part of Loughborough's commitment to Athena SWAN, the University this year launched a new lecture series, with renowned space scientist Dr Maggie Aderin-Pocock giving the inaugural presentation to a packed audience on how to achieve change in female representation within STEMM subjects. The lecture series has been named after Claudia Parsons – a graduate of the University's predecessor college, who was one of the first women to receive a diploma in Automobile Engineering in 1922 and the first woman to circumnavigate the world by car.

Inspiring excellence in performance is a theme within the ILM (Institute of Leadership Management) Level 5 Certificate in Leadership and Management and 2014 saw Loughborough's first group of staff complete the course. The Certificate, which is tailored specifically to the University, is aimed at practising managers who want to gain a recognised qualification and is equivalent to a foundation degree.

Staff also gained external recognition for their teaching endeavours. Dr Peter Willmot from the School of Mechanical and Manufacturing Engineering was awarded a National Teaching Fellowship by the Higher Education Academy (HEA), which support individuals' professional development. Dr Willmot's primary interest lies in the development of activity-based learning methods to enhance student engagement. He was the founder of the international award-winning Web-PA online peer assessment project, which allows students to grade the performance of other students working in their group.

Two other staff – Professor Jo Bullard from the School of Social, Political and Geographical Sciences and Professor Jim Chandler from the School of Civil and Building Engineering – also achieved an HEA first for Loughborough, when they became the University's first HEA Senior Teaching Fellows.

Educating for success

We will develop our students as individuals, enhancing their capabilities as creative, confident and adaptable 21st Century citizens who will make a significant contribution to global society.

Loughborough University in London will facilitate the expansion of our postgraduate population. Under the current fee regime, we will maintain our undergraduate numbers but review our approach should Government policy change.

Plans for Loughborough University in London, which will open in 2015, continued to progress throughout the year. The new campus will complement and expand Loughborough's existing academic postgraduate provision, enabling the University to further its world-leading research and innovation activities.

The first 14 programmes of study have now been unveiled, along with six institutes that will underpin teaching, enterprise and research activity. The portfolio of programmes will focus particularly on innovation and entrepreneurship and will meet the opportunities and challenges of a global digital age.

Entrepreneurship was at the heart of one of two MOOCs (massive open online courses) launched at Loughborough this year as part of FutureLearn, the first UK-led provider of MOOCs.

Almost 14,000 learners from around the world, including the US, India and China, took their first steps in innovation and enterprise, learning how to spot opportunities and transform bright ideas into tangible propositions. Loughborough's second MOOC, in mathematics, provided more than 6,000 students, who hadn't studied the subject formally since school, with the knowledge to enhance their skills and provide them with the confidence to take their studies further.

Through the courses Loughborough is able to open up its learning opportunities to a wide range of people around the world and provide them with a 'taster' of the University's degree programmes.

The University's students are given every opportunity to maximise their entrepreneurial skills and one of its 2013 graduates, Simon Lyons, was this year named undergraduate winner of the national Santander Universities Entrepreneurship Awards. Having launched his own company, Version 22, in 2012, Simon used his award prize money to take his first steps in the development of Geco Hub, an innovative storage system. In July 2014 Simon launched a Kickstarter crowdfunding to source the funds to go into mass manufacture.

Simon's success in the Santander Universities Entrepreneurship Awards follows that of fellow Loughborough graduates Ross Kemp and Laurence Kemball Cook, who won third and first place in 2013 and 2012 respectively.

Laurence's company, Pavegen, produces flooring technology that generates off-grid energy from footfall. Its largest installation was this year installed in the heart of Rio De Janeiro's favelas, where the technology is being used to power floodlights on a football pitch. Laurence was given the title of Innovation and Enterprise Fellow at this year's Loughborough Enterprise Awards and accompanied the Prime Minister on his state visit to China at the end of 2013.

Ross Kemp's invention, Asap, is also going from strength to strength. In December 2013 he unveiled his one-person motorised life-saving craft to the lifeguard community at Bondi Beach.

The opportunity came about when Ross's appearance on the BBC TV show, Be Your Own Boss, caught the attention of Virgin boss Richard Branson.

"I think the Asap watercraft is a fantastic invention and will be a wonderful success in Australia. Anything that can help lifeguards reach drowning casualties faster must be a good thing."

Richard Branson

In today's competitive employment market, Loughborough graduates stand out. They develop the entrepreneurial acumen to start their own businesses and acquire the knowledge, skills and qualities required by employers.

Of the Loughborough students who completed their degree in 2013, 94% were in employment or undertaking further study six months after graduating. Of those in full-time employment, 86% were in managerial or professional roles. For those in any kind of employment, 81% were in graduate-level roles, compared to the national average of 66%. Loughborough graduates' average starting salaries were around £2,400 per annum higher than the national mean average of £21,000.

Of the postgraduates graduating from taught programmes in 2012, 86% were in employment or further study, with the majority working in areas related to their postgraduate qualification. 93% of the University's postgraduate research students were in employment or undertaking further study six months after graduating.

As well as providing a wide range of educational support, the University and Students' Union work closely together to offer a wealth of additional opportunities, ensuring that Loughborough's students develop the skills and qualities to make them stand out. Loughborough Students' Union has an enviable track record in University RAG (Raise and Give): in 2013-14 the students raised a record-breaking £1,411,510 for local and national charities, bring their grand total to more than £12 million since records began in 1980. Their fundraising feats were recognised with the inaugural RBS Rag of the Year Award, presented in September 2013.

Growing capacity and influence

We will grow capacity in key areas of teaching, research and enterprise by investing strategically and developing international partnerships and collaborations. We will advance areas in which we have a critical research mass and withdraw from those where this is unachievable.

We will reinforce the breadth of our academic offering across both our campuses, with continued emphasis on subjects with international recognition. We will listen to our students, employers and other key partners to ensure that our academic provision develops in line with their requirements. By capitalising on emerging opportunities to review the scope of our academic provision, we will introduce new areas and withdraw from those that are no longer appropriate.

We will raise our profile and strengthen our connections with policy makers, business, industry and the community, achieving recognition as a leading international University, whose contributions are sought and valued.

Ambitious proposals to expand Loughborough University Science and Enterprise Parks (LUSEP) sited on campus received two significant funding boosts in 2013-14. £2 million was secured from the European Regional Development Fund (ERDF) and in March it was announced that the Parks would benefit from a further £2 million as part of the Leicester and Leicestershire City Deal.

LUSEP is already providing expansion opportunities for growing local businesses and attracting inward investment. Intelligent Energy – the global power technology company, which was founded on Loughborough research and is already based on the Parks – reached a major milestone in July, when it launched on the London Stock Exchange. In the same week, the company won the Most Successful Company Award at The United Kingdom Science Park Association 30th Anniversary Summit.

Supporting such pioneering innovation is also central to the ethos of Loughborough University in London. The new academic campus is part of Queen Elizabeth Olympic Park's Here East development, which is bringing together education, business and technology to drive forward creativity and entrepreneurship.

Loughborough's aspiration to support innovation and enterprise growth in the capital was recognised this year when it was invited to participate in a two-year global initiative, led by Massachusetts Institute of Technology in the US, to promote innovation-based entrepreneurial ecosystems. The programme – called REAP (Regional Entrepreneurship Acceleration Programme) – aims to bring together organisations who lead and contribute to efforts to promote entrepreneurial ecosystems in a select group of world-wide regions.

Loughborough's record in pioneering enterprise was a significant factor in the International Hockey Federation's (FIH) decision to select the University as its official innovation partner in April this year. The FIH will utilise Loughborough's significant expertise and resources to proactively drive its strategic objectives and expand its delivery capability. It is the only international federation to have a dedicated innovation centre.

"We are delighted to enter into this Innovation Partnership with such a well-respected and talented organisation. I have been incredibly impressed by the scale and standard of design innovation and insight research on offer, matched by the high levels of staff dedication and talent. I am really looking forward to working with Loughborough University to develop our sport to reach more people."

Kelly Fairweather, FIH Chief Executive Officer

Reinforcing Loughborough's position as a leading research University with strong collaborations with industry, it was announced in January that the University would lead a new Engineering and Physical Science Research Council (EPSRC) Centre for Doctoral Training (CDT) in Embedded Intelligence and would be a partner in a further six. The centres bring together diverse areas of expertise to train engineers and scientists with the skills, knowledge and confidence to tackle today's evolving issues, and future challenges.

The CDT in Embedded Intelligence involves both the School of Mechanical and Manufacturing Engineering and the Centre for Information Management, which was launched this year. Part of the School of Business and Economics, the Centre for Information Management's research focuses on big data, social media, and cloud and mobile-based services, as well as the effective management of these information and knowledge assets.

A second Loughborough-led CDT in Regenerative Medicine this year received an additional £3.5 million of funding from the EPSRC and the Medical Research Council to further its research programmes in this globally important and fast-growing field of the healthcare industry. Regenerative Medicine has the potential to revolutionise the sector and transform patients' lives. It covers a wide range of therapies design to enable damaged, diseased or defective skin, bone and other tissue, and even perhaps organs, to work normally again.

Alongside investment in state-of-the-art research, the University's development programme for its student-focused facilities continued throughout the year. The newly refurbished Library opened in October 2014, with the £4.5 million transformation having brought 300 additional study spaces and increased numbers of open access areas. In the summer work began on the redevelopment of Martin Hall Square to create a pedestrianized, multi-purpose area for outdoor events on campus. Three artworks have been commissioned for the space, following a public competition.

Members of the community were also involved in a pioneering initiative with the University and Students' Union which won the Sustainability Project prize at the 2014 Guardian University Awards. 'Eat Your Campus' aims to create an edible landscape from the campus's green spaces, where food is grown for staff, students and the local community. It is an umbrella project that brings together two key initiatives – the University's Fruit Routes venture and the work of the Students' Union's Landscaping and Gardening Society (LAGS).

"I love the way (Fruit Routes) is building bridges between the University and the surrounding community, with a lot of the route running along the edge of the campus boundary. I think more Universities should follow suit. Inner-city Universities will find it hard, but a lot of the land at Universities that have a campus style like this is not creatively used. So why not turn it to good effect?"

