



Loughborough
University

Financial Statements 2015-16

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OUR UNIVERSITY

Loughborough University is renowned for its excellence in research, teaching and enterprise; the unique contribution it makes to the world of sport; and the links it holds with business, industry and policy makers which ensure that the University and its activities have a tangible positive impact on issues worldwide.

Since its inception in 1909 the University has grown significantly, and now operates across two sites – the main campus in Loughborough, and Loughborough University London, a postgraduate site located on the Queen Elizabeth Olympic Park.

The University offers undergraduate, postgraduate taught and postgraduate research courses, across a wide range of disciplines. Both sites also offer access to a range of student support services and amenities, as well as one of the best students' unions in the country, Loughborough Students' Union.

The University's diverse student community, across both Loughborough and London campuses, is made up of over 17,600 students from over 100 countries.

Teaching and supporting this community is a workforce of over 3,500 employees, including teaching and research staff, and staff that provide a range of support, professional and technical services.

Loughborough is a research-active institution that 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 the quality of people's lives.

In addition to our core activity in teaching and research, Loughborough University also owns and manages Loughborough University Science and Enterprise Park (LUSEP), an established, dynamic innovation community of organisations and business start-ups.

University organisation

The University has 20 academic schools and departments, more than 100 research groups, institutes and centres, and over 35 professional services teams.

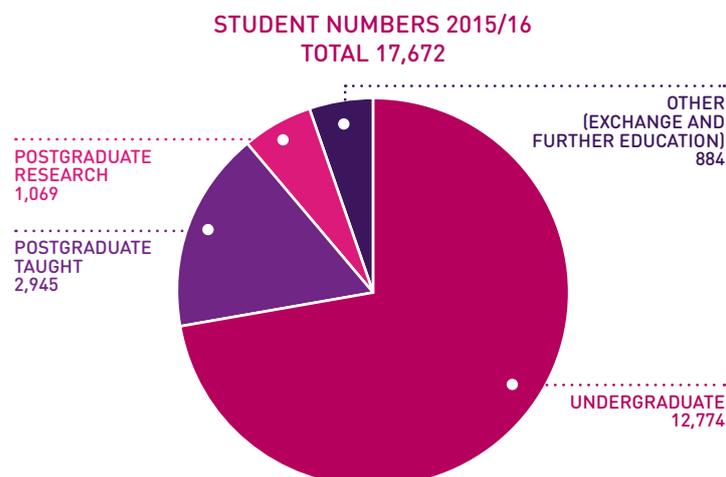
The University Council is the governing body, responsible for the University's finances, buildings and land. The University Senate is responsible for the academic work of the University, including programmes, examinations, teaching and research quality.

Our mission

- To further knowledge and understanding through internationally-recognised research.
- To provide a high quality, comprehensive educational experience that prepares our graduates for their future lives and the global workplace.
- To influence the economic and social development of individuals, businesses, the professions and communities.
- To shape national and international policy and practice.

Our values

- Respect each other and celebrate our diversity.
- Recognise and reward excellence in our staff for their contribution and commitment.
- Be inclusive and value the views of our staff, students, alumni and partners.
- Respect the communities and environments in which we operate.
- Work together as a team with professionalism and integrity.
- Take pride in being the very best we can be.



OUR STRATEGY

The success Loughborough enjoys is built on the hard work and high standards achieved by our staff and students. These high standards stem from our ambitious outlook, which is reflected in our Building Excellence strategy.

Our ambitions

The Building Excellence strategy outlines that by 2020 we will have achieved the following as an institution:

- A distinctive international reputation for excellence.
- A life-shaping student experience.
- Outstanding partnerships to deliver social, economic and cultural prosperity.
- A culture of delivering excellence in all that we do.
- One outstanding university: two vibrant campuses.

Our drivers

The strategy is built upon four central themes which act as drivers to support us in achieving our ambitions – with research, teaching, enterprise and sport embedded in each.

- **Investing in our staff** – We will be an outstanding employer; supporting our staff to achieve their full potential and recognising excellence and achievement. We will maintain a strong staffing profile to enhance our centres of research excellence and provide a dynamic learning environment for our students.
- **Educating for success** – We will develop our students as creative, confident and adaptable individuals who will make a significant contribution to global society.
- **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, with policy makers, business, industry and the community.
- **Raising standards and aspirations** – We will build on our strengths and focus on developing the activities we do well, such as internationally excellent research and a high quality student experience.

Sector changes and challenges

The higher education environment is continuously evolving. Our strategy supports us in anticipating and responding to change so that we remain in a strong position. Current sector challenges include:

- **Raised student expectations** – A rise in tuition fees has generated greater expectations from students regarding the experience they receive.
- **Uncertainty around overseas recruitment** – Changes to the student immigration policy and visas, as well as the impact of the EU Referendum result make realistic recruitment targets difficult to set.
- **Rising pension and national insurance costs** – Changes to both national insurance contributions and the provision of pensions, which continue to increase, puts pressure on employment costs.
- **Increased competition** – The removal of the student numbers cap in 2015, an increasing number of alternative and private providers and proposals to give new start-up institutions degree-awarding powers, have all contributed towards increasing competition in the sector.
- **Reduction in teaching grant to universities** – During the Autumn Statement in 2015 it was announced that the teaching grant to universities would be reduced by £120 million by 2019/20.

WE WILL GROW CAPACITY IN KEY AREAS OF TEACHING, RESEARCH AND ENTERPRISE BY INVESTING STRATEGICALLY AND DEVELOPING INTERNATIONAL PARTNERSHIPS AND COLLABORATIONS, WITH POLICY MAKERS, BUSINESS, INDUSTRY AND THE COMMUNITY

REVIEW OF THE YEAR 2015/16

PROFILE AND REPUTATION

Current position

Enhancing our profile and reputation feeds directly into our strategy ambition of achieving 'a distinctive international reputation for excellence'. Whether it relates to teaching, research, sport or enterprise, it will have an impact on what people think about us.

Our excellence in teaching and learning means we produce highly-employable graduates; which improves our position in national league tables and surveys, which ultimately has an impact on our reputation to prospective students. Our recruitment levels remain strong, showing a direct result of this.

Our research continues to be highly relevant to society, increasing our visibility and allowing us to develop partnerships with some of the best universities in the world and a wide-range of leading international companies.

In sport, the achievements of our elite athletes and student sports teams; the impact of our research; and our strong links with external partners, cement our position as the UK's premier institution for sport.

Our enterprise activity continues to expand; developing partnerships with leading organisations; delivering breakthroughs in technology and innovation; attracting new organisations to campus; and supporting graduates to launch successful businesses.

Progress in 2015/16

Every statistic, achievement and development mentioned in this review affects our profile and reputation. Here we look at the achievements in 2015/16 that evidence the growth of our profile and reputation in the last year.

League tables

The institution has seen significant movement in the major UK league tables. In April, the University leapt to 7th place in The UK Complete University Guide 2017 – the fastest riser in the top 20 and the top ranked university in the Midlands.

One month later in May, Loughborough climbed seven places from last year, into 4th position in the 2017 Guardian University League Table, our highest position ever. The same league table results placed 16 of the University's courses in the national top 10 for their subject area.

Press coverage

The press coverage we receive shows the relevance of our work and also contributes towards building our profile on both a national and international scale.



RANKED 7TH
IN THE COMPLETE
UNIVERSITY GUIDE 2017
OUT OF 127
UK UNIVERSITIES



RANKED 4TH
IN THE GUARDIAN
UNIVERSITY GUIDE 2017
AHEAD OF 92% OF THE
RUSSELL GROUP UNIVERSITIES

During 2015/16 the University received coverage for its work across the globe in countries such as India, Canada, Brazil, USA, South Africa, France, Singapore, China and Russia. The media outlets providing the coverage included nationals such as the Telegraph, the Guardian, BBC News and Sky News, and international outlets such as Bloomberg News, ITN and Thomson Reuters.

In February, the University unveiled new technology that could signal the end of laser attacks on aircraft. The story broke just as pilots across the UK called for lasers to be treated as an offensive weapon, after a New York bound flight was forced back to the ground at Heathrow, after being targeted by a laser shortly after take-off. The result was coverage for the University in 10 different countries.

Moving forwards

The areas of individual focus mentioned within this report, whether they relate to our staff, research, enterprise or sport, all contribute towards maintaining our current standing.

Moving forwards we will focus on consolidating our position as an institution nationally, and growing our international visibility. Essential activity in support of this will include building on the work we are doing to create strong synergies between research and teaching; developing our strategic partnerships, and building the relationships and connections we have with other higher education institutions.

RATED TOP 3 FOR
TEACHING QUALITY
QUALITY ASSURANCE AGENCY

TEACHING AND LEARNING

Current position

The popularity of our courses remains strong and the government's actions in 2015 to remove artificial caps on university places in England has meant that more students can now fulfil their goals at Loughborough. During the recruitment cycle for 2015/16 undergraduate entry, we received over 22,000 applications for just over 3,500 places.

We work closely with employers on the development of our courses, to create a learning experience that has relevance when they graduate.

We dedicate significant budget and resources to the development of our teaching facilities and continue to invest in attracting the best educators for our students.

Progress in 2015/16

Recognition and reward

The University's dedication to teaching excellence has been recognised in a number of ways during the year. In June Loughborough topped a mock exercise run by the Times Higher Education (THE) magazine that anticipated how UK universities might perform in the new Teaching Excellence Framework (TEF). During the assessment Loughborough was described as one of the 'new elite' – campus-based, research-active institutions, which offer outstanding education and the best all-round student experience.

Educating for success

The results of our investment can also be evidenced by the success of our students following graduation. In November, the University was ranked top five in the UK for graduate employability in the QS Graduate Employability Rankings, and 39th in the world.

Our students' individual achievements reflect heavily on the education they have received. Just before celebrating their graduation in July, five students from across the School of the Arts, English and Drama and Loughborough Design School won top awards at the New Designers exhibition in London.

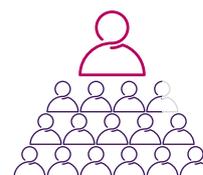
In engineering, PhD student Rebecca Grant was awarded the prestigious Institution of Mechanical Engineers Research Scholarship at the IMechE Vision Awards, which is awarded to one student nationally and recognises young people impacting on the engineering industry.

Academic success

The high calibre of our employees has a strong influence on the teaching standards we offer, and is evidenced by their own personal success. In September, Professor Colin Garner, of Wolfson School of Mechanical, Manufacturing and Electrical Engineering, was elected as a new Fellow of the Royal Academy of Engineering. He joined six other existing fellows from Loughborough who represent the best of the UK engineering profession.



AWARDED 5*
FOR TEACHING
QS STARS UNIVERSITY
RATINGS 2014



ONE MEMBER
OF STAFF
TO EVERY 14.7
STUDENTS

New teaching and support facilities

Strong investment has also been made in the facilities that support the quality of our teaching provision. This year alone has seen the opening of Graduate House, the West Park Teaching Hub, and the start of development work to STEMLab, all of which will play a part in our students' education whilst at Loughborough. Further information on the development of these new facilities is available on page 12 of this review.

Moving forwards

In the year ahead, we will be focusing on further developing our strategy for delivering excellence in learning and teaching at Loughborough. This will include:

- **A Curriculum for Excellence**
 - Providing intellectual challenge for students.
 - Increasingly embedding research and enterprise into the curriculum.
 - Enhancing our placement opportunities for all students.
 - Benefitting from the wealth of experience in our alumni network for current students.
- **Maximising the opportunities afforded by new learning and teaching facilities**
 - Supporting staff to make changes to their teaching to take advantage of new methods of delivery, for example, to embrace new laboratories and equipment in preparation for STEMLab opening in 2017.
 - Developing a Digital Strategy for Learning and Teaching, to utilise the latest virtual learning technologies for students working in parallel with outstanding physical spaces.

STUDENT EXPERIENCE

Current position

Our student experience continues to be rated as one of the best in country, through various national awards and surveys. In connection to this, our students' union continues to excel and plays an essential role in the delivery of our award-winning student experience.

Progress in 2015/16

Awards and recognition

Our award-winning student experience was named as best in the country, when the University was placed 1st in the Times Higher Education Student Experience Survey 2016.

The Loughborough Experience was also recognised at the WhatUni? Student Choice Awards 2016, where Loughborough Students' Union were awarded Best Students' Union for the third year running, as well as Best Clubs and Societies.

Towards the beginning of the financial year, the University also retained its position at the top in the Lloyds Bank Student Survey 2015.

Skills development through volunteering

The educational opportunities we offer our students extend beyond their course.

In 2015/16 1,785 active student volunteers completed 25,600 hours of work for local charities and organisations. They also achieved incredible success in this year's Raising and Giving (RAG) appeal by raising over £1 million for the 7th year in a row.

OUR AWARD-WINNING
STUDENT EXPERIENCE
WAS NAMED AS BEST IN
THE COUNTRY THROUGH
VARIOUS NATIONAL
AWARDS AND SURVEYS

Industry experience

Loughborough students also develop their skills and experience through work experience. 100% of our undergraduate courses offer the opportunity to complete a placement. During 2015/16 over 1,500 students completed a year-long placement, with more than 600 companies.

Moving forwards

The partnership between the University and Loughborough Students' Union plays a key role in delivering an outstanding educational experience for students. We will continue to build on the partnership by:

- Supporting the Union to deliver on its Education Priorities.
- Developing and articulating opportunities for a personalised study experience during a student's 'Loughborough Journey' within and outside of the curriculum.



1ST PLACE
IN THE 2016 TIMES HIGHER
EDUCATION (THE) STUDENT
EXPERIENCE SURVEY



OVER 25,600 HOURS
OF VOLUNTEERING
COMPLETED BY STUDENTS



RESEARCH

Current position

Our research is generating globally important work that is driven by society's need for solutions to real-life issues.

In the latest Research Excellence Framework assessment (REF 2014), the University was ranked as a top 10 institution in England for research intensity. We have also been awarded seven Queen's Anniversary Prizes for Higher and Further Education, for the quality of our research.

To support us in continuing to progress, we have defined four global research challenges to keep our work focused: Changing Environments and Infrastructure, Energy, Health and Wellbeing, and Secure and Resilient Societies.

Progress in 2015/16

Income and investment

Investment in our research in 2015/16 has continued. In total, Loughborough received £40.1m in research grants and contracts income.

New funding secured during the year included a share of £38m in Government funding for three projects from across engineering and chemistry, to design low carbon vehicles of the future.

The University was also announced as a partner in a new £276 million research project aimed at ensuring the long-term functioning of the UK's infrastructure and cities – UKCRIC (the UK Collaboratorium for Research in Infrastructure and Cities). Outside national security and medicine it will be one of the largest collaborative research projects in the UK.

Research training and development

As part of a major push of support for science and engineering, the University secured £3.8 million in government funding from the Engineering and Physical Sciences Research Council through its Doctoral Training Partnerships. The money will be used to support staff and develop research in key strategic areas.



**£3.8 MILLION
INVESTMENT
IN RESEARCH TRAINING AND
DEVELOPMENT FOR SCIENCE
AND ENGINEERING**



**£40.1 MILLION
SECURED
IN RESEARCH GRANTS
AND CONTRACTS**

Research impact

Strong investment and support means that our research continues to have an impact on society today and mark its potential for the future.

During 2015/16, Dr Guy Bingham, of Loughborough Design School, teamed up with global textile and garment manufacturer the Yeh Group, to embark on landmark work aiming to produce personalised 3D printed fashion that can be manufactured within 24 hours, and could change the way we shop for clothes in the future.

Following the horrific bombings in Brussels in early 2016, researchers at the University unveiled a device that could provide the answer to safeguarding the travelling public in the future.

ExDtect can identify tiny amounts of explosive particles that are invisible to the naked eye, and uses laser technology to remotely scan vehicles, cargo and crowded areas, such as airports, train stations and sports stadiums, automatically alerting an operator if it detects traces of explosives and accurately pinpointing its location. The device is set to be used to scan cargo for an international courier, and discussions are taking place with several other international organisations keen to use the technology.

Moving forwards

The year ahead will see the implementation of our new CALIBRE framework (Collective Ambition at Loughborough for Building Research Excellence), which presents the research component of the University's Building Excellence strategy.

Research excellence is fundamental in the new framework, which has the diverse but focused research strengths across all our Schools at its heart. Around this are eight programmes that map to the four themes of our strategy:

- **Research Leaders:** Developing the next generation.
- **Doctoral College:** Our commitment to delivering an outstanding doctoral student experience.
- **Ambition:** Identifying opportunities to drive achievements to a higher level.
- **Beacons:** Recognising the broad research strengths of the University.
- **Adventure:** Exploring new areas of research and translating expertise into new application areas.
- **Thought Leadership:** Establishing Loughborough's reputation in this important role.
- **Global Challenges:** Developing multi-disciplinary solutions to society's biggest challenges.
- **Here to Stay:** Bringing the world's very best academic researchers to our campuses.

ENTERPRISE

Current position

The University works with over 1,300 organisations worldwide, exchanging knowledge to meet today's challenges and those of the future. Direct benefits for many of these organisations include innovative new products and services, and increased performance and growth.

The Science and Enterprise Park continues to expand, with 60 organisations taking advantage of the world-class research base, high calibre graduate pool and outstanding working environment that co-location on the campus provides.

Loughborough's award-winning student experience gives students the framework to develop an enterprising outlook, no matter where they intend to take their career. New graduate business ideas are also nurtured through the University's purpose-built centre for graduate enterprise, the Studio – which since its inception in 2011, has nurtured over 40 businesses, creating more than 45 jobs and 40 volunteer opportunities.

Progress in 2015/16

Loughborough University Science and Enterprise Park

The Science and Enterprise Park saw a 28% increase in tenancies during 2015/16 with several companies expanding into much larger premises. The latest development, the Advanced Technology Innovation Centre (ATIC), achieved 90% occupancy within 8 months of its launch in October, creating a thriving community of start-ups to established companies. Notable highlights include drug delivery system developers Nemaura Pharma and supply chain management specialists Segura Systems who have both raised significant investment and quadrupled their space in ATIC. Both companies tap into the University's knowledge base, as well as its student and graduate pool.

The Park's significance in the local economy as a magnet for high-tech innovation and growth was reinforced by its pivotal role in a new Enterprise Zone for Leicestershire, announced in the March 2016 Budget.

OUR ADVANCED TECHNOLOGY INNOVATION CENTRE FOR GROWING HIGH-TECH COMPANIES, WAS 90% FULL WITHIN 8 MONTHS



28% MORE COMPANIES JOINED THE SCIENCE AND ENTERPRISE PARK



OVER 1,500 STUDENTS WERE ENGAGED IN ENTERPRISE ACTIVITIES IN 2015

Student and graduate enterprise

During 2015/16 over 1,500 students at Loughborough engaged in enterprise activities ranging from launching international social enterprises to helping local businesses understand social media potential.

Loughborough graduates in the Studio benefit from a bespoke business skills programme whilst accessing an extensive network of University and external expertise to launch sustainable new businesses. Private investment, crowdfunding and national innovation awards continue to accelerate these ventures. One example, product design company Version22, exceeded its Kickstarter target by 695% in May, to launch a one-finger cutting tool, attracting almost 2,000 backers worldwide.

Impact in enterprise

The University granted further licences in 2015 for High Speed Sintering, a new 3D printing technology that will transform the way we make every day products. Up to 100 times faster than current processes, with the potential to produce up to 100,000 parts a day, it will flatten supply chains, move production closer to markets and eliminate inventory and transport costs.

Moving forwards

In the coming year we intend to further grow all our enterprise activities but at the same time focus on three key areas.

We have a fantastic track record of helping our students become more entrepreneurial and supporting graduate businesses, but we want to provide better coordination and signposting for students around the type of support they can get. Our Centre for Student and Graduate Enterprise will launch in the next year; providing central support and extra-curricular activities for all students around enterprise. It will also co-ordinate the in-curricula enterprise teaching we offer and provide an extended graduate incubator offering across both campuses.

We will also focus on building more successful partnerships between our academics, industry and other external partners, by developing further business support. This will include creating more depth in partnerships that in future should enable further funding from these sources and increase the impact that our work has outside of the University.

Finally, the recent success of the Advanced Technology Innovation Centre illustrates the demand for high quality innovation space on the campus of a research-intensive university. We intend to build upon this, and provide more opportunities for companies to be part of the Science and Enterprise Park; therefore enabling greater collaboration opportunities for our academic schools with campus partners.

SPORT

Current position

Loughborough's reputation for sporting excellence spans performance, facilities, expertise and working partnerships.