Jonathon Porritt, environmentalist

With health and activity at Loughborough's core, work began in January on a new fitness centre on the campus. The £5.6 million complex, scheduled to open by the end of 2014, will house state of the art facilities and a new sports hall and is a key component of Loughborough's ambitious target to get 75% of its students physically active at least three times a week.

Raising standards and aspirations

We will enhance our effectiveness and minimise the barriers to achieving our aspirations. We will build on our strengths and focus on developing the activities we do well to help us achieve our goals and raise our international profile.

Through our rigorous planning processes we will ensure we identify where we should invest. Our focus will be on internationally excellent research and a high quality student experience.

In February 2014, Loughborough was presented with its seventh Queen's Anniversary Prize for Higher and Further Education – only Oxford has more. The biennial Queen's Anniversary Prizes recognise UK Universities' and colleges' world-class excellence in areas of service and benefit to the nation. The Prize scheme is within the UK's national honours system, and as such they are one of the most prestigious forms of national recognition open to a UK academic or vocational institution.

This latest prize was awarded in recognition of the University's research and skills development in High Value Manufacturing (HVM) to create economic growth. Loughborough is an acknowledged leader in the field of HVM, with the Wolfson School of Mechanical and Manufacturing Engineering making an important contribution to the health of manufacturing in the UK. Its work is apparent in a broad spectrum of new and growing areas, such as additive manufacturing, regenerative medicine and sustainable design and manufacture.

As a trusted and valued industry partner, Loughborough is able to translate cutting-edge research into practical benefit. Over 500 national and international organisations work in partnership with it on projects and ideas that enable the rapid development of better products. Loughborough also supplies industry with highly qualified and skilled engineers, who are crucial to the continued growth of HVM.

"The international reputation for excellence in research that Loughborough University has and its strong links with industry mean it is an invaluable partner for the Manufacturing Technology Centre. The University's vision, first-class research and commitment to the development of knowledge and skills are making a significant contribution to the development of a sustainable future for cutting-edge technology in the UK."

Dick Elsy, Chief Executive, High Value Manufacturing Catapult

"Demand for new products – made more quickly, more sustainably and for lower cost – drives economic growth. By supporting industry's response to this demand the University is helping to create economic growth, new jobs and the technological advantages which will help the UK to remain globally competitive."

Professor Steve Rothberg, Pro Vice Chancellor (Enterprise)

Loughborough is known for the relevance of its work, which is driven by society's need to address real-life issues, and this year its diverse research strengths were enhanced through the establishment of six interdisciplinary Research Challenges. These will catalyse new collaborations both within and outside the University to accelerate the delivery of distinctive solutions to regional, national and international agendas.

Demonstrating the impact of the University's work was a key requirement of the Research Excellence Framework (REF) submission made in December 2014. The REF is an important assessment of the quality of Loughborough's research and its outcome will determine the level of financial support the University receives from the Funding Council after 2015.

With ever-increasing concentration of resources, diversification of income streams to maintain and enhance funding levels is becoming all the more important. Loughborough was particularly successful in 2013-14: its grants and contracts totalled £56.6 million, a rise of 28% on the previous year and an all-time high for the University.

In another independent assessment of Loughborough's performance, the QS Stars scheme, the University achieved five star rating for each of the areas in which it was assessed, confirming the breadth of its excellence and putting it among some of the very best Universities in the world.

Five stars Universities are described by QS as "world class in a broad range of areas, enjoying a high reputation and having cutting edge facilities and internationally renowned research and teaching faculty."

The assessment looked at the University's teaching, research, employability and internationalisation, as well as its facilities, innovation and access – including the value and number of scholarships and bursaries available. There was also an additional assessment of Loughborough's performance in mechanical, manufacturing and aeronautical engineering.

Earlier in the year QS had ranked Loughborough as one of the world's leading Universities under the age of 50. Its international league ranks institutions according to their academic and employer reputation, the number of research citations, student to staff ratios and proportion of international students. In the 2013-14 table Loughborough rose to 16th and was one of just three UK Universities to appear in the rankings.

This year's national newspaper league tables brought further validation, with Loughborough named the inaugural University of the Year for Sport by The Times and Sunday Times Good University Guide 2014. The University gained the most points in each of newspapers' three criteria – success in the British Universities and Colleges Sport (BUCS) championship, in cup competitions and in individual performance in non-team sports.

Loughborough has a unique position in sport in this country. Its students this year won the BUCS title for the 34th consecutive year, finishing more than 1,700 points ahead of the second placed University. At the 2014 Commonwealth Games in Glasgow, more than 120 past and present students and Loughborough-based athletes won medals across seven sports. Loughborough's standing in sport was further underlined by the Which? University student survey, published in September 2013, in which 98% of Loughborough's undergraduates rated the sporting opportunities and facilities at the University highly.

A key factor behind such affirmation is the University's collaborative approach to providing an enhanced service to students and developing the efficiency of its processes. This was recognised in June 2014, when Loughborough won the Departmental ICT initiative of the Year prize at the Times Higher Education Leadership and Management Awards, which celebrate the sector's leadership, management, financial and business skills, and showcase the extraordinary innovation, teamwork and commercial acumen of higher education institutions.

The award was presented to Loughborough for an initiative that streamlined the ICT admin and management practices for student placements across the departments with the School of Aeronautical, Automotive, Chemical and Materials Engineering. The team's solution included the further development of Co-Tutor – a staff-student relationship management system, developed in-house by the Centre for Engineering and Design Education that provides staff with a centralised point to record and support students' learning, personal development and welfare. Co-Tutor has now been commercialised through the University's Enterprise Office and is being used by several organisations.

Finally the School of Business & Economics has been recognised in two important ways during the year. The School was presented with a Small Business Charter Silver Award becoming one of the first UK business schools to receive chartered status. The School also achieved EQUIS accreditation from the European Foundation for Management Development adding to its existing recognition by the other two major accrediting bodies: The Association to Advance Collegiate Schools of Business and the Association of MBAs.

Risks & Uncertainties

The Higher Education environment remains uncertain as we approach the general election in 2015. In October 2015 regulated fees will remain capped at £9,000 for UK/EU undergraduates for the 4th consecutive year despite cost inflation. Government funding policy for teaching in Higher Education beyond the general election is uncertain. Student recruitment is increasingly important to the University in financial terms as the percentage of total income dependent on directly variable fee income increases and core government funding for teaching declines. While Loughborough remains confident of its ability to attract and retain the best students, this does bring the potential for increased volatility. Factors including visa and immigration policy continue to influence our ability to recruit students from overseas.

All HEI's are currently awaiting the outcome of the Research Excellence Framework which will drive core research grant funding for a number of years and which may influence the awarding of contract research to particular institutions. The University has factored a number of scenarios into its financial planning in this regard.

Over the course of the next year our plans for the Loughborough University in London campus will progress at increasing pace. Costs will be incurred ahead of student recruitment and recruitment to new programmes will take place for the first time. Otherwise the University will continue to monitor wider macro-economic factors which may influence our core academic and research activities, our engagement with enterprise or indeed the trading of our commercial subsidiaries.

Key Facts & Figures

- Loughborough University has the largest single-site green campus in the UK, covering more than 438 acres and is home to one of the UK's largest science and enterprise parks
- A postgraduate campus – Loughborough University in London – will open in 2015 on the Queen Elizabeth Olympic Park.
- Awarded seven Queen's Anniversary Prizes for Higher and Further Education
- Ranked in the top 20 of UK Universities in national league tables
- The UK's premier University for sport and its underpinning academic disciplines
- One of the top 15 Universities targeted by large graduate employers
- 94% of graduates in employment within six months of graduating.
- Turnover of £260.3m in 2013-14.
- Generates economic activity in the regional economy of £823 million and sustains more than 12,000 jobs.

Student numbers 2013-14

Total number of students – 17,008

62% of the student population is male and 38% is female.

Full-Time Students		
Undergraduate	11,706	83.1%
Postgraduate Taught	1,461	10.4%
Postgraduate Research	921	6.5%
Total	14,088	
Part-Time Students		
Undergraduate	510	25%
Postgraduate Taught	1,356	66.5%
Postgraduate Research	172	8.4%
Total	2,038	
Student Population By Fee Status		
UKEU	14,385	84.6%
International	2,623	15.4%

<u>Student population by academic school</u>		
Aeronautical, Automotive, Chemical and Materials Engineering	1,397	10%
Business and Economics	2,361	17%
Civil and Building Engineering	1,069	8%
Design School	728	5%
Electronic, Electrical and Systems Engineering	624	4%
Mechanical and Manufacturing Engineering	1,186	8%
Science	1,949	14%
Social, Political and geographical Sciences	1,777	13%
Sport, Exercise and Health Sciences	1,616	11%
The Art, English and Drama	1,381	10%

Staff numbers (as at 1 December 2013)	
Administrative Services	558
Management and Specialist	559
Operational Services	773
Research	294
Research and Teaching	741
Teaching and Scholarship	72
Technical Services	227
Total	3,224
Full-time	2,017
Part-time	1,207

Income and expenditure 2013-14

Income	£million	%
Funding council grants	45.7	18
Academic fees	112.0	43
Research grants and contracts	38.6	15
Other income	64.2	24
Total	260.5	100

Expenditure	£million	%
Academic departments and services	109.1	45
Research grants and contracts	31.1	13
Maintenance of premises	29.0	12
Administration and central services	28.2	12
Other expenditure	47.6	18
Total	245.0	100

Financial Review

Financial performance

The University delivered a very strong performance recording a surplus before tax for the year of £15.555m (£8.109m 2012/13). This was achieved despite further reliance on capped undergraduate fees and a corresponding withdrawal of government funding. The operation of the University's commercial subsidiaries also showed improvement notwithstanding a difficult economic climate.