The University's founder, Herbert Schofield, had a vision that sport should play a part in every student's life on campus. Loughborough now provides a range of sporting opportunities for students to get involved in; from facilities and coaches to support elite talent, to a vast array of activities and facilities for those wanting to participate in their free time.

Our strong association with elite performance sport is boosted by the number of students, alumni and Loughborough-based athletes that choose the campus as their training base; the number of national sport governing bodies that house their main headquarters here; and the decision in 2012 to use Loughborough as the official preparation camp for Team GB ahead of the London Olympics.

Progress in 2015/16

Awards and recognition

Although it is a title we have become accustomed to, 2015/16 saw us named British Universities and Colleges Sport champion for the 36th consecutive year – a title we are still incredibly honoured to bear.

The University received recognition for its overall sports scene, when it was rated one of the UK's best in the Which? University Student Survey 2016: an independent survey of current students about their university experience.

In December we became the first higher education institution to achieve accreditation to the UK Anti-doping (UKAD) Accreditation Scheme – a new education scheme which recognises the positive work being done to promote clean sport. Loughborough was awarded 'elite' status, the highest level available.

**71% OF STUDENTS
AT LOUGHBOROUGH
UNIVERSITY REGULARLY
PARTICIPATE IN SPORT AT
LEAST ONCE A WEEK**

**SPORT ENGLAND HIGHER EDUCATION
SPORT PARTICIPATION AND SATISFACTION
SURVEY IN 2015/16**



**12 OF TEAM GB'S
67 MEDALS
IN RIO WERE WON BY
LOUGHBOROUGH
ATHLETES**



**BRITISH
UNIVERSITY AND
COLLEGE SPORT
CHAMPIONS
36 YEARS IN A ROW**

Research in sport

The University's National Centre for Sport and Exercise Medicine was officially recognised as an International Olympic Committee Research Centre for Prevention of Injury and Protection of Athlete Health – one of nine worldwide.

The University was also named as a key partner in a Sport England funded project, involving the Students' Union and academics from the School of Sport, Exercise & Health Sciences and the School of Business and Economics, that will capture data on sport and physical activity across the entire student body, and look at how sports participation can be increased across sport in higher education.

Loughborough goes to Rio

Much of 2015/16 saw us celebrating the build up to the Rio 2016 Olympic Games, when our athletes' fate was decided during qualifying. This resulted in over 80 students, graduates and Loughborough-based athletes travelling to Rio to participate in both the Olympic and Paralympic Games. Our athletes were a dominant force throughout, securing 12 medals in the Olympic competition, including 5 golds; and a further 22 medals during the Paralympic competition. Loughborough coaches also played a key role in the Games, with alumni guiding Team GB, Canada and Fiji to gold medals.

Moving forwards

Despite an extremely successful year, we are committed to setting new, higher standards.

Over the next 12 months we will invest in the basics, namely the support services we offer to our athletes in order to ensure we maintain, if not extend our British Universities and Colleges Sport winning margin. This comes in the form of sports science support, be it strength and conditioning, physiotherapy, nutrition or just better coaching.

We are also making positive steps to strengthen the link between Sports Development Centre and the School of Sport, Exercise & Health Sciences to increase the level of applied sports science we offer. This will be of benefit to our sporting performances, to our sports science students and to the research coming out of the University.

We have also committed to significant investment into state-of-the-art elite athlete accommodation on campus, catering for elite athletes competing in both Olympic and Paralympic sport.

WE HAVE A DIVERSE STAFF COMMUNITY, COVERING OVER 75 DIFFERENT NATIONALITIES

STAFF

Current position

With over 3,500 employees, we are Loughborough's biggest employer. All employees are key to our operation and success, which is why investing in our staff has a prominent place in our strategy and continues to be a key focus.

Progress in 2015/16

Policy and process developments

A full review of the Performance and Development Review (PDR) process has been completed. The revised principles were piloted at the beginning of 2016, by the Design School, the School of Aeronautical, Automotive, Chemical and Materials Engineering and Human Resources. The year-long consultation has resulted in an updated PDR process that gives all staff the opportunity to discuss performance, agree future objectives and identify personal development. It will be rolled out across all schools and professional services over the next academic year.

Some significant changes have been made to rewards for staff over the past year and these will also be rolled out during the forthcoming academic year.

Other approved changes included the launch of a new University Fellowship Scheme to replace our former study leave scheme; allowing staff to dedicate time to a specified academic activity (in research, teaching or enterprise) and providing up to £5,000 to support their work. The first successful candidates were announced in July. The quality of the applicants was exceptional and the work that will be undertaken as a result will significantly strengthen our research and teaching activities.

Research staff recruitment

A number of new Vice-Chancellor's Research Fellowships were advertised. Designed to support outstanding early career individuals who are developing an international reputation for the quality of their research, these Fellowships form a critical part of our investment in research excellence and enhance our global profile.

Staff survey

Towards the end of the financial year we carried out our staff survey, which will be evaluated and used to help us recognise our strengths, make improvements where change is needed, and identify what needs to be done so that staff across the University can reach their full potential. The outcomes of the survey will be communicated to staff during 2016/17.

Supporting staff volunteering

The University also introduced an employer supported volunteering policy as part of our commitment to community engagement and corporate social responsibility. The new policy is intended to encourage, support and develop employees by facilitating their involvement in volunteering opportunities.

Moving forwards

We will continue to embed the changes to our PDR and reward processes.

Changes that have already been made to our academic staffing arrangements will allow us to focus on designing and developing academic roles to support our strategic aims.

Strong focus will also be put on the findings from the recent staff survey, for which we will develop resulting actions over the coming year.

STAFF NUMBERS FOR 2015/16

Administrative services	747
Management and specialist	646
Operational and technical services	1,177
Research, teaching and scholarship	1,217
TOTAL NUMBER	3,787



**15% OF OUR
CORE EMPLOYEE
NUMBERS
ARE REPRESENTED BY
INTERNATIONAL MEMBERS
OF STAFF**

WITH £130 MILLION SET TO BE INVESTED ON CAMPUS OVER THE NEXT THREE YEARS, OUR PROVISION OF FACILITIES CAN ONLY GROW IN STRENGTH

CAMPUS DEVELOPMENT AND FACILITIES



1ST IN HIGH QUALITY FACILITIES AND SPORTS FACILITIES
THE TIMES HIGHER EDUCATION STUDENT EXPERIENCE SURVEY 2016

Current position

The University offers exceptional facilities on both campuses. With £130 million set to be invested on campus over the next three years, our provision of facilities can only grow in strength.

Progress in 2015/16

West Park Teaching Hub

Work on West Park Teaching Hub was completed in early 2016, revealing a £3 million development that now provides students with outstanding teaching space on the west end of campus.

STEMLab

After securing £5 million from HEFCE, STEMLab, our state-of-the-art science and engineering suite, received a further cash boost in August, and work began on the facility in November. The additional £250,000 in funding was donated by the Garfield Weston Foundation.

Both of the aforementioned developments are part of a wider £25 million investment in a student learning zone that will transform the west side of campus.

Research facilities

Adding to our extensive and renowned research facilities, in February it was announced that the University will receive £9.8 million in government funding, towards the establishment of the National Centre of Excellence in Gas Turbine Combustion System Aerodynamics. The Centre will develop future low emission aerospace combustion systems that will reduce the environmental impact of aircraft, and will position Loughborough as a primary UK hub for aerospace engineering and technology.

Graduate School

The University's first ever dedicated postgraduate facility opened on campus at the end of September, and was made possible through donations from alumni, staff, students and friends of the University.

Loughborough University London

Although much of the development work was completed during the previous financial year, our postgraduate campus in London officially opened in September 2015.

Moving forwards

We plan to continue our programme of works to co-locate Schools and improve facilities for the benefit of all campus users.

Key focuses will include:

- Improving the overall appearance on campus through the demolition of old building stock and refurbishment of existing buildings and new landscape areas.
- The ongoing consolidation and improvement of facilities to create modern teaching and research facilities that enhance the student experience, through refurbishment work on existing buildings and completion of new ones.
- Research and planning surrounding the redevelopment of specific areas on campus to meet the needs of our students and other campus users for the coming years.

RISKS AND UNCERTAINTIES

The financial environment for higher education remains challenging with significant uncertainty around issues specific to the sector but also to the wider economy. There remains a high risk of change to government policy and/or regulation that could impact the University's funding, compliance obligations or relative strength in the sector.

The University is in a strong position, in terms of reputation, performance and financial strength, to respond to emerging threats or embrace new opportunities. Inevitably a strong league table performance poses challenges of its own. The University remains cognisant that it is historic data that drives these measures and that challenges may already exist in maintaining position given known changes since the date of publication.

International student demand

The EU referendum decision poses a number of challenges for the University. While Loughborough is less reliant on an international student market than many of its peers, a material change to the international student profile could cause a significant loss of income to the University.

The University maintains a prudent approach to student number planning with contingencies in its forward forecasts to reflect uncertainty in the short to medium term. We now have two campus locations to consider. Our operations in London are substantially focussed on an international student population; we recruited strongly to the second full year of operation but remain on a growth path with the ability to increase international student numbers an important factor in future success.

Reduced demand for international postgraduate study in the UK is now evident across the sector. This appears to reflect concerns regarding the UK being a welcoming environment with immigration and funding structures attractive to potential students and, at a postgraduate level, potentially also their families or dependents. Competitive behaviour by other international higher education destinations also appears to be impacting on recruitment.

Brexit more widely

Brexit is not only an issue impacting international student recruitment. The University employs a significant number of EU (non-UK) members of staff, notably in our academic schools and we continue to seek clarity for colleagues regarding their future immigration and employment status.

The University continues to attract European funding both in terms of direct grant funding for research but also funding in support of enterprise activities. Again we await clarity regarding continuity of access to funding streams post-Brexit and are monitoring the impact on collaborative funding applications with European and domestic partners during the intervening period.

Macro-economic risks

The University's ongoing financial sustainability is dependent on a strong domestic economy. The ability of home students to attend a campus University such as Loughborough, may be impacted by macroeconomic factors such as inflation and interest rates. Similarly our ability to forge 'outstanding partnerships to deliver social, economic and cultural prosperity' and to offer our students placements of value will be determined in part by the sustainability of our commercial partners.

Macro-economic factors impact materially on pensions valuations. Loughborough University participates in two main pensions schemes (Local Government Pension Scheme and Universities Superannuation Scheme) both of which retain defined benefit elements. The valuation of future liabilities under those schemes are determined by a discount rate and in the current economy the near-zero nature of the discount rate has significantly inflated scheme deficits. Under FRS102 these liabilities now represent a material item on the University's balance sheet and future movements will be reflected in the Statement of Comprehensive Income.

Finally, the University maintains significant investment plans both in terms of its academic staff base and campus infrastructure. We have a strong track record in the delivery of major capital projects but are acting cautiously so as not to commit the University to significant cash outflows or ongoing fixed costs relating to depreciation and/or debt servicing until the current economic uncertainty subsides.

**UNCERTAINTY AND
VOLATILITY PREVAIL IN
THE SECTOR AND WIDER
ECONOMY, WE CONTINUE
TO PLAN PRUDENTLY WHILE
PRESERVING HEADROOM
FOR STRATEGIC INVESTMENT**

FINANCIAL REVIEW

The University is pleased to report a consolidated surplus for the year of £16.089 million, 5.5% of income.

The cash position remains strong with a balance sheet total of cash and short term deposits of £82.104 million.

Basis of accounting

This is the first year of reporting under Financial Reporting Standard 102 and the 2015 Statement of Recommended Practice. The changes are highlighted in the Statement of Principal Accounting Policies and the Notes to the Accounts. Further detail on the impact of transition to the new accounting standards can be found in Note 35.

Income and expenditure

The prior year figures have been restated from a surplus of £9.0 million under old UK GAAP to £1.3 million under FRS102, a reduction of £7.7 million due to the following principal factors:

1. Change in treatment of deferred capital grants increases surplus by £9.6 million, as capital grants for buildings are now recognised as income once the building is in use.
2. Increase in provision for USS pensions reduces surplus by £16.1 million.

In 2015/16 total income grew by 3.8% to £291.357 million, with the split by key category shown in the chart below.

Tuition fee income continues to rise, reaching £142.188 million. The largest element (66%) of tuition fees are from

full-time Home/EU students totalling £93.233 million. This year we are pleased to report a significant increase in income from full-time international students which is up 36% to £42.380 million, driven by the opening of Loughborough University London.

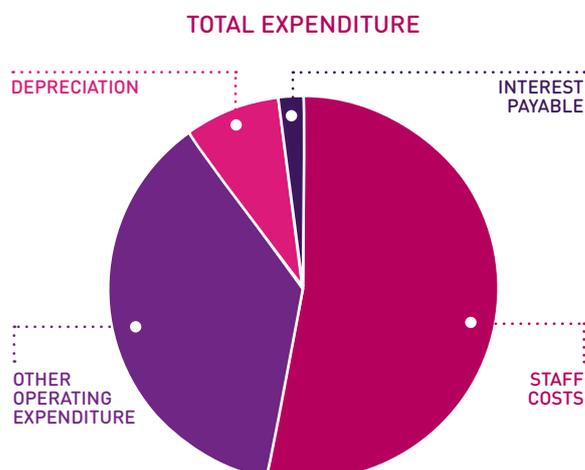
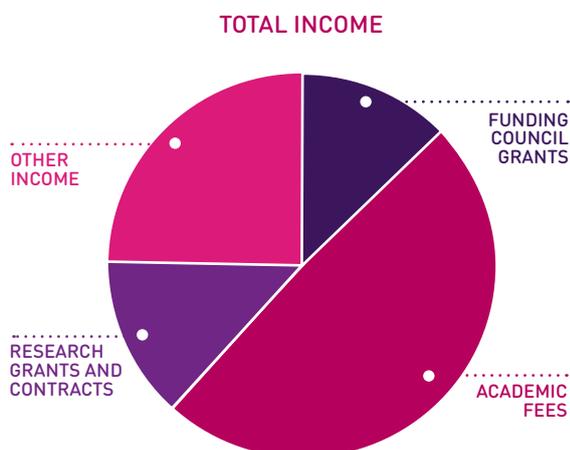
Grants from funding bodies continue to decline to £37.123 million down £3.691 million from last year, reflecting the transition to tuition fee funding. This income stream now represents only 12.7% of our total income.

Income from research grants and contracts declined by £1.795 million to £40.119 million. This includes income from Research & Development Expenditure Credits of £1.823 million for claims in respect of 2013, 2014 and 2015. The underlying trend excluding the tax credits impact is a reduction of 8.6%.

Total expenditure reduced by 1.4% to £274.967 million and the breakdown by major category is shown in the chart below.

The majority of expenditure (53%) relates to staff costs of £145.642 million. The underlying increase in staff costs, excluding the major USS change (detailed below), is 7.8%. Overall staff costs have reduced by 4.7% compared to the previous year, with average staff numbers increasing from 2,790 to 3,095 (up 10.9%). The prior year staff costs have increased from £137.167 million under UK GAAP to £152.844 million due to the additional pension costs arising under the new accounting standards. This £15.677 million difference arises principally because 2014/15 suffers an unusually high cost from an agreement in year to vary the funding of the USS deficit.

The taxation charge this year includes £0.401 million relating to RDEC claims, leading to a net positive surplus impact of £1.422 million for RDEC claims.



Balance sheet

The restated balance sheet at 1 August 2015 shows an increase in net assets of £25.176 million from that previously reported under UK GAAP of £213.920 million. The new accounting standards produce the following major changes to the balance sheet:

1. The introduction of land we already own at valuation instead of historic cost. This increases net assets by £54 million.
2. The requirement to provide a USS pension provision, decreasing net assets by £31 million.
3. The requirement to recognise service concession arrangements relating to student residences. This increases fixed assets and creditors by c£10 million, net nil impact on net assets.
4. The release of deferred capital grants to reserves following the changes to recognise deferred capital grants earlier.

In 2015/16 net assets increased by 8% to £259.360 million.

Fixed assets increased by £19.056 million to £391.021 million. Capital additions of £40.532 million included the following major project spend in year:

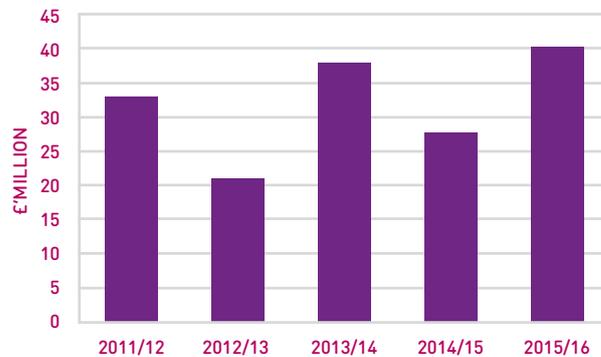
1. London campus £6.317 million
2. West Park Teaching Hub £2.887 million
3. STEMLab £5.637 million
4. Towers dining hall £3.731 million.

The University has continued to invest significant sums in capital expenditure to enhance facilities on both the Loughborough and London campuses, supporting the strategic ambition of 'one university; two vibrant campuses'.

Cash and short term investments totalled £82.104 million, a decrease of £4.831 million on the previous year.

Net current assets, long term creditors and pension provisions show little movement from the prior year, with no change in our loan portfolio and no significant change in the USS or LGPS provisions. The ratio of debt to income of 23% remains a relatively low gearing compared to our peers.

TOTAL CAPITAL EXPENDITURE



Cash flow

The net cash inflow from operating activities totalled £29.400 million, compared to £26.360 million the previous year. This highlights the divergence between the change in surplus year on year (up £14.749 million) compared to the much smaller increase in cash generation (up £3.040 million). Under the new accounting standards the surplus position can be much more volatile and cash generation is considered to be a more reliable indicator of financial sustainability.

The net decrease in cash for the year is £19.831 million; however £15.0 million cash is invested on deposits with 3-12 months' notice, giving an overall cash and short term investment decrease of £4.831 million. This is in a year of relatively high capital expenditure with £40.003 million cash spent on fixed assets compared to £27.558 million in the previous year, demonstrating that the capital investment has been primarily funded from cash generation in year.

All treasury decisions are taken within the framework of the University's Treasury Management Policy. The underlying principle is that the University operates a low-risk approach in managing its investments and liquidity. In balancing risk against return, the University is more concerned to avoid risk than to maximise return. The Treasury Management Policy determines the limits in terms of the credit ratings of institutions used for investments and on the sums placed with any one provider. The counter-party list is regularly reviewed and approved by Finance Committee.

DELIVERY OF PUBLIC BENEFIT

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

The information below notes the way in which the University has delivered activity for the benefit of the public, taking into consideration the guidance on public benefit, as set out in the Charities Act 2006. Due regard has also been given to the University's responsibilities as a charitable body, which is regulated by the Higher Education Funding Council for England (HEFCE).

What we seek to achieve

When looking at the University's delivery of benefit to the public, the University and its students contribute to this in a number of ways. These include:

- Contributing to the wider public in terms of making education accessible to all, and removing any barriers.
- Contributing widely to Loughborough's economy, community and social environment.
- Contributing to knowledge and understanding across all sectors at the highest of levels.
- Contributing to the level of talent and excellence in industry.
- Contributing to industry and economic growth at both a local and national level.

Our strategy

Public benefit is embedded across our strategic aims, ambitions and drivers; benefitting the public that are both internal and external to the University.

Much of this report highlights the ways in which our work benefits the public. This section provides information relating to activities that have a direct impact and benefit on the public.

Excellence in education and teaching

Admissions and recruitment

In line with the University's Admissions Policy, applications are welcomed from students irrespective of race, colour, nationality, ethnic origin, gender, marital status, disability, religious or political beliefs, age, sexual orientation or socioeconomic background.

The diversity and wealth of experience that our students contribute to the life of the University is highly valued, and as such the University seeks to widen access to, and participation in, higher education by raising awareness and aspirations of prospective applicants.

We carry out a variety of activities to engage and raise the aspirations of prospective applicants to the University. This includes our open day events, which are held twice a year and invite students to campus to get a feel for the Loughborough experience and the development opportunities that are available to them. In June 2016 the University welcomed over 11,500 visitors from around the country to campus, a record high for attendance at the June events. In comparison to the events in June 2015, the attendance figure was 23% higher.

Our School and College Liaison Team are dedicated to raising the aspirations of individuals from disadvantaged backgrounds, encouraging them to continue their studies through higher education. In 2015/16 the team worked with 5,417 students (up 96% on last year). This work included attendance at over 95 events both off and on campus that were designed to alleviate as many concerns relating to university as possible. In addition to this the team have devised a number of additional resources including short videos, hand-outs and a guide for parents and carers to help students successfully navigate through all of the stages of the UCAS application process. The full range of resources can be found at www.lboro.ac.uk/parents.