Income

Total income rose by £15.6m to £260.5m as a result of:

- a further £11.3m (20%) reduction in funding council grants
- £23.3m (26%) increase in academic fees as a further cohort of students entered the new fee regime and the University reversed the under-recruitment experienced in the prior year when the new fee regime was introduced.

Movements in other income sources were less material but are set out in the financial statements. Other income benefitted from the receipt of an unrestricted legacy donation and the conclusion of historic tax recovery claims.

Expenditure

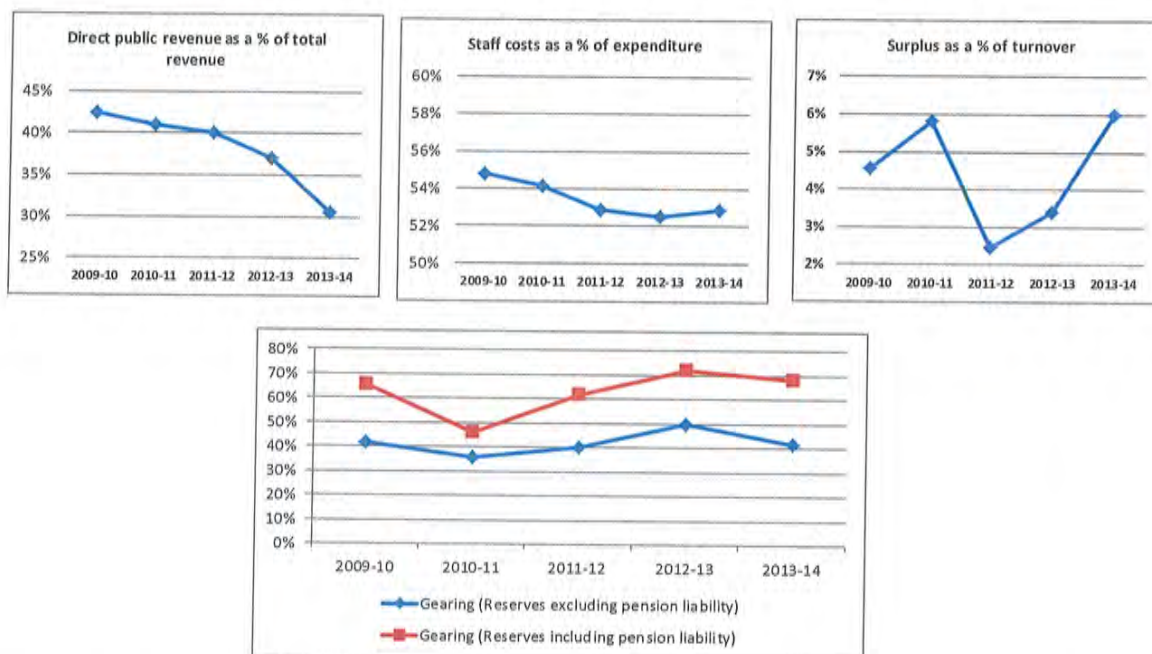
Total expenditure rose by £8.1m to £245.0m. This was commensurate with the rise in overall activity and income for the University and its subsidiary companies. The more significant changes included:

- £5.1m (4%) increase in staff costs resulting from changes to pension contributions, the impact of auto-enrolment for pensions and the annual pay award
- £2.7m (15%) increase in depreciation costs as capital expenditure on the University's facilities and infrastructure continues

In line with prior years, a number of key performance indicators are monitored to ensure financial sustainability. These are reported regularly to Council and charts showing some of the key measures over a five year period are provided in this report.

These measures include:

- staff costs as a percentage of total expenditure
- ratio of public to private income sources
- operating surplus as a percentage of turnover
- bank debts as a percentage of reserves



Cash Flow

In an uncertain economic and regulatory environment, there is an increased focus on cash management as a key element of financial sustainability. The University prioritises the mitigation of counterparty risk over the need to derive maximum returns from its investment of cash and equivalent balances. The Finance Committee regularly reviews the investment strategy.

During the year the University entered into arrangements to fix the interest rates on the vast majority of its long term borrowings. The only remaining variable rate debt is matched by the institution's own cash holdings ensuring a natural hedge against rising interest rates.

The University has expanded its forward forecasting beyond the traditional five-year time horizon. This included a fundamental review of capital expenditure plans for the period and a strategy with regard to long term borrowings. The University does not anticipate any substantial increase in external debt in the medium term to support core operations.

The consolidated cash flow statement for the University indicates a net cash inflow from operating activities of £34.4m with cash and short term investment balances rising to £80.5m at the year end. External long term borrowings reduced by £2.1m (3%) during the year as capital repayments were made. No new borrowings were drawn down during the year. As a result of the improved cash generation from operations, offset by continuing capital expenditure, net funds rose by £6.1m to just under £11m.

Balance Sheet

As a result of the surplus for the year, the University's reserves (excluding the pension liability) rose from £146.7m to £164.9m. With the pension liability (for the Local Government Pension Scheme) taken into account the movement was from £101.5m to £100.8m, the pension liability having increased as a result of actuarial assumptions regarding bond yields and the discount rate on future liabilities deteriorating since the last valuation.

This movement is a non-cash item.

Pensions

The University continues to operate three pension schemes. The Universities Superannuation Scheme (USS) is open to all academic and academic related members of staff. The Local Government Pension Scheme (LPGS) is open to the majority of other staff. Some standalone pension schemes operate within the wholly owned subsidiary companies. A small number of staff remains in the Teachers' Pension Scheme (TPS) but this is closed to new members.

Only liabilities relating to LPGS currently appear in the balance sheet. USS is a multi-employer scheme and TPS is state funded. This disclosure will change next year with the transition to new financial reporting standards for the HE sector. As outlined above, the University's share of the deficit within LPGS increased during the year. A triennial valuation of USS is currently underway and will be reported upon next year.

Delivery of public benefit

Loughborough University is an independent corporation established by Royal Charter and has the status of an exempt charity.

The University and its Council have considered the guidance on public benefit, as set out in the Charities Act 2006, and have noted the ways in which the University has delivered its activities for public benefit, examples of which are also included in the Annual Review for 2013-14. They have also given due regard to the University's responsibilities as a charitable body which is regulated by the Higher Education Funding Council for England (HEFCE).

One of the statements in the University's Mission is "to provide a high quality, comprehensive educational experience that prepares Loughborough graduates for their future lives and the global workplace". Ensuring that qualified students have the opportunity to study at Loughborough, irrespective of their background or ability to pay is a key priority.

To ensure that finance is not a barrier to students' admission to and progression through the University in 2013-14, a comprehensive financial support package was made available, including fee waivers, bursaries and accommodation discounts. In 2013-14, 2,845 students received support through scholarships, bursaries and awards totalling over £5 million.

New funding this year included more than £1.1 million as part of the Engineering and Physical Sciences Research Council (EPSRC) Doctoral Training Partnerships (DTP) programme – the largest-ever award for Loughborough under the scheme. The funding will support a range of studentships, bursaries and a doctoral prize.

The University also received a donation of more than £40,000 from the Caterpillar Foundation to enable Loughborough's current and future students to achieve the higher MEng qualification in Mechanical Engineering and Automotive Engineering. The Foundation also announced a further donation for Development Trust Scholarships and outreach work. The Scholarships help students from areas where HE participation is low to study at Loughborough; the outreach work is a two-way initiative, enabling girls to visit the campus and allowing the University to visit school to communicate the benefits of engineering as a career for both genders.

The decision about whether to study at University can be a difficult one for any potential student, but is particularly so for some, such as those whose family has no experience of higher education, or anyone for whom the cost may be a potentially prohibitive consideration. With this in mind, the University's Student Outreach and Recruitment team run a range of activities and events designed to help students from all backgrounds make important decisions about whether to study at University.

In February the University launched a new 'Inspiring Minds' lecture series to give secondary school students a deeper understanding of University study and in May a group of children from Quorn were given a unique insight into the practical applications of engineering when they saw the development of the 3D printed replica of King Richard III's skeleton.

The skeleton was commissioned for display at the new King Richard III visitor centre in Leicester and such partnerships with public, private and voluntary organisations are a significant part of Loughborough's activity. The University has long been renowned for delivering research that matters and to demonstrate its commitment to sharing knowledge, resources and skills with the public, the University this year signed the National Co-ordinating Centre for Public Engagement's Manifesto for Public Engagement.

Loughborough's work contributes at the very highest levels to new knowledge and understanding, helping business and industry to compete more effectively, shaping public policy and ultimately helping to improve people's lives. For instance, this year researchers developed a computer software concept that will enable clinicians with no experience in Computer Aided Design (CAD) to design and make custom-made 3D printed wrist splints for rheumatoid arthritis sufferers. And the findings from a University study into the extension of funding for foster care placements was a contributing factor in the Government's 2013 amendments to the Children and Families Bill, which now places a legal duty on local authorities to enable young people to stay in a foster placement post 18 years old.

Preparing the University's students for every aspect of their careers and future lives is a top priority. Year-long placements, available on 99% of Loughborough's undergraduate courses, allow significant numbers of the University's students to apply, and enhance, their knowledge and skills through crucial work experience.

In 2013-14 44% of the University's full-time undergraduates were on such sandwich programmes, with 1,144 currently undertaking professional or industrial training. As a result, the University's graduates are consistently targeted by the UK's top recruiters.

Loughborough also runs a 'Graduates in Business' scheme that matches graduates from across the UK with small to medium sized companies in the East Midlands. It helps students to find job offers in a competitive market and provides companies with access to pioneering research expertise and outstanding graduate talent, helping them to drive their businesses forward.

Such work place opportunities for the University's students are supplemented by valuable extra-curricular skills development activities, which allow them to develop the personal qualities that employers value and seek. Such activities frequently have multiple benefits. For example, while the 'Action' volunteering scheme run by the Students' Union allows students to develop organisational, leadership and management skills, it also impacts positively on the community, allowing local projects and groups to benefit from thousands of hours of free-of-charge time. This year more than 2,000 student volunteers clocked up almost 30,000 hours of activity for local good causes.

As well as benefitting from student volunteering, local community organisations across the region are able to access financial support through the University's Community Donations Fund. Money is available through four categories and in 2013-14 a total of 37 local initiatives received support through the Fund. At the end of 2013, the University also made a new Special Projects Fund available as part of the scheme. £60,000 was allocated for the fund, which will be available annually until 2017, to support capital and/or revenue projects.

The University also contributes culturally to the community. There are popular arts programmes run by both the University Arts Centre and the Students' Union which regularly attract people from across the region. One-off local arts projects this year included the siting of a series of sculptures by Art student Amelia Seren Roberts in Loughborough's Queen's Park to commemorate fallen heroes from the First World War.

While Loughborough is known for its elite level performance, recreational sport is equally important and there is a popular programme of opportunities for enthusiasts of all levels and abilities open to staff, students, the community and schools. The University's sports teams are regularly in action, sometimes competing against national- and international-level performers, with a variety of fixtures open to spectators each week, and this year Leicester Riders and the University agreed a partnership that will see all Riders British Basketball League home games played at the University for the 2014-15 season, meaning staff, students and local residents will be able to watch top flight players in action on their doorstep.

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 Royal Charter sets out the objectives which form the University's charitable purpose: "to advance knowledge, wisdom, understanding and professional competence through teaching, research and collaboration with industrial and other bodies and to develop the character of its students by virtue of its corporate life".

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 Committee of University Chairs' (CUC) Governance Code of Practice (March 2009).

Throughout the year ended 31 July 2014 the University has been in compliance with all the provisions of the Code. However, in the interests of maintaining strong staff and student involvement, it should be noted that Council's membership, which was 29 during 2013/14, did exceed the CUC benchmark figure of 25 (paragraph 9. of the Code).

Council last undertook a quinquennial review of its own effectiveness in 2012-13 and key recommendations from the review were in the process of implementation during 2013-14. Council initiated an effectiveness review of the Senate in 2013/14 which enabled it to satisfy itself that arrangements for academic governance were generally in good health. A number of specific recommendations for further enhancement of Senate's operations will be implemented during 2014-15.

In addition the members of Council, ie the trustees of the University, have had due regard to the Charity Commission's guidance on charitable purpose and 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.

Council is responsible for the University's overall strategic direction and for monitoring the achievement of its strategic objectives. Council ensures that there are effective systems of accountability and control including approval and monitoring of annual and long term financial plans, and arrangements for audit, value for money, risk management and legal compliance. It takes all final decisions on matters of fundamental concern to the University.

The University also has the status of an exempt charity. This means that members of Council have the responsibilities of charity trustees in relation to ensuring the institution's work is for the public benefit and that it complies with Charity Commission expectations.

Certain matters are specifically reserved for Council under the Financial Memorandum with the Higher Education Funding Council for England. Council meets at least four times a year.

Senate is the senior academic body within the University and it controls the use of the University's degree awarding powers. It maintains strategic oversight of the student experience, research and enterprise and approves developments to the University's academic regulations. It advises Council on academic aspects of major issues and developments.

Both Senate and Council have established a number of sub-committees to help deal with major areas of business, bringing together the key staff, students and, where appropriate, including lay members from outside the University.

The Operations Committee, comprising executive officers, has responsibility for the integration of academic, financial and physical planning and the allocation of resources to academic Schools and Professional Services. The Operations Committee monitors the budget holders on a regular basis.

Finance Committee is responsible for advising Council on both the University's financial strategy and treasury management; the Committee is chaired by the Vice Chancellor and comprises executive officers and lay members of Council.

The External Auditors address their report on the Financial Statements to Council through the Audit Committee which comprises lay (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 their 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 Financial Memorandum (to be replaced from 1 August 2014 by the Memorandum of Assurance & Accountability) and the Audit Code of Practice. 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 his/her own remuneration), determines the remuneration of professorial and senior administrative staff.

The Academic Leadership Team (ALT) is an advisory body to the Vice Chancellor.

The operation of the University is governed by its Charter, Statutes, Ordinances and Regulations.

Internal Control & Management of Risk

The Council, as the governing body of Loughborough University, has responsibility for maintaining a sound system of internal control that supports the achievement of strategic objectives, whilst 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, Statute XIII 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 2014 and up to the date of approval of the financial statements, and accords with the HEFCE guidance.

The University Strategic Risk Register is aligned with the University's Strategic Plan. Following adoption of the new strategy this risk register is being reviewed with workshops taking place in October 2014 for both Council and ALT. Internal auditors undertook a thorough review of risk management processes shortly after their appointment and a programme of work to refresh and further improve risk management is underway, overseen by Audit Committee.

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, and Finance 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.

Council undertakes primary ownership of strategic risk. Activity is overseen by Audit Committee and ALT is tasked with the identification, evaluation and management of risk at an operational level. A risk management strategy and policy document and an organisation-wide risk register have been established although these are under review as outlined above. It has been agreed where the principal responsibility rests for risks identified and a control and reporting strategy is in place.

- The Audit Committee monitors the effectiveness of control, governance, the management of risk and gains 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 Research Performance Monitoring Committee is chaired by the Provost and includes key research leaders and relevant Professional Services staff. , It monitors the research performance of all academic Schools in the light of the University's targets set in the Strategic and Operational Plan. The Committee reports 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 and for a period of not less than twelve months from the date of this report. The Operations Committee, Finance Committee and Council have reviewed the University's financial forecast for the period to August 2015, prepared taking into account guidance by the HEFCE. On that basis, they have 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.

Governance and Management Structure

Council

Chair: Senior Pro Chancellor

Senate

Chair: Vice Chancellor

Senate Committees

Arts Committee

Chair: Nominated by the Vice Chancellor

Learning & Teaching Committee

Chair: Pro Vice Chancellor (Teaching)

Prizes Committee

Chair: Elected by Senate

Research Committee

Chair: Pro Vice Chancellor (Research)

Student Discipline Committee

Chair: A member of academic or academic-related staff

Council Committees

Audit Committee

Chair: Lay member of the University Council

Nominations Committee

Chair: Senior Pro Chancellor

Remuneration Committee

Chair: Senior Pro Chancellor

Joint Senate/Council Committees

Advancement Committee

Chair: VC

Enterprise Committee

Chair: PVC (Enterprise)

Ethics Committee*

Chair: Lay Council

Estates Management Committee*
Chair: COO

Finance Committee*
Chair: VC

Health, Safety & Environment Committee*
Chair: Provost

Human Resources Committee*
Chair: COO

IT Committee
Chair: A Dean

Operations Committee
Chair: Provost

Research Performance Monitoring Committee
Chair: PVC(R)

Student Experience Committee
Chair: PVC(T)

* includes lay members of Council sub-committees not included

Members of the University Council (as at 27 November 2014)

Details of membership of key University committees are provided.

Ex-officio members

The Chancellor Sir Nigel Rudd

The Senior Pro Chancellor (Chair) Sir Peter Bonfield	Remuneration Nominations	Committee; Committee
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The Pro Chancellors Sir John Gains (Deputy Chair)	Estates Management Nominations Committee	Committee,
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Lord Sebastian Coe

The Vice Chancellor Professor Robert Allison	Advancement Remuneration Committee; Finance Committee; Nominations Committee, Senate	Committee;
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Honorary Treasurer Alan Hughes

Advancement Committee, Estates
Management Committee, Finance
Committee; Remuneration Committee;
Nominations Committee

Provost Professor Chris Linton

Nominations Committee; Remuneration
Committee; Finance Committee, Senate;
Health, Safety & Environment
Committee; Grievance Committee

Appointed members

Appointed by the Alumni Association

Christine Fisher

Appointed by the Students' Union

Rob Whittaker
Dan Thomas

Members elected by the Senate

Three members of the Senate, elected by the Senate, of whom not more than two shall be elected members of the Senate

Dr Marcus Collins

Professor Angus Laing

Professor Jacqui Glass

Members elected by the General Assembly

Three members of the academic staff elected by the General Assembly

David Kerr

Dr Sandie Dann

Professor Memis Acar

Other elected members

Two members of staff, other than the academic staff, elected from within their own number

Anne Lamb

Jon Walker

Co-opted members

Such other persons of whom not more than two shall be members of the academic or other staff of the University and not exceeding twelve in all as may be co-opted by the Council

John Blackwell

Ethics Committee; Health, Safety & Environment Committee; Standing
Redundancies Committee

Penny Coates

Audit Committee; Remuneration Committee

Peter Saraga	
Mark Sismey-Durrant	Audit Committee
Gifty Edila	Nominations Committee, Grievance Committee
Esme Winch	
Sally-Ann Hibberd	
Jane Tabor	Finance Committee; Remuneration Committee
Ann Greenwood	Audit Committee; Ethics Committee
Professor Allan Jones	
Steve Varley	Finance Committee
Jim Murphy	ARSNC; JNCC; Grievance Committee; Human Resources Committee; Standing Redundancies Committee

Senior officers of the University

The University's formal principal officer is its Chancellor, who has responsibility for conferring Loughborough's academic awards at congregations and plays an important role in the advancement of the University.

The Senior Pro-Chancellor, Sir Peter Bonfield, serves as the Chair of the governing body, Council and also chairs the Nominations and Remuneration Committees.

The day-to-day running of the University is the responsibility of the Vice Chancellor and President, who is the academic and executive head and the accountable officer to HEFCE.