Looking ahead, the team will continue to develop their work with Widening Participation students. Alongside the extensive events that take place to support students from low household incomes, a care background or with a disability, the team will look to develop additional links and activities with students who identify as Young Carers, having a specified learning difference, and refugees.

Scholarships

Loughborough offers a broad range of scholarships, bursaries and discounts to support students that need it.

For study during 2015/16 the Loughborough Scholarship Programme awarded almost £5.5 million in bursaries, tuition fee waivers and accommodation discounts – providing support to a total of 2,615 undergraduate students. Of these students, 2,394 received a bursary. The other 221 were either EU students, on placement or both, so only eligible for fee waivers.

The total amount awarded through the programme in bursaries was £4.3 million, with an average award per student of £1,815.

A further £1.1 million was awarded in tuition fee waivers, providing support to 876 students; and £5,000 in accommodation discounts.

Over 200 Loughborough students also benefitted from a further £353,496, which was awarded in bursaries through other support programmes such as our Pre-2012 Continuing Student bursaries, Development Trust Scholarships, PGCE Travel Bursaries, Caterpillar bursaries and Ford Blue Oval Scholarships.



**THOUSANDS OF UK
WORKERS RECEIVE £8.25
AN HOUR LIVING WAGE
DEvised BY THE UNIVERSITY**



**MORE THAN 1 MILLION PEOPLE IN
DEVELOPING COUNTRIES
HAVE ACCESS TO CLEAN,
PIPED WATER
BECAUSE OF LOUGHBOROUGH RESEARCH**

Loughborough University London partnered with the London Legacy Development Company (LLDC) to run a new support initiative 'Inspiring Success Scholarships', which offered full scholarships to unemployed and under-employed graduates from the East London boroughs. Ten East London graduates were awarded full scholarships to study a master's degree at Loughborough University London from September 2015.

In 2015/16 studentships provided by the Graduate School to support postgraduate students totalled over £2.8 million, and school-funded studentships provided a further £5.1 million in support. These figures only include the amount funded by University budgets.

Development opportunities

A key part of the student experience at Loughborough are the development opportunities that are made available to students in areas such as sports, arts, culture and voluntary activities. These opportunities often develop skills within graduates that make them highly employable, and also have a positive impact on the well-being of the community. Almost three quarters of our students participate in sport at least once a week, with many competing at various levels, including hall sport and club sport. We also have a high percentage of students that represent or go on to represent their country in their chosen sport.

Our students give back to society whilst developing their own skills, through volunteering and fundraising opportunities, that support and fund both local and national good causes.

Following graduation, our graduates have a strong rate of success, and continue to give back to society and the University through their leadership, expertise and in some cases donations.

Employable graduates

Loughborough graduates are highly regarded and sought after by employers. Their employability is evidenced by the institutions top 10 position for graduate prospects in all the major UK league tables.

Our students and graduates are well supported by the University's careers service, Career Network, who provide a range of services to help students and graduates to develop their careers. The team also provide a wealth of opportunities for employers to meet, work with and recruit skilled and motivated students and graduates, which in return can raise their profile and enhance their business.

Research

Research across the University is renowned for its relevance, and is driven by society's need for solutions to real-life issues. In order to respond to these issues, our research is centralised around four Research Challenges: Changing Environments and Infrastructure, Energy, Health and Well-being and Secure and Resilient Societies. The solutions we create are multi-disciplinary, and are generated by combining our disciplinary strengths from across all schools and departments.

Our research helps business and industry to compete more effectively; shape public policy, and ultimately improve the quality of people's lives. This success is largely down to our collaborative approach to research, working with external partners, which accounts for 70% of our research – one of the highest proportions in the UK.

We are committed to developing the next generation of research leaders, providing opportunities for early career academics and also attracting the world's very best academic researchers to our institution.

Our research impacts on society in a number of ways. Work taking place at the National Centre for Sport and Exercise Medicine is having a direct impact on the public. The centre aims to apply world-class expertise to policies and practice that will benefit the health and well-being of the nation – from everyday people at risk of ill health through to elite athletes. The centre offers a range of NHS clinics and services and brings together leading clinicians and healthcare professionals to provide a range of services for patients in the area of sport and exercise medicine, cardiac and pulmonary rehabilitation, orthopaedics, and exercise- and mindfulness-based cognitive therapy.

Research at the University has also led to employers in the UK making changes that benefit their employees. In November the UK Living Wage rate, calculated by the Centre for Research in Social Policy at the University, rose to £8.25 per hour – an increase of 40p on the 2014 rate. The announcement led to a pay increase for approximately 68,000 staff that are employees of businesses accredited by the Living Wage Foundation – a group of 2,000 employers across the UK who commit to paying all their staff at least the Living Wage.

Our research is also impacting on communities overseas, with projects such as WEDC (Water, Engineering and Development Centre), which helped to provide more than one million people in developing countries with access to cleaned, piped water.

As mentioned previously, collaboration is key to the success of our work, making research partnerships increasingly important. During 2016 the University announced a new research partnership with Defence Medical Services, which will bring together uniformed and civilian medical and dental personnel from all three military services, to work on world-leading medical research projects that promote, protect and restore the health of service personnel.

As a University we support the principle that the outcomes of funded research should be made available as widely as possible. Our Institutional Repository, based in the Library, ensures that our research output is visible to the wider research community, and also assists authors in complying with funder Open Access requirements for their papers. During 2016 the 20,000th item was added.

Community

The University works closely with local agencies such as Charnwood Borough Council and Leicestershire Police, as well as landlords and representatives from community and local residents groups. We work with these partners at both strategic and operational levels, on matters that relate to the presence of the University in Loughborough.

The University also actively encourages staff and students to get involved in volunteering and fundraising opportunities that benefit local and national organisations and initiatives.

In 2015/16 over £1 million was raised by our students through RAG, and 25,600 hours of voluntary work were completed. Our staff also contributed with 86 volunteers completing over 690 hours of work in places such as local schools and soup kitchens.

The University also supports local organisations through the Community Donations Fund, a scheme that awards funds to good causes to support the development of their project. Last year over £59,440 was donated, providing support to 28 organisations, meaning since the initiative was launched in 2009, over £250,000 has been donated to local projects.

Members of the public also benefit from access to facilities on campus, and are invited to attend events such as sporting fixtures, guest lectures, community fun days, and history and heritage events.

The University's arts programme LU Arts provide a range of events and activities for the community to enjoy, including live music and literature events, National Theatre Live screenings, classes and opportunities to engage with research.

Corporate social responsibility and sustainability

The University is committed to acting in a socially responsible way that maximises its positive impact and minimises its negative impact on society and the communities in which it is based. Our strategy confirms this commitment with a promise to embed sustainability and social responsibility into all of our processes, operations and developments, whilst also working closely with local partners to enhance the social, cultural and economic wellbeing of the communities around us.

Sustainability

We are committed to maintaining and, where possible improving, the environment for all based on campus, as well as the surrounding community. To support us in implementing and demonstrating continual improvement we have developed an Environmental Management System (EMS) which manages our environmental performance and helps us to reduce the impact of our operations on the environment. This was implemented using the EcoCampus scheme, for which we have now achieved the Platinum phase, and has also enabled us to achieve the ISO14001 Standard.

Economic impact

The University plays an important role in stimulating economic growth locally, regionally and nationally – with expenditure in excess of £275 million in 2015/16.

We are Loughborough's largest employer, sustaining over 3,000 jobs for the region. We also provide a highly-skilled graduate workforce that raises productivity and stimulates economic growth.

The University works with over 1,300 organisations worldwide across numerous activities including knowledge transfer partnerships, IP and commercialisation, and consultancy.

The Science and Enterprise Park promotes and supports economic growth in the region, by providing space and support services for established organisations and start-up businesses alike.

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 (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 observing good practice in all aspects of Corporate Governance. Council last undertook a review of its own effectiveness in 2012/13 and arrangements are now being made for the next review in 2016/17. 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 were implemented during 2014/15. The next effectiveness review of Senate is planned for 2017/18, following the effectiveness review of Council.

The revised Higher Education Code of Governance was published by the Committee of University Chairs (CUC) in December 2014. The University reviewed its current practice in light of the provisions of the revised Code and sought an opinion on its compliance from its internal auditors. The internal audit review concluded that the University is "compliant with the requirements of the Code in the majority of areas across the seven primary elements" and that the action plan to address a small number of gaps "is sensible and will ensure full compliance is achieved". The only remaining exception remains the size of Council as noted below. Continued compliance with the Code will be reviewed again through the effectiveness review of Council planned for 2016/17.

As in previous years, with a membership of 30, Council does not comply with the recommendations of the Code (ie, that it should comprise 12-25 members). Council remains of the view that its larger size is appropriate in the context of maintaining strong staff and student involvement in institutional governance and Council's size will be examined again as part of the 2016/17 effectiveness review.

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.

The University's Structure of Corporate Governance

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

The Council, the governing body of the University, comprises independent (lay), academic staff, non-academic staff 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.

In accordance with the CUC Code, Council has published a list of its primary responsibilities and these include the ongoing strategic direction of the University and approval of major developments. Certain matters are specifically reserved for Council under the Memorandum of Assurance & Accountability issued by the Higher Education Funding Council for England (HEFCE). Council meets at least four times a year and is advised by the Senate on academic issues.

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.

Both Council and Senate conduct their routine business through a committee structure; some of the committees are jointly composed.

The financial management of the University rests with the Operations and Finance committees. 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 any recommendations on the systems and controls in operation. The Committee takes account of guidance issued by HEFCE through its Memorandum of Assurance & Accountability. 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 as well as advise on other matters related to lay contributions to the governance of the University.

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.

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 Memorandum of Assurance & Accountability with 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 2016 and up to the date of approval of the Financial Statements, and accords with the HEFCE guidance.

The University maintains a strategic risk register which is aligned with the University strategy Building Excellence. Risk management processes and procedures continue to evolve with input from our internal auditors with all work being overseen by the Audit Committee. This included workshops with Council during the 2015/16 financial year.

Council, both directly and through its committees, is responsible for ensuring the delivery of value for money, defined as economical, effective and efficient use of resources. Council is responsible for the safeguarding of assets and oversight of systems to prevent and detect fraud.

The system of internal control provides for a comprehensive financial planning process, assessment of income, expenditure, capital and cash flow budgets during the year and periodic review of management information including the reporting of material variances and the projection of out-turn for the year.