Officers of the University (as at 27 November 2014)

Visitor	Paul Michell
Chancellor	Sir Nigel Rudd
Senior Pro Chancellor and Chairman of Council	Sir Peter Bonfield, CBE FREng
Pro Chancellors	Sir John Gains DTech (Hon) BSc CEng FICE Lord Sebastian Coe CH, KBE
Vice Chancellor	Professor Robert Allison DPhil London, BA Hull
Honorary Treasurer	Alan Hughes MBA (Henley) FCIB FRSA
Deputy Vice Chancellor	Professor Chris Linton
Pro Vice Chancellor (Teaching)	Professor Morag Bell BA Nottingham DPhil Oxford
Pro Vice Chancellor (Research)	Vacant
Pro Vice Chancellor (Enterprise)	Professor Steve Rothberg BSc PhD FIMechE CEng
Chief Operating Officer	Richard Taylor
Acting Librarian	Jeff Brown
Director of Finance	Andrew Stephens BSc FCA

Providers of financial services

External auditors	Deloitte LLP Nottingham
Internal auditors	PricewaterhouseCoopers LLP, Castle Donington
Bankers	Barclays Bank plc Birmingham
Insurers	Allianz Insurance plc

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:

1. To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To 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.
3. 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.
4. 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.
5. To delegate authority to the Vice Chancellor for the appointment of University nominees to the boards of public bodies, limited companies and other institutions.
6. To establish processes to monitor and evaluate the performance and effectiveness of Council itself.
7. 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.
8. To safeguard the good name and values of the University.
9. 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.
10. To be the employing authority for all staff in the University and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, and to have overall responsibility for the University's assets, property and estate.
12. 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.
13. To make such provision as it thinks fit for the general welfare of students, in consultation with Senate.

14. 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 National College for Teaching and Leadership 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, the Education Funding Agency and research councils 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.

27 November 2014

Sir Peter Bonfield

Chair of Council



INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF LOUGHBOROUGH UNIVERSITY

We have audited the financial statements of Loughborough University for the year ended 31 July 2014 which comprise the statement of principal accounting policies, the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Cash Flow Statement and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body in accordance with the financial memorandum effective August 2010. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governing body and auditor

As explained more fully in the Governing Body's Responsibilities Statement, the governing body is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 July 2014 and of its surplus for the year then ended; and

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion:

- in all material respects, income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2014 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2014 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum and with the funding council.

Matter on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the Statement of Internal Control (included as part of the Corporate Governance Statement) is inconsistent with our knowledge of the University.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham, UK

28 November 2014

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 2013. 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 & 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 & Design

Loughborough College of Art & 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 exceed 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 & 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 & 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 & 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 & 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 25 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. Heritage Assets

Works of art and other valuable artefacts (heritage assets) and valued at over £10,000 have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonable obtainable. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

9. 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).

10. Stocks

Stocks of goods are stated at the lower of cost and net realisable value.

11. 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 & 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.

12. 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.

13. 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.

14. Taxation Status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and as such is a charity within the meaning of Schedule 6 Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 of the Corporation Tax Act 2009 and sections 471 and 478-488 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The institution receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the cost of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that they are regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

15. 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.

16. Leases

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

Consolidated financial statements & notes to the accounts

Consolidated Income and Expenditure Account

Year Ended 31 July 2014

	Note	2013/14 £'000	2012/13 £'000
INCOME			
Funding Council Grants	1	45,716	56,967
Academic Fees and Support Grants	2	111,957	88,633
Research Grants and Contracts	3	38,605	39,147
Other Income	4	61,667	58,880
Endowment and Investment Income	5	2,562	1,313
Total Income		<u>260,507</u>	<u>244,940</u>
EXPENDITURE			
Staff Costs	6	129,396	124,303
Depreciation	11	20,381	17,700
Other Operating Expenses		91,545	91,412
Interest Payable	7	3,630	3,416
Total Expenditure	8	<u>244,952</u>	<u>236,831</u>
SURPLUS ON CONTINUING OPERATIONS BEFORE TAX	9	15,555	8,109
Tax	10	38	17
SURPLUS ON CONTINUING OPERATIONS AFTER TAX		<u>15,593</u>	<u>8,126</u>
Transfer from accumulated income within endowments		99	183
Surplus for the year retained within reserves	23	<u>15,692</u>	<u>8,309</u>

Note: The Consolidated Income and Expenditure Account is wholly in respect of continuing operations.

Balance Sheets as at 31 July 2014

	Note	2013/14		2012/13	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Tangible Assets	11	320,106	312,112	302,723	294,589
Benefit Arising from the Acquisition of LCAD	12	(2,229)	(2,229)	(2,364)	(2,364)
Investments	13	192	8,131	214	8,131
Long-term Loans	14	116	258	145	317
Total fixed assets		318,185	318,272	300,718	300,673
Endowment assets	15	2,718	1,261	2,803	1,267
Stocks and Stores in Hand		592	548	612	560
Debtors:					
Due within one year	16	19,388	20,772	17,764	18,046
Short Term Investments	17	26,005	26,005	24,505	24,505
Cash at Bank and in Hand		54,484	51,059	51,801	49,130
Total current assets		100,469	98,384	94,682	92,241
Less: Creditors - amounts falling due within one year	18	(76,034)	(74,511)	(73,902)	(71,716)
Net current Assets		24,435	23,873	20,780	20,525
Total assets less current liabilities		345,338	343,406	324,301	322,465
Less: Creditors - amounts falling due after more than one year	19	(68,847)	(68,847)	(70,953)	(70,953)
Less: Provisions for liabilities	20	(1,614)	(1,554)	(1,922)	(1,824)
NET ASSETS excluding pension liability		274,877	273,005	251,426	249,688
Pension liability	34	(64,103)	(64,103)	(45,187)	(45,187)
NET ASSETS including pension liability		210,774	208,902	206,239	204,501
Deferred Capital Grants	21	107,224	107,224	101,932	101,932
Endowments					
Expendable		1,737	491	1,830	483
Permanent		981	770	973	784
	22	2,718	1,261	2,803	1,267
Reserves excluding pension liability		164,935	164,520	146,691	146,489
Pension reserve	23,34	(64,103)	(64,103)	(45,187)	(45,187)
Reserves including pension liability	23	100,832	100,417	101,504	101,302
TOTAL		210,774	208,902	206,239	204,501

The financial statements were approved by Council and signed on its behalf by:

R ALLISON, Vice-Chancellor and Accountable Officer

P BONFIELD, Chair of Council

27 November 2014




Statement of Consolidated Total Recognised Gains & Losses

Year Ended 31 July 2014

	Note	2013/14 £'000	2012/13 £'000
SURPLUS ON CONTINUING OPERATIONS AFTER TAX		15,593	8,126
Gain on endowment asset investments	22	14	68
Actuarial (loss)/gain in respect of pension scheme	34	(16,351)	4,913
Adjustment to reserves	23	(13)	6
New endowments	15	0	0
TOTAL RECOGNISED (LOSSES)/GAINS RELATING TO THE YEAR		<u>(757)</u>	<u>13,113</u>
Reconciliation			
Opening reserves and endowments		104,307	
Total recognised gains and losses for the year		(757)	
Closing reserves and endowments		<u><u>103,550</u></u>	

Consolidated Cash Flow Statement

Year Ended 31 July 2014

	Notes	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Net cash inflow from operating activities	28	32,092	27,460
Returns on investments and servicing of finance	29	260	(448)
Capital expenditure and financial investment	30	(26,252)	(15,530)
Management of liquid resources	31	(1,500)	(2,000)
Financing	32	(2,016)	18,356
Increase in cash in the year	33	<u>2,584</u>	<u>27,838</u>

Reconciliation of net cash flow to movement in net funds

		31 July 2014 £'000	31 July 2013 £'000
Increase in cash in the year		2,584	27,838
Change in short term deposits	31	1,500	2,000
Change in debt	32	<u>2,016</u>	<u>(18,356)</u>
Change in net funds		6,100	11,482
Net funds/(debt) at 1 August	33	4,892	(6,590)
Net funds at 31 July	33	<u>10,992</u>	<u>4,892</u>

Notes to the Accounts

Year Ended 31 July 2014

1 FUNDING COUNCIL GRANTS

	2013/14 £'000	2012/13 £'000
HEFCE Recurrent:		
Teaching	17,298	29,259
Research	21,161	21,128
Other	3,693	2,599
EFA/SFA Recurrent	917	931
NCTL	27	99
Deferred Capital Grants Released in Year :		
Buildings (Note 21)	1,601	1,683
Equipment (Note 21)	1,019	1,268
	<u>45,716</u>	<u>56,967</u>

2 ACADEMIC FEES AND SUPPORT GRANTS

Home Students	78,487	57,944
International Students	33,470	30,689
	<u>111,957</u>	<u>88,633</u>

3 RESEARCH GRANTS AND CONTRACTS

Research Councils and Charities	22,509	24,428
Industry and Commerce	4,568	4,690
Governmental	11,528	10,029
	<u>38,605</u>	<u>39,147</u>

Research grants and contracts income includes £1,155,000 (2012/13 - £995,000) in respect of the release of deferred capital grants on equipment.

4 OTHER INCOME

Residences, Catering and Conferences	39,970	37,609
Other income	19,560	19,170
Benefit on acquisition of LCAD - Release to Income (Note 12)	134	133
Released from Deferred Capital Grants	2,003	1,968
	<u>61,667</u>	<u>58,880</u>

5 ENDOWMENT AND INVESTMENT INCOME

Income from Specific Endowments (Note 22)	2,174	904
Income from Short-term Investments - includes gift aid	388	409
	<u>2,562</u>	<u>1,313</u>

Notes to the Accounts

Year Ended 31 July 2014

6 STAFF COSTS

	2013/14	2012/13
	£'000	£'000
Staff Costs :		
Salaries	105,454	101,345
Social Security Costs	7,994	7,898
Other Pension Costs (Note 34)	15,948	14,958
Restructuring Costs	0	102
Total	<u>129,396</u>	<u>124,303</u>
Emoluments of the vice-chancellor:	£	£
Salary	206,000	183,333
Benefits	0	18,016
Pension contributions to USS	15,450	29,333
	<u>221,450</u>	<u>230,682</u>

The Vice Chancellor took up his appointment on 1 September 2012, as such the prior year amount is for 11 months.

No compensation for loss of office was paid during the year, or prior year, to any higher paid staff members (remuneration >£100,000).