On behalf of Council, 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 and data quality. It receives regular reports from the internal auditors, and where relevant, the external auditors. 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.

Going concern

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 2017 and have a reasonable expectation that the University has adequate resources to continue operations for its foreseeable future. The financial statements continue to be prepared on the going concern basis.

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. This role is currently vacant and the University is actively seeking to fill this post.

The Senior Pro-Chancellor, Sir Peter Bonfield, serves as the Chair of 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

Visitor	Paul Michell
The Chancellor	Vacant
The Senior Pro Chancellor (Chair)	Sir Peter Bonfield
The Pro Chancellors	Sir John Gains <i>(until 31 July 2016)</i> Lord Sebastian Coe
Honorary Treasurer	Alan Hughes
The Vice-Chancellor	Professor Robert Allison
Provost	Professor Chris Linton
Pro Vice-Chancellor (Teaching)	Professor Morag Bell <i>(until 31 July 2016)</i> Professor Rachel Thomson <i>(from 1 August 2016)</i>
Pro Vice-Chancellor (Research)	Professor Steve Rothberg
Pro Vice-Chancellor (Enterprise)	Professor Tracy Bhamra
Chief Operating Officer	Richard Taylor
Director of Finance	Andrew Stephens

Chairs of Key Committees

Council	Sir Peter Bonfield
Senate	Professor Robert Allison
Remuneration Committee	Sir Peter Bonfield
Finance Committee	Professor Robert Allison
Audit Committee	Mark Sismey-Durrant

Members of the University Council

who served during 2015/16 and up to 26 November 2016

The Chancellor	Vacant
The Senior Pro Chancellor (Chair)	Sir Peter Bonfield
The Pro Chancellors	Sir John Gains <i>(Deputy Chair)</i> Lord Sebastian Coe
Honorary Treasurer	Alan Hughes
The Vice-Chancellor	Professor Robert Allison
Provost	Professor Chris Linton
Appointed by the Alumni Association	Christine Fisher <i>(until 31 July 2016)</i> Paul Drummond <i>(from 1 August 2016)</i>

Members of the University Council (continued)

Appointed by the Students' Union	Jess Excell <i>(until 31 July 2016)</i> James Bowker <i>(until 31 July 2016)</i> Jonathan Ako <i>(from 1 August 2016)</i> Hersh Patel <i>(from 1 August 2016)</i>
Elected by the Senate	Dr Marcus Collins Professor Zoe Radnor <i>(until 30 April 2016)</i> Professor Sergey Saviliev <i>(from 1 August 2016)</i> Professor Mark Lewis
Elected by the General Assembly	Dr Sandie Dann Dr David Kerr Professor Memis Acar <i>(until 31 July 2016)</i> Dr Heike Jons <i>(from 1 August 2016)</i>
Other elected members	Anne Lamb <i>(until 31 July 2016)</i> Jane McCormack <i>(from 1 August 2016)</i> Siobhan O'Reilly
Co-opted members	John Sinnott Jean Tomlin Peter Saraga Mark Sismey-Durrant Tony Williams Jim Murphy Sally-Ann Hibberd Jane Tabor Anne Greenwood Professor Alan Jones Steve Varley Paul Hodgkinson <i>(from 1 August 2016)</i>

Key Advisers

External auditor	Deloitte LLP
Internal auditor	PwC LLP

STATEMENT OF THE RESPONSIBILITIES OF COUNCIL

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 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 Memorandum of Assurance & Accountability 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, 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.

Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England (HEFCE) are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance & Accountability with HEFCE and any other conditions which HEFCE 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 relevant body
- 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.

24 November 2016
Sir Peter Bonfield
Chair of Council

AUDITOR'S REPORT

Independent auditor's report to the members of the Council of Loughborough University

We have audited the consolidated financial statements of Loughborough University for the year ended 31 July 2016 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Balance Sheet, the Consolidated and University Statement of Changes in Reserves, the Consolidated Statement of Cash Flows and the related notes 1 to 35. 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), including FRS102 "The Financial Reporting Standard applicable in the UK and Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education 2015.

This report is made solely to the members of the Council in accordance with the memorandum of assurance and accountability effective August 2015. 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 Council 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 Statement of the Responsibilities of Council of Loughborough University, the Council 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 and the University's affairs as at 31 July 2016 and of the Group's 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 2015.

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 2016 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2016 has been applied in accordance with the University's statutes and, where appropriate, with the memorandum of assurance and accountability and with the funding council; and
- the requirements of HEFCE's accounts direction have been met.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham, United Kingdom

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 (2015) and in accordance with Financial Reporting Standard 102 (FRS102). The University is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of certain fixed assets and derivative financial instruments).

2. Basis of consolidation

The consolidated financial statements combine the financial statements of the University and all its subsidiary undertakings for the financial year to 31 July 2016. Intra-group transactions are eliminated on consolidation.

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 exert control and nor does it have dominant influence over policy and operational decisions.

3. Recognition of income

Tuition fees

Tuition fee income is recognised over the period of study to which the fee relates. Where the amount of the tuition fee is reduced by a discount, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Grant funding

Grant funding including funding council block grant, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and any performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grants are recognised in income when the University is entitled to the funds and any performance related conditions have been met.

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

Other income

Income, from trading activities, is recognised when the goods or services are supplied to the customers or the terms of the contract have been satisfied.

Investment income is recognised on a receivable basis.

Donations and endowments

Resources received from non-government bodies as part of a non-exchange transaction will either be treated as a donation, or as an endowment in the event the donor either wishes an endowment fund to be established, or places sufficiently large restrictions on expenditure such that the funds will need to be retained over an extended period.

Donations are recognised as income when the University is entitled to the funds and any performance related conditions have been met. Where income is received in advance of performance related conditions being met, it is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Where a donor imposes restriction on the use of the donated resources, income is retained within a restricted reserve until such time as expenditure is incurred in accordance with the restrictions. Donations with no restrictions are recognised in income when the University is entitled to the funds.

Endowment income is recognised on entitlement to the income. The income is retained within an endowment reserve until such time as expenditure is incurred in accordance with the restrictions of the endowment. Endowments are classified as either a permanent endowment, when the donor specifies that the capital is to be retained for the benefit of the institution, or as an expendable endowment where no such requirement exists.

Investment income received on endowments and restricted funds is recorded as income in the year in which it arises, and is held in the restricted or endowment reserve to the extent it has not been spent in line with restrictions of the donation or endowment. Investment gains and losses on endowment funds invested for the longer term are recognised in surplus or deficit and are credited/debited to the capital portion of the endowment reserve.

4. Pension schemes

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

USS and TPS are multi-employer defined benefit schemes for which it is not possible to identify the assets and liabilities attributable to University members and therefore these schemes are accounted for as a defined contribution retirement benefit scheme. Contributions made to USS and TPS are recognised as an expense in surplus or deficit in the periods during which services are rendered by employees.

USS is valued every three years by professionally qualified independent actuaries, and a liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme. TPS is valued every five years by the Government Actuary. It is an unfunded scheme and contributions are made at the rate set by the Government Actuary.

The LGPS is a defined benefit scheme which is externally funded. The University is able to identify its share of the assets and liabilities of this scheme and the difference between the fair value of the Universities share of the scheme's assets and liabilities measured on an actuarial basis using the projected unit method is 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.

5. Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

6. Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

7. Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the Balance sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability. The assets are depreciated over the life of the arrangement.

Payments under the service concession arrangements are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

8. Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Any lease premiums or incentives are spread over the term of the lease.

9. Land and buildings

Land held at 31 July 2014 is stated at deemed cost which is equivalent to the market value on this date. Land additions since 31 July 2014 are stated at cost. Land which is held freehold is not depreciated as it is considered to have an indefinite useful life.

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.

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 based on the remaining life of the improved building or building related plant. Where parts of a building have different useful lives, they are accounted for as separate items of fixed assets.

Finance costs, which are directly attributable to the construction of land and buildings, are recognised as expenditure in the period in which they are incurred.

10. Fixtures, fittings, plant & equipment

All such items, where the cost is less than £20,000 per individual item or group of related items, are recognised as an expense 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 computer equipment over £100k – between 4 and 7 years
- Equipment acquired for specific research projects – project life (generally 3 years)
- Motor vehicles and other equipment – 4 years
- Plant, furniture and fixtures – between 5 and 25 years

11. Heritage assets

Works of art and other valuable artefacts 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 reasonably obtainable. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

12. Investment properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in surplus or deficit. Investment properties are not depreciated but are revalued annually to market value as at 31 July each year.

13. Stocks

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

14. Cash and cash equivalents

Cash includes cash in hand and deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Deposits are considered highly liquid if they have a penalty free notice period of 3 months or less.

15. 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 recorded in surplus or deficit for the financial year.

16. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through surplus or deficit, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

- c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that
 - i. the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or
 - ii. the new rate is a market rate of interest and satisfies condition (a).
- d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through surplus or deficit.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through surplus or deficit. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the University balance sheet, investments in subsidiaries and associates are measured at cost less impairment.

(v) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in surplus or deficit.

(vi) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

17. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- a) The University has a present obligation (legal or constructive) as a result of a past event;
- b) It is probable that an outflow of economic benefits will be required to settle the obligation; and
- c) A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risk specific to the liability.

Contingent assets and liabilities are not recognised in the Balance sheet but are disclosed in the notes.

18. 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 sections 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.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

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.

19. Reserves

Reserves are classified as unrestricted, restricted or endowment. Endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

Restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

20. Transition to 2015 SORP

The University has prepared its financial statements in accordance with FRS102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position and financial performance of the consolidated results of the University is provided in the notes to the accounts. The application of first time adoption grants certain exemption from the full requirements of the SORP in the transition period and the University has adopted a revaluation as deemed cost for land held at 31 July 2014.

21. Changes in accounting policies

The University has prepared its financial statements in accordance with the new SORP for the first time in 2015/16. The following accounting choices have been made:

- a) The University has chosen to adopt the performance model for accounting for government grants.
- b) The University has restated land at fair value on transition. Previously land was held at historic cost.

The impact of these choices is highlighted in the notes to the accounts.