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

	2013/14	2012/13
	Number	Number
£100,000 to £109,999	6	6
£110,000 to £119,999	2	2
£120,000 to £129,999	1	2
£130,000 to £139,999	0	1
£140,000 to £149,999	2	1
£150,000 to £159,999	1	0

<u>12</u>	<u>12</u>
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Average Staff Numbers by Major Category:

	No.	No.
Academic	704	699
Teaching and scholarship	66	50
Research	284	267
Management & Specialist	486	468
Technical	204	202
Other	1,064	986
	<u>2,808</u>	<u>2,672</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 2014

7 INTEREST PAYABLE

	2013/14	2012/13
	£'000	£'000
Loans not wholly repayable within five years	2,271	1,946
Net pension charge (note 34)	1,359	1,470
	<u>3,630</u>	<u>3,416</u>

8 ANALYSIS OF EXPENDITURE BY ACTIVITY

Academic Departments	91,777	88,816
Academic Services	17,295	17,238
Research Grants and Contracts	31,033	31,477
Residences, Catering and Conferences	35,915	32,451
Premises	28,979	28,847
Administration and Central Services	28,223	27,367
Other Expenses	11,730	10,635
	<u>244,952</u>	<u>236,831</u>

Notes to the Accounts

Year Ended 31 July 2014

9 SURPLUS BEFORE TAX

	2013/14 £'000	2012/13 £'000
This is stated after charging/(crediting):		
External Auditors Remuneration in Respect of Audit Services (University 2013/14 - £59,400 2012/13 - £59,000)	87	74
External Auditors Remuneration in Respect of Tax Services	205	179
Transactions relating to property		
(Profit)/Loss on disposal of Fixed Assets	(403)	170
Operating Lease Rentals:		
Plant & machinery	98	95
Other	469	529

No trustee has received any remuneration from the University or any subsidiary company in his/her capacity as a trustee.

Transactions relating to property represent exceptional gains or losses arising on property transactions including disposals, leasing transactions and related movements in capital grants (where applicable).

10 TAX

UK Corporation Tax credit on the profits of subsidiary companies	0	0
Deferred Tax relating to subsidiary company - accelerated capital allowances	(38)	(17)
Credit for the year	<u>(38)</u>	<u>(17)</u>

Notes to the Accounts

Year Ended 31 July 2014

11 TANGIBLE ASSETS

	Freehold Land and Buildings £'000	Fixtures, Fittings Plant and Equipment £'000	Assets in Course of Construction £'000	Heritage Assets £'000	Total £'000
CONSOLIDATED					
Cost:					
At 1 August 2013	321,576	107,801	12,700	1,165	443,242
Additions at cost	12,717	5,668	19,583	0	37,968
Transfer Categories	6,313	461	(6,774)	0	0
Disposals at cost	(250)	(1,733)	0	0	(1,983)
At 31 July 2014	<u>340,356</u>	<u>112,197</u>	<u>25,509</u>	<u>1,165</u>	<u>479,227</u>
Depreciation:					
At 1 August 2013	(86,536)	(53,983)	0	0	(140,519)
Charge for the year	(11,051)	(9,330)	0	0	(20,381)
Eliminated on disposals	140	1,639	0	0	1,779
At 31 July 2014	<u>(97,447)</u>	<u>(61,674)</u>	<u>0</u>	<u>0</u>	<u>(159,121)</u>
Net Book Value:					
At 31 July 2014	<u>242,909</u>	<u>50,523</u>	<u>25,509</u>	<u>1,165</u>	<u>320,106</u>
At 31 July 2013	<u>235,040</u>	<u>53,818</u>	<u>12,700</u>	<u>1,165</u>	<u>302,723</u>
UNIVERSITY					
Cost:					
At 1 August 2013	313,449	102,862	12,700	1,165	430,176
Additions at cost	12,717	5,197	19,583	0	37,497
Transfer Categories	6,313	461	(6,774)	0	0
Disposals at cost	(250)	(1,486)	0	0	(1,736)
At 31 July 2014	<u>332,229</u>	<u>107,034</u>	<u>25,509</u>	<u>1,165</u>	<u>465,937</u>
Depreciation:					
At 1 August 2013	(85,074)	(50,513)	0	0	(135,587)
Charge for the year	(10,878)	(8,910)	0	0	(19,788)
Eliminated on disposals	140	1,410	0	0	1,550
At 31 July 2014	<u>(95,812)</u>	<u>(58,013)</u>	<u>0</u>	<u>0</u>	<u>(153,825)</u>
Net Book Value:					
At 31 July 2014	<u>236,417</u>	<u>49,021</u>	<u>25,509</u>	<u>1,165</u>	<u>312,112</u>
At 31 July 2013	<u>228,375</u>	<u>52,349</u>	<u>12,700</u>	<u>1,165</u>	<u>294,589</u>

Note: Freehold buildings with a net book value of £47m (2012/13 - £49m) and cost of £68m (2012/13 - £68m) 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.

Notes to the Accounts

Year Ended 31 July 2014

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

	£'000
Fair Value:	
At 31 July 2014 and at 1 August 2013	5,565
Released to Income and Expenditure Account :	
At 1 August 2013	(3,202)
Release for year (Note 4)	(134)
At 31 July 2014	(3,336)
Net Book Value :	
At 31 July 2014	<u>2,229</u>
At 31 July 2013	<u>2,364</u>

Note: The amortisation period is up to 60 years.

13 INVESTMENTS

CONSOLIDATED	Subsidiary companies (Note 36) £'000	Investments in spinouts £'000	Investments £'000	Total £'000
At 1 August 2013	0	172	42	214
Additions	0	8	0	8
Disposals	0	(30)	0	(30)
At 31 July 2014	<u>0</u>	<u>150</u>	<u>42</u>	<u>192</u>
UNIVERSITY				
At 1 August 2013	8,089	0	42	8,131
Additions	0	0	0	0
Disposals	0	0	0	0
At 31 July 2014	<u>8,089</u>	<u>0</u>	<u>42</u>	<u>8,131</u>

Notes to the Accounts

Year Ended 31 July 2014

14 LONG-TERM LOANS

	2013/14		2012/13	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Loughborough Students Union	60	60	90	90
Loughborough University Enterprises Ltd	0	142	0	172
Manufacturing Technology Centre Ltd	56	56	55	55
	<u>116</u>	<u>258</u>	<u>145</u>	<u>317</u>

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

Note: The loan granted to Loughborough University Enterprises Ltd is unsecured. Interest is payable at a rate of 3.27% annually on 30 June. The loan is repayable on demand or converted to shares at a future date.

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 2015. The University is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

15 ENDOWMENT ASSET INVESTMENTS

	2013/14		2012/13	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Balance at 1 August 2013	2,803	1,267	2,687	1,185
Transfer to Endowments	0	0	231	0
Additions	0	0	0	0
Disposals	0	0	0	0
Appreciation on Revaluation	14	11	68	59
(Decrease)/Increase in cash balances	(99)	(17)	(183)	23
Balance at 31 July 2014	<u>2,718</u>	<u>1,261</u>	<u>2,803</u>	<u>1,267</u>
Represented by:				
Quoted Unit Trusts (Unlisted)	1,262	1,082	1,248	1,071
Bank Balances	1,456	179	1,555	196
Total Endowment Asset Investments	<u>2,718</u>	<u>1,261</u>	<u>2,803</u>	<u>1,267</u>

Notes to the Accounts

Year Ended 31 July 2014

16 DEBTORS

	2013/14		2012/13	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Trade debtors	17,497	15,958	15,801	14,280
Prepayments and Accrued Income	1,891	1,768	1,963	1,756
Amounts due from subsidiary companies	0	3,046	0	2,010
	<u>19,388</u>	<u>20,772</u>	<u>17,764</u>	<u>18,046</u>

17 SHORT TERM INVESTMENTS

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 2014 was £382,465.

	2013/14		2012/13	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Cash deposits	26,000	26,000	24,500	24,500
Other	5	5	5	5
	<u>26,005</u>	<u>26,005</u>	<u>24,505</u>	<u>24,505</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 2014 the weighted average interest rate of the cash and fixed rate deposits was 0.49% per annum and the weighted average period for which the interest rate is fixed was 29 days. The fair value of the deposits was not materially different from the book value.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013/14		2012/13	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured Loans (note 19)	2,106	2,106	2,016	2,016
Payments Received on Account	48,255	48,255	44,713	44,713
Trade creditors	19,529	18,636	14,793	13,920
Social Security and Other Taxation Payable	3,247	2,829	2,886	2,438
Accruals and Deferred Income	2,897	1,584	9,494	8,117
Amounts due to subsidiary companies	0	1,101	0	512
	<u>76,034</u>	<u>74,511</u>	<u>73,902</u>	<u>71,716</u>

Notes to the Accounts

Year Ended 31 July 2014

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013/14		2012/13	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loan repayable by 2035	28,984	28,984	29,759	29,759
Unsecured fixed rate loan repayable by 2039	8,851	8,851	9,058	9,058
Unsecured fixed rate loan repayable by 2020	2,665	2,665	3,155	3,155
Unsecured fixed rate loan repayable by 2041	9,263	9,263	9,483	9,483
Unsecured fixed rate loan repayable by 2043	19,084	19,084	19,498	19,498
	<u>68,847</u>	<u>68,847</u>	<u>70,953</u>	<u>70,953</u>
Analysis of unsecured loans:				
Due within one year or on demand	2,106	2,106	2,016	2,016
Due between one and two years	2,203	2,203	2,106	2,106
Due between two and five years	7,217	7,217	6,906	6,906
Due in five years or more	59,427	59,427	61,941	61,941
	<u>70,953</u>	<u>70,953</u>	<u>72,969</u>	<u>72,969</u>
Due within one year or on demand	(2,106)	(2,106)	(2,016)	(2,016)
Due after more than one year	<u>68,847</u>	<u>68,847</u>	<u>70,953</u>	<u>70,953</u>

Note on loan repayable by 2035: £12.0m reducing is fixed at a rate of 5.1725% until March 2019 and is subject to an interest rate swap with Yorkshire Bank. This year £7.0m has been fixed at a lower rate of 3.48% (3.28% cost of funds plus 0.20% margin) and the remaining £10.0m of the loan is charged at 0.20% 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.

Note on fixed rate loan repayable by 2041: The loan is fixed at a rate of 3.185% for the term. The loan is repayable by instalments over the period to 23 December 2041.

Note on fixed rate loan repayable by 2043: The loan is fixed at a rate of 3.27% for the term. The loan is repayable by instalments over the period to 20 March 2043.

Notes to the Accounts

Year Ended 31 July 2014

20 PROVISIONS FOR LIABILITIES

CONSOLIDATED	Deferred tax	Premature Retirement Compensation	Pension Enhancements On Retirement	Total
	£'000	£'000	£'000	£'000
At 1 August 2013	98	11	1,813	1,922
Utilised in year	(38)	(11)	0	(49)
Transfer to Income and Expenditure Account	0	0	(259)	(259)
At 31 July 2014	<u>60</u>	<u>0</u>	<u>1,554</u>	<u>1,614</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 2013	11	1,813	1,824
Utilised in year	(11)	0	(11)
Transfer from Income and Expenditure Account	0	(259)	(259)
At 31 July 2014	<u>0</u>	<u>1,554</u>	<u>1,554</u>

Note: The assumptions for calculating the Provision for Enhanced Pension Costs under Financial Reporting Standard (FRS) 17, Retirement Benefits, are as in note 34.

21 DEFERRED CAPITAL GRANTS

CONSOLIDATED AND UNIVERSITY	Funding Council	Other Grants	Total
	£'000	£'000	£'000
At 1 August 2013:			
Buildings	54,615	34,407	89,022
Equipment	7,176	5,734	12,910
Total	<u>61,791</u>	<u>40,141</u>	<u>101,932</u>
Cash Receivable:			
Buildings	9,341	175	9,516
Equipment	0	1,554	1,554
Total	<u>9,341</u>	<u>1,729</u>	<u>11,070</u>
Released to Income and Expenditure:			
Buildings	(1,601)	(1,338)	(2,939)
Equipment	(1,019)	(1,820)	(2,839)
Total	<u>(2,620)</u>	<u>(3,158)</u>	<u>(5,778)</u>
At 31 July 2014:			
Buildings	62,355	33,244	95,599
Equipment	6,157	5,468	11,625
Total	<u>68,512</u>	<u>38,712</u>	<u>107,224</u>

Notes to the Accounts

Year Ended 31 July 2014

22 ENDOWMENTS

CONSOLIDATED	Restricted Permanent £'000	Restricted Expendable £'000	2014 Total £'000	2013 Total £'000
Capital	787	461	1,248	1,181
Accumulated income	186	1,369	1,555	1,506
At 1 August	973	1,830	2,803	2,687
Transfer to Endowments	0	0	0	231
Investment and Other Income	46	2,128	2,174	904
Expenditure	(46)	(2,227)	(2,273)	(1,087)
Released to Income & Expenditure Account	0	(99)	(99)	(183)
New endowments	0	0	0	0
Increase in market value of investments	8	6	14	68
At 31 July	981	1,737	2,718	2,803

Represented by:

Capital	795	467	1,262	1,248
Accumulated income	186	1,270	1,456	1,555
	981	1,737	2,718	2,803

UNIVERSITY

	Restricted Permanent £'000	Restricted Expendable £'000	Total £'000	Total £'000
Capital	663	408	1,071	1,012
Accumulated income	121	75	196	173
At 1 August	784	483	1,267	1,185
Investment and other income	25	16	41	44
Expenditure	(46)	(12)	(58)	(20)
Released to Income & Expenditure Account	(21)	4	(17)	24
New endowments	0	0	0	0
Increase in market value of investments	7	4	11	58
At 31 July	770	491	1,261	1,267

Represented by:

Capital	670	413	1,083	1,071
Accumulated income	100	78	178	196
	770	491	1,261	1,267

Consolidated - Analysis by type or purpose:	Restricted Permanent £'000	Restricted Expendable £'000	Total £'000	Total £'000
Prize Funds	352	247	599	526
Hardship Funds	79	226	305	319
Travel Awards	81	0	81	88
Lectures	0	194	194	192
Posts & Departmental Support	463	407	870	795
Other	6	663	669	883
	981	1,737	2,718	2,803

Notes to the Accounts

Year Ended 31 July 2014

22 ENDOWMENTS CONTINUED

The following funds had overdrawn balances at 31 July 2014. No further expenditure will be incurred on these funds until sufficient income has been received to cover these deficits, which in all cases is expected to be before 31 July 2015.

Balances at 31 July 2014:	Capital £	Accumulated deficit £	Total £
Shipman Prize Fund	21,819	(1,066)	20,753
Wallace Fund	6,601	(325)	6,276
Civil Engineering Prize Fund	1,144	(504)	640
	<u>29,564</u>	<u>(1,895)</u>	<u>27,669</u>

Material Endowments

There were three Endowed Funds which were worth over £200k at the start of the year:

The American Aid Industrial Fund supports the provision of Industrial Engineering education.

The John S Webber Memorial Fund supports the furtherance of research in Automotive Engineering.

The Glendonbrook Centre is a fund created to establish a centre for enterprise education.

The movements of these funds for the year were as follows:

	American Aid £'000	John S Webber £'000	Glendonbrook £'000
Balances at 1 August 2013	275	204	288
Investment and other income	9	6	0
Expenditure	<u>0</u>	<u>(38)</u>	<u>(272)</u>
Released to Income & Expenditure Account	9	(32)	(272)
Increase in market value of investments	2	2	0
Balances at 31 July 2014	<u>286</u>	<u>174</u>	<u>16</u>

Notes to the Accounts

Year Ended 31 July 2014

23 RESERVES

Income and expenditure account including pension reserve

	2013/14		2012/13	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
At 1 August	101,504	101,302	88,507	87,866
Surplus retained for the year	15,692	15,479	8,309	8,517
Adjustment to reserves	(13)	(13)	6	6
Transfer to Endowments	0	0	(231)	0
Actuarial gain/(loss)	(16,351)	(16,351)	4,913	4,913
At 31 July	<u>100,832</u>	<u>100,417</u>	<u>101,504</u>	<u>101,302</u>

Pension reserve only

At 1 August	(45,187)	(45,187)	(47,618)	(47,618)
Actuarial gain/(loss)	(16,351)	(16,351)	4,913	4,913
Deficit within reserves	(2,565)	(2,565)	(2,482)	(2,482)
At 31 July	<u>(64,103)</u>	<u>(64,103)</u>	<u>(45,187)</u>	<u>(45,187)</u>

24 LEASE OBLIGATIONS

	2013/14		2012/13	
	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	98	98	95	95
	<u>98</u>	<u>98</u>	<u>95</u>	<u>95</u>

Other

Annual, non-cancellable operating lease commitments in respect of leases expiring:

Within one year	13	4	6	4
Between one and two years	162	98	19	12
Between two and five years	422	367	504	412
Over five years	0	0	0	0
	<u>597</u>	<u>469</u>	<u>529</u>	<u>428</u>

Notes to the Accounts

Year Ended 31 July 2014

25 CAPITAL COMMITMENTS

Provision has not been made for the following capital commitments at 31 July 2014:

	2013/14		2012/13	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted	14,979	14,979	26,072	26,072
Authorised but not contracted	34,001	34,001	12,636	12,636
	<u>48,980</u>	<u>48,980</u>	<u>38,708</u>	<u>38,708</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)

	2013/14 £'000	2012/13 £'000
Income:		
Excess of Income over Expenditure Brought Forward	7	0
Funding Council Grants	172	141
Interest Earned	0	0
	<u>179</u>	<u>141</u>
Expenditure:		
Disbursed to Students	(150)	(130)
Fund Running Costs	(5)	(4)
	<u>24</u>	<u>7</u>
Excess of Income over Expenditure Carried Forward	24	7

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 2014

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

	Note	2013/14	2012/13
		£'000	£'000
Surplus Before Tax and exceptional items		15,555	8,109
Depreciation	11	20,381	17,700
Benefit on Acquisition of LCAD released to Income	12	(134)	(133)
Deferred Capital Grants released to Income	21	(5,778)	(5,915)
Investment Income	5	(2,562)	(1,313)
Interest Payable	7	3,630	3,416
Decrease/(Increase) in Stocks		20	(30)
(Increase) in Debtors		(1,623)	(215)
Increase in Creditors		2,108	3,614
(Decrease) in provision		(308)	(42)
Pension costs less contributions payable	34	1,206	1,012
Endowment expenditure adjustment	22	0	1,087
(Profit)/Loss on disposal of fixed assets	9	(403)	170
NET CASH INFLOW FROM OPERATING ACTIVITIES		<u>32,092</u>	<u>27,460</u>

29 Returns on Investment and Servicing of Finance

Income from Endowments	22	2,174	904
Other Interest received		387	519
Interest paid		(2,301)	(1,871)
		<u>260</u>	<u>(448)</u>

30 Capital Expenditure and Financial Investment

Payments made to acquire fixed assets		(37,968)	(20,863)
Proceeds from sales of fixed assets		595	650
Disposal of Investments		22	28
Expenditure on endowments	22	0	(1,087)
Changes in long term Loans		29	28
Deferred Capital Grants Received	21	11,070	5,714
		<u>(26,252)</u>	<u>(15,530)</u>

31 Management of Liquid Resources

Withdrawals of deposits		(1,500)	(2,000)
		<u>(1,500)</u>	<u>(2,000)</u>

32 Financing

New Loan		0	20,000
Capital repayments on all loans		(2,016)	(1,644)
		<u>(2,016)</u>	<u>18,356</u>

Notes to the Accounts

Year Ended 31 July 2014

33 ANALYSIS OF CHANGES IN NET FUNDS/(NET DEBT)

	At 1st August 2013	Cash Flows	Other Non-Cash Changes	At 31st July 2014
	£'000	£'000	£'000	£'000
Cash at Bank and In Hand :				
Endowment Assets	1,555	(99)	0	1,456
Other	51,801	2,683	0	54,484
	<u>53,356</u>	<u>2,584</u>	<u>0</u>	<u>55,940</u>
Short Term Investments	24,505	1,500	0	26,005
Debts Due Within One Year	(2,016)	2,016	(2,106)	(2,106)
Debts Due After One Year	(70,953)	0	2,106	(68,847)
	<u>4,892</u>	<u>6,100</u>	<u>0</u>	<u>10,992</u>

Notes to the accounts
Year ended 31 July 2014

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 (TP).