Financial Statements 2015-16

Consolidated and University Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2016

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	142,188	142,188	120,779	120,779
Funding body grants	2	37,123	37,123	40,814	40,814
Research grants and contracts	3	40,119	40,119	41,914	41,914
Other income	4	70,355	61,138	74,921	64,895
Investment income	5	521	494	879	437
Total income before endowments and donations		290,306	281,062	279,307	268,839
Donations and endowments	6	1,051	2,885	1,259	2,158
Total income		291,357	283,947	280,566	270,997
Expenditure					
Staff costs	7	145,642	140,708	152,844	148,009
Other operating expenses		101,779	99,388	99,767	96,457
Depreciation	11	21,455	20,312	20,382	19,458
Interest and other finance costs	8	6,091	6,091	5,751	5,751
Total expenditure	9	274,967	266,499	278,744	269,675
Surplus before other gains and losses		16,390	17,448	1,822	1,322
(Loss) on disposal of fixed assets		(15)	(15)	(410)	(410)
(Loss)/gain on investments	14	(40)	36	68	200
Surplus before tax		16,335	17,469	1,480	1,112
Taxation	10	(246)	(401)	(140)	-
Surplus for the year		16,089	17,068	1,340	1,112
Actuarial gain/(loss) in respect of pension schemes	25	4,175	4,175	(4,419)	(4,419)
Total comprehensive income for the year		20,264	21,243	(3,079)	(3,307)
Represented by:					
Endowment comprehensive income for the year		75	58	97	86
Restricted comprehensive income for the year		1,729	1,468	10,582	10,271
Unrestricted comprehensive income for the year		18,460	19,717	(13,758)	(13,664)
		20,264	21,243	(3,079)	(3,307)

All items of income and expenditure relate to continuing activities.

Consolidated and University Balance Sheet

as at 31 July 2016

	Notes	As at 31 July 2016		As at 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	11	391,021	377,794	371,965	357,846
Heritage assets	11, 12	1,165	1,165	1,165	1,165
Investments	14	21,671	41,005	21,827	41,008
		<u>413,857</u>	<u>419,964</u>	<u>394,957</u>	<u>400,019</u>
Current assets					
Stock	15	589	551	561	513
Trade and other receivables	16	21,083	22,081	19,797	20,311
Investments	17	15,000	15,000	-	-
Cash and cash equivalents	24	67,104	60,342	86,935	80,744
		<u>103,776</u>	<u>97,974</u>	<u>107,293</u>	<u>101,568</u>
Less:					
Creditors: amounts falling due within one year	18	(77,028)	(73,864)	(80,850)	(77,672)
		<u>26,748</u>	<u>24,110</u>	<u>26,443</u>	<u>23,896</u>
Net current assets					
		<u>26,748</u>	<u>24,110</u>	<u>26,443</u>	<u>23,896</u>
Total assets less current liabilities		<u>440,605</u>	<u>444,074</u>	<u>421,400</u>	<u>423,915</u>
Creditors: amounts falling due after more than one year	19	(74,344)	(74,312)	(76,877)	(76,877)
Provisions					
Pension provisions	20	(106,853)	(106,853)	(105,372)	(105,372)
Other provisions	20	(48)	-	(55)	-
		<u>259,360</u>	<u>262,909</u>	<u>239,096</u>	<u>241,666</u>
Total net assets		<u>259,360</u>	<u>262,909</u>	<u>239,096</u>	<u>241,666</u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	22	1,643	1,405	1,568	1,347
Income and expenditure reserve - restricted reserve	23	52,056	50,237	50,327	48,769
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		<u>205,661</u>	<u>211,267</u>	<u>187,201</u>	<u>191,550</u>
Total Reserves		<u>259,360</u>	<u>262,909</u>	<u>239,096</u>	<u>241,666</u>

These Financial Statements were approved by Council and were signed on its behalf by:

R. Allison, Vice-Chancellor and Accountable officer

P. Bonfield, Chair of Council

24 November 2016

Consolidated and University Statement of Changes in Reserves

Year ended 31 July 2016

Consolidated	Income and expenditure reserve			Total
	Endowment	Restricted	Unrestricted	
	£'000	£'000	£'000	£'000
Balance at 1 August 2014	1,471	39,745	200,959	242,175
Surplus/(deficit) from the income and expenditure statement	97	11,405	(10,162)	1,340
Other comprehensive income	-	-	(4,419)	(4,419)
Release of capital grants with expired asset use restrictions	-	(823)	823	-
Total Comprehensive Income for the year	97	10,582	(13,758)	(3,079)
Balance at 1 August 2015	1,568	50,327	187,201	239,096
Surplus/(deficit) from the income and expenditure statement	75	3,369	12,645	16,089
Other comprehensive income	-	-	4,175	4,175
Release of capital grants with expired asset use restrictions	-	(1,640)	1,640	-
Total Comprehensive Income for the year	75	1,729	18,460	20,264
Balance at 31 July 2016	1,643	52,056	205,661	259,360

University	Income and expenditure reserve			Total
	Endowment	Restricted	Unrestricted	
	£'000	£'000	£'000	£'000
Balance at 1 August 2014	1,261	38,498	205,214	244,973
Surplus/(deficit) from the income and expenditure statement	86	11,094	(10,068)	1,112
Other comprehensive income	-	-	(4,419)	(4,419)
Release of capital grants with expired asset use restrictions	-	(823)	823	-
Total Comprehensive Income for the year	86	10,271	(13,664)	(3,307)
Balance at 1 August 2015	1,347	48,769	191,550	241,666
Surplus/(deficit) from the income and expenditure statement	58	3,108	13,902	17,068
Other comprehensive income	-	-	4,175	4,175
Release of capital grants with expired asset use restrictions	-	(1,640)	1,640	-
Total Comprehensive Income for the year	58	1,468	19,717	21,243
Balance at 31 July 2016	1,405	50,237	211,267	262,909

Consolidated Statement of Cash Flows

Year ended 31 July 2016

	Notes	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Cash flow from operating activities			
Surplus for the year		16,089	1,340
Adjustment for non-cash items			
Taxation	10	246	140
Depreciation	11	21,455	20,382
Loss/(gain) on investments	14	40	(68)
(Increase)/decrease in stock		(28)	31
(Increase)/decrease in debtors		(1,369)	1,433
Increase/(decrease) in creditors		(3,962)	(3,399)
LGPS service costs less contributions paid	25	2,045	1,061
USS deficit provision expense less contributions paid		(251)	15,641
Increase/(decrease) in other provisions		302	632
Research & Development Expenditure Credits		(1,253)	-
Service concession agreement nominal rent	13	(603)	(588)
Adjustment for investing or financing activities			
Investment income	5	(521)	(879)
Interest payable	8	6,091	5,751
Endowment income	6	8	-
Profit on the sale of fixed assets		15	410
Capital grant income		(8,904)	(15,527)
Net cash inflow from operating activities		29,400	26,360
Cash flows from investing activities			
Capital grants receipts		9,812	10,030
Investment income received		476	874
Proceeds from sales of fixed assets		-	105
Payments made to acquire fixed assets		(40,003)	(27,558)
New non-current asset investments	14	(30)	-
Repayment/(issues) of long term loans receivable		39	(53)
New deposits	17	(15,000)	-
		(44,706)	(16,602)
Cash flows from financing activities			
Interest paid		(2,327)	(2,420)
New Endowments received	6	8	-
Repayments of amounts borrowed	19	(2,206)	(2,108)
		(4,525)	(4,528)
Increase/(decrease) in cash and cash equivalents in the year	24	(19,831)	5,230
Cash and cash equivalents at the beginning of the year	24	86,935	81,705
Cash and cash equivalents at the end of the year	24	67,104	86,935

Notes to the Financial Statements for the year ended 31 July 2016

	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Tuition Fees and Education Contracts				
Full-time home and EU students	93,233	93,233	82,111	82,111
Full-time international students	42,380	42,380	31,096	31,096
Part-time students	6,575	6,575	7,572	7,572
	<u>142,188</u>	<u>142,188</u>	<u>120,779</u>	<u>120,779</u>

	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
2 Funding Body Grants				
Recurrent grant				
Higher Education Funding Council	27,009	27,009	33,516	33,516
Skills Funding Agency	917	917	923	923
Capital grant	2,995	2,995	2,766	2,766
Specific grants				
Higher Education Innovation Fund	2,454	2,454	1,866	1,866
Other	1,548	1,548	1,743	1,743
Capital grants	2,200	2,200	-	-
	<u>37,123</u>	<u>37,123</u>	<u>40,814</u>	<u>40,814</u>

	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
3 Research Grants and Contracts				
Research councils	17,445	17,445	21,725	21,725
Research charities	3,050	3,050	3,315	3,315
Government (UK and overseas)	13,200	13,200	11,356	11,356
Industry and commerce	4,601	4,601	5,518	5,518
	<u>38,296</u>	<u>38,296</u>	<u>41,914</u>	<u>41,914</u>
Research and Development Expenditure Credits	1,823	1,823	-	-
	<u>40,119</u>	<u>40,119</u>	<u>41,914</u>	<u>41,914</u>

Research grants and contracts income contains £601,000 (2015: £1,667,000), in respect of capital grants on equipment. The Research and Development Expenditure Credits ("RDEC") income of £1,823,000 relates to claims in respect of the period from 1 April 2013 to 31 July 2015. Due to a change in the regulations the University is not eligible to make further RDEC claims for periods after 1 August 2015.

	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
4 Other Income				
Residences, catering and conferences	43,037	33,915	39,756	31,519
Other revenue grants	1,626	1,626	3,035	3,035
Other capital grants with restrictions	3,108	3,108	11,094	11,094
Other income	22,584	22,489	21,036	19,247
	<u>70,355</u>	<u>61,138</u>	<u>74,921</u>	<u>64,895</u>

	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
5 Investment Income				
Investment income on endowments	48	40	47	42
Investment income on restricted funds	10	-	15	-
Other investment income	463	454	817	395
	<u>521</u>	<u>494</u>	<u>879</u>	<u>437</u>

Notes to the Financial Statements (continued)

for the year ended 31 July 2016

6 Donations and Endowments	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
New endowments	8	-	-	-
Donations with restrictions	905	688	1,153	906
Gift aid donations from subsidiary companies	-	2,197	-	1,252
Unrestricted donations	138	-	106	-
	<u>1,051</u>	<u>2,885</u>	<u>1,259</u>	<u>2,158</u>

7 Staff Costs	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Staff Costs :				
Salaries	115,918	111,459	110,697	105,862
Social security costs	9,389	9,184	8,347	8,347
Movement on USS provision	791	791	17,526	17,526
Other pension costs	19,544	19,274	16,274	16,274
Total	<u>145,642</u>	<u>140,708</u>	<u>152,844</u>	<u>148,009</u>

	2015/16 £	2014/15 £
Emoluments of the Vice-Chancellor:		
Salary	220,667	212,180
Pension contributions to USS	39,113	33,948
	<u>259,780</u>	<u>246,128</u>

The following number of staff received remuneration of £100,000 or more (excluding employer's pension contributions):

	2015/16	2014/15
£100,000 to £109,999	15	15
£110,000 to £119,999	8	5
£120,000 to £129,999	4	3
£130,000 to £139,999	2	2
£140,000 to £149,999	1	-
£150,000 to £159,999	-	-
£160,000 to £169,999	2	2
	<u>32</u>	<u>27</u>

Staff numbers by major category :

	2015/16	2014/15
Academic	729	704
Teaching and Scholarship	82	63
Research	329	317
Management & specialist	544	524
Technical	213	210
Other	1,198	902
	<u>3,095</u>	<u>2,720</u>

The staff numbers by major category disclosed above, are expressed as full-time equivalents and are disclosed as at 1 April each year.