The total pension cost for the institution and its subsidiary companies was:

	2013/14	2012/13
	£'000	£'000
USS contributions paid	11,424	10,826
LGPS charge to the Income & Expenditure account	4,452	4,054
TP contributions paid	72	78
Contributions paid to other pension schemes	<u>0</u>	<u>0</u>
Total Pension Cost (Note 6)	15,948	14,958
Outstanding Pension Contributions at 31 July	1,917	1,763

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

	USS	LGPS	TP
	31 March 2011	31 March 2013	31 March 2012
Latest actuarial valuation			
Investment returns per annum	6.4%	5.5%	5.1%
Salary scale increase per annum	4.3%	5.1%	4.8%
Pension increase per annum	2.9%	2.8%	2.0%
Market value of assets at date of last valuation	£32,433m	£2,835m	£176,600m
Proportion of members' accrued benefits covered by the actuarial value of the assets (Technical Provision)	98%	100%	100%

Teachers' Pensions

TP is valued every 5 years 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 rise to 16.4% after 2015.

Under the definitions set out in Financial Reporting Standard 17 "Retirement benefits" (FRS 17), the TP is a multi-employer defined benefit pension scheme. The Institution is unable to identify its share of the underlying assets and liabilities.

Universities Superannuation Scheme

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

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA ["light"] YoB tables – No age rating
Female members' mortality	S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

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

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately

57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustee has determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

<i>Assumption</i>	<i>Change in assumption</i>	<i>Impact on shortfall</i>
Investment return (Valuation rate of interest)	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than Assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service

liabilities of the scheme, a cautionary reserve was included, in addition, on account of the variability mentioned above.

As at the 2011 valuation the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New Entrants

Other than in specific, limited circumstances, new entrants are now provided benefits on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age

The normal pension age was increased for future service and new entrants, to age 65.

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

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

The trustee's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve

attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

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 2013 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. The employer's contribution rate was increased to 17.9% from April 2013.

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 2014.

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.

A full actuarial valuation was carried out at 31 March 2013 and updated to 31 July 2014 on an FRS 17 basis by a qualified independent actuary. The material assumptions used by the actuary at 31 July 2014 were:

	2013/14	2012/13
	%	%
Salary increases	4.5	5.1
Pension increases	2.7	2.8
Expected return on assets	5.8	5.5
Discount rate	4.0	4.6

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	22.2 years	24.3 years
Future pensioners	24.2 years	26.6 years

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

	2013/14		2012/13		2011/12	
	LONG – TERM RETURN %	FUND VALUE £'000	LONG – TERM RETURN %	FUND VALUE £'000	LONG –TERM RETURN %	FUND VALUE £'000
Equities	6.6	67,809	6.4	53,113	5.5	50,239
Bonds	3.7	15,499	3.7	21,577	2.8	12,201
Property	4.7	9,687	4.6	7,469	3.7	7,895
Cash	3.6	3,875	3.4	830	2.8	1,435
		<u>96,870</u>		<u>82,989</u>		<u>71,770</u>

The following amounts at 31 July 2014 were measured in accordance with the requirements of FRS 17.

Analysis of the amount shown in the balance sheet	2013/14	2012/13
	£'000	£'000
The Institution's estimated asset share	96,870	82,989
Present value of the Institution's scheme liabilities	(160,973)	(128,176)
Deficit in the scheme - Net pension liability	<u>(64,103)</u>	<u>(45,187)</u>
Analysis of the amount charged to staff costs within operating surplus	2013/14	2012/13
	£'000	£'000
Current service cost	4,423	4,005
Past service cost	0	0
Settlements and curtailments	29	50
Total operating charge	<u>4,452</u>	<u>4,055</u>
Analysis of the amount that is charged to interest payable	2013/14	2012/13
	£'000	£'000
Expected return on pension scheme assets	4,552	3,448
Interest on pension scheme liabilities	(5,911)	(4,918)
Net charge	<u>(1,359)</u>	<u>(1,470)</u>
	2013/14	2012/13
	£'000	£'000
Actuarial (loss)/gain recognised in STRGL	<u>(16,351)</u>	<u>4,913</u>
Movement in deficit in the year	2013/14	2012/13
	£'000	£'000
Deficit in scheme at beginning of the year	(45,187)	(47,618)
Movement in the year:		
Current service costs	(4,423)	(4,005)
Contributions	3,246	3,043
Past service costs	(0)	(0)
Net return on assets	(1,359)	(1,470)
Impact of settlements and curtailments	(29)	(50)
Actuarial (loss)/gain	(16,351)	4,913
Deficit in the scheme at the end of the year	<u>(64,103)</u>	<u>(45,187)</u>

Analysis of the movement in the present value of scheme liabilities	2013/14	2012/13
	£'000	£'000
At beginning of the year	128,176	119,388
Current service cost	4,423	4,005
Interest costs	5,911	4,918
Contributions by members	1,204	1,165
Actuarial losses	26,030	2,742
Past service costs	0	0
Losses on curtailments	29	50
Liabilities extinguished on settlements	0	0
Estimated benefits paid	(4,800)	(4,092)
At end of the year	<u>160,973</u>	<u>128,176</u>

Analysis of movement in the fair value of scheme assets	2013/14	2012/13
	£'000	£'000
At beginning of the year	82,989	71,770
Expected return on assets	4,552	3,448
Contributions by members	1,204	1,165
Contributions by the employer	3,246	3,043
Actuarial gains/(losses)	9,679	7,655
Estimated benefits paid	(4,800)	(4,092)
At end of the year	<u>96,870</u>	<u>82,989</u>

History of experience gains and losses	2013/14	2012/13	2011/12	2010/11	2009/10
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligations	(160,973)	(128,176)	(119,388)	(100,111)	(113,239)
Fair value of scheme assets	96,870	82,989	71,770	71,209	71,605
(Deficit) in the scheme	<u>(64,103)</u>	<u>(45,187)</u>	<u>(47,618)</u>	<u>(28,902)</u>	<u>(41,634)</u>
Experience adjustments on scheme liabilities					
Amount (£000)	(10,230)	0	(1,211)	6,873	0
Percentage of scheme liabilities %	<u>(10.56)</u>	<u>0.00</u>	<u>(1.69)</u>	<u>9.65</u>	<u>0.00</u>
Experience adjustments on scheme assets					
Amount £'000	9,679	7,655	(4,041)	(349)	4,796
Percentage of scheme assets %	<u>9.99</u>	<u>9.22</u>	<u>(5.63)</u>	<u>(0.49)</u>	<u>6.70</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 2014/15 is £3,791,000.

The actual gain on scheme assets in the year was £14,231,000 and for 2013 was £11,103,000.

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Notes to the Accounts

Year Ended 31 July 2014

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 July 2014 due to the University £'000
Members of Council			
Loughborough College - (Esme Winch - Chief Executive Officer)	287	(89)	0
Loughborough Students Union - (Josh Hurrell - President and Zak Evans - Vice President)	371	(1,408)	32
Senior Members of the University			
Loughborough Students Union - (Richard Taylor - Trustee)	371	(1,408)	32

During the financial year 2013/14, £3,000 (2012/13, £7,000) 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 8 trustees involved (2012/13, 10).

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

Year Ended 31 July 2014

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 software
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

Endowments and linked (paragraph (W)) charities

	Balance 1 August 2013	Additions and transfers	Change in the market value of investments	Income	Expenditure	Balance 31 July 2014
	£'000	£'000	£'000	£'000	£'000	£'000
Loughborough University Development Trust	1,536	-	3	2,133	2,215	1,457

Consolidated Five Year Results

INCOME AND EXPENDITURE ACCOUNT

	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000
Income	260,507	244,940	237,757	239,868	232,686
Expenditure	(244,952)	(236,831)	(231,952)	(227,993)	(222,388)
Exceptional income not included above	0	0	0	2,128	376
Other	137	200	52	15	(11)
Surplus For The Year Retained Within Reserves	15,692	8,309	5,857	14,018	10,663

BALANCE SHEET

	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000
Fixed Assets and Investments	318,185	300,718	298,298	283,250	260,182
Endowment Assets	2,718	2,803	2,687	1,305	1,246
Net Current Assets/(Liabilities)	24,435	20,780	(5,003)	(2,214)	1,526
Less Amounts Due After More Than One Year:					
Creditors Due After More Than One Year	(68,847)	(70,953)	(53,072)	(44,714)	(45,978)
Provisions	(1,614)	(1,922)	(19,647)	(2,101)	(1,885)
Pension liability	(64,103)	(45,187)	(47,618)	(28,902)	(41,634)
Total Net Assets	210,774	206,239	193,328	206,624	173,457
Represented by:					
Deferred Capital Grants	107,224	101,932	102,134	105,048	100,299
Specific Endowments	2,718	2,803	2,687	1,305	1,246
Reserves	164,935	146,691	136,125	129,173	113,546
Pension reserve	(64,103)	(45,187)	(47,618)	(28,902)	(41,634)
Total	210,774	206,239	193,328	206,624	173,457

CASH FLOW STATEMENT

	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000
Net Cash Inflow from Operating Activities	32,092	27,460	20,016	13,240	31,863
Returns on Investment and Servicing of Finance	260	(448)	(108)	(1,083)	(2,894)
Taxation	0	0	0	0	0
Capital Expenditure and Financial Investment	(26,252)	(15,530)	(29,364)	(25,410)	(19,563)
Management of Liquid Resources	(1,500)	(2,000)	6,500	14,050	(1,000)
Financing	(2,016)	18,356	8,634	(1,210)	4,138
Increase/(decrease) In Cash Balances	2,584	27,838	5,678	(413)	12,544