No compensation for loss of office was paid during the year, or the prior year, to any staff member receiving remuneration of £100,000 or more.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs include compensation paid to key management personnel. The total amount paid to key management personnel (excluding amounts paid to the Vice-Chancellor disclosed above) are:

	2015/16 £'000	2014/15 £'000
Key management personnel compensation	<u>707</u>	<u>671</u>

Notes to the Financial Statements (continued)

for the year ended 31 July 2016

	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
8 Interest and Other Finance Costs				
Loan interest	2,316	2,316	2,454	2,454
Finance lease interest (including service concession finance charge)	367	367	374	374
Finance charge on USS pension provision	918	918	442	442
Movement in fair value of derivatives (note 21)	(144)	(144)	(102)	(102)
Net charge on LGPS pension scheme (note 25)	2,634	2,634	2,583	2,583
	<u>6,091</u>	<u>6,091</u>	<u>5,751</u>	<u>5,751</u>

	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
9 Analysis of Total Expenditure by Activity				
Academic and related expenditure	99,297	99,854	92,851	93,573
Academic services	23,988	23,548	20,677	20,680
Administration and central services	48,790	47,623	35,776	36,024
Premises (including service concession costs)	35,455	34,953	31,240	31,240
Residences, catering and conferences	31,368	24,404	32,243	25,410
Research grants and contracts	29,295	29,295	32,512	32,512
Other expenses	6,774	6,822	33,445	30,236
	<u>274,967</u>	<u>266,499</u>	<u>278,744</u>	<u>269,675</u>

Other operating expenses include:

External auditor's remuneration in respect of audit services	118	94
External auditor's remuneration in respect of non-audit services	2	98
Operating lease rentals:		
Land and Buildings	1,266	101
Plant and Machinery	596	620
Other	88	108

	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
10 Taxation				
Recognised in the Statement of Comprehensive Income and Expenditure				
Current tax				
Current tax expense	-	-	149	-
Taxation on RDEC Income	401	401	-	-
Adjustment in respect of previous years	(148)	-	-	-
Current tax expense	<u>253</u>	<u>401</u>	<u>149</u>	<u>-</u>
Deferred tax				
Origination and reversal of timing differences	(7)	-	(9)	-
Deferred tax (income)	<u>(7)</u>	<u>-</u>	<u>(9)</u>	<u>-</u>
Total tax expense	<u>246</u>	<u>401</u>	<u>140</u>	<u>-</u>

Taxation relating to RDEC income has been provided for at a rate of 20% on the income claimed.

Notes to the Financial Statements (continued)

for the year ended 31 July 2016

11 Fixed Assets

Consolidated	Freehold	Leasehold	Service	Fixtures,	Assets in the	Heritage	Total
	Land and	Improvements	concession	Fittings, Plant	Course of	assets (note	
	Buildings		Land and	and Machinery	Construction	12)	
	£'000	£'000	Buildings	£'000	£'000	£'000	£'000
			(note 13)				
			£'000				
Cost							
At 1 August 2015	388,791	-	10,691	125,039	18,377	1,165	544,063
Additions	5,989	6,317	-	10,524	17,702	-	40,532
Transfers	10,794	634	-	8,778	(20,206)	-	-
Disposals	-	-	-	(1,160)	-	-	(1,160)
At 31 July 2016	405,574	6,951	10,691	143,181	15,873	1,165	583,435
Depreciation							
At 1 August 2015	101,078	-	518	69,337	-	-	170,933
Charge for the year	9,766	210	518	10,961	-	-	21,455
Transfers	(83)	-	-	83	-	-	-
Disposals	-	-	-	(1,139)	-	-	(1,139)
At 31 July 2016	110,761	210	1,036	79,242	-	-	191,249
Net book value							
At 31 July 2016	294,813	6,741	9,655	63,939	15,873	1,165	392,186
At 31 July 2015	287,713	-	10,173	55,702	18,377	1,165	373,130

University	Freehold	Leasehold	Service	Fixtures,	Assets in the	Heritage	Total
	Land and	Improvements	concession	Fittings, Plant	Course of	assets (note	
	Buildings		Land and	and Machinery	Construction	12)	
	£'000	£'000	Buildings	£'000	£'000	£'000	
			(note 13)				
			£'000				
Cost							
At 1 August 2015	372,834	-	10,691	119,485	18,377	1,165	522,552
Additions	5,989	6,317	-	10,269	17,702	-	40,277
Transfers	11,377	634	-	8,195	(20,206)	-	-
Disposals	-	-	-	(1,083)	-	-	(1,083)
At 31 July 2016	390,200	6,951	10,691	136,866	15,873	1,165	561,746
Depreciation							
At 1 August 2015	97,501	-	518	65,522	-	-	163,541
Charge for the year	9,097	210	518	10,487	-	-	20,312
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	(1,066)	-	-	(1,066)
At 31 July 2016	106,598	210	1,036	74,943	-	-	182,787
Net book value							
At 31 July 2016	283,602	6,741	9,655	61,923	15,873	1,165	378,959
At 31 July 2015	275,333	-	10,173	53,963	18,377	1,165	359,011

At 31 July 2016, freehold land and buildings included £68.6m (2015 - £68.6m) in respect of freehold land which is not depreciated.

In accordance with the memorandum of assurance and accountability with HEFCE, HEFCE has the right but not the obligation to demand repayment of Exchequer interest in the event of the University ceasing to be designated to be eligible for HEFCE funding or becoming insolvent. The exchequer interest at 31 July 2016 was £44.8m (31 July 2015: £40.4m).

12 Heritage assets

The University's Heritage Assets, which were all acquired more than 4 years ago, consist of works of art such as paintings, vases, trophies, medals and sculptures

Notes to the Financial Statements (continued)

for the year ended 31 July 2016

13 Service Concession Arrangements

The University has two arrangements where service delivery has commenced which have been recognised on the Balance Sheet.

Movement in Service Concession Arrangement Assets

The total asset values included in the Balance Sheet as at 31 July 2016 were £9,655,000 (31 July 2015 £10,173,000). The reduction of £518,000 was as a result of depreciation.

Movement in Service Concession Arrangement Liabilities

The total liabilities relating to the service concessions included in the Balance Sheet as at 31 July 2016 were £10,238,000. (31 July 2015 £10,476,000). The sum of £238,000 was treated as repaid during the year.

Future Commitments

The following table analyses the University's future commitments in relation to service concession arrangements.

	Payable in <1 year £'000	Payable in 2-5 years £'000	Payable in >5 years £'000	Total £'000
Liability repayments	261	1,303	8,674	10,238
Finance Charge	358	1,333	2,946	4,637
Total Commitments	619	2,636	11,620	14,875

The notes below give more information on the University's current service concession arrangements:

a) On Balance Sheet Service Concession Arrangements

In March 2002 the University entered into a 35 year contract with a third party provider for the provision and maintenance of student accommodation. The assets and liabilities relating to this scheme are recognised on the University's Balance Sheet. Service commenced on 1 August 2002 and the contract will finish on 31 July 2037. The University has the right to renew the nominations agreement for the life of the 99 year head lease. The University has an annual occupancy guarantee amounting to committed annual payments for the year ended 31 July 2016 of £506,000 (31 July 2015 £494,000) recorded within other operating expenses.

In August 2003 the University entered into a 20 year contract with a third party provider for the provision and maintenance of student accommodation. The assets and liabilities relating to this scheme are recognised on the University's Balance Sheet. Service commenced on 1 August 2003 and the contract will finish on 31 July 2023. The University has the right to renew the nominations agreement for the life of the 99 year head lease. The University has an annual occupancy guarantee amounting to annual payments for the year ended 31 July 2016 of £97,000 (31 July 2015 £94,000) recorded within other operating expenses.

b) Other Service Concession Arrangements not recognised on the Balance Sheet.

In June 2007 the University entered into an agreement with a third party for the provision and maintenance of student accommodation. The agreement expires in 2044 and includes an option to receive the reversionary interest at nil consideration at the expiry date. The University has no minimum guaranteed payment and therefore no asset and liability to recognise on the Balance Sheet.

14 Non-Current Investments

Consolidated	Investment in subsidiary companies £'000	Subsidiary investment in spinouts £'000	Investment Properties £'000	Long term loans receivable £'000	Other non- current asset investments £'000	Total £'000
At 1 August 2015	-	106	19,384	311	2,026	21,827
Additions	-	30	-	-	-	30
Disposals	-	-	-	(146)	-	(146)
Transfers	-	36	-	(36)	-	-
Movement in fair value	-	(88)	-	-	48	(40)
At 31 July 2016	-	84	19,384	129	2,074	21,671
University	Investment in subsidiary companies £'000	Subsidiary investment in spinouts £'000	Investment Properties £'000	Long term loans receivable £'000	Other non- current asset investments £'000	Total £'000
At 1 August 2015	8,089	-	30,784	541	1,594	41,008
Additions	-	-	-	-	-	-
Disposals	-	-	-	(39)	-	(39)
Transfers	142	-	-	(142)	-	-
Movement in fair value	-	-	-	-	36	36
At 31 July 2016	8,231	-	30,784	360	1,630	41,005

The increase in the University's investment in subsidiary companies results from the forgiveness of a loan to Loughborough University Enterprises Limited.

Notes to the Financial Statements (continued)

for the year ended 31 July 2016

	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
15 Stock				
General consumables	589	551	561	513
	<u>589</u>	<u>551</u>	<u>561</u>	<u>513</u>

	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
16 Trade and Other Receivables				
Amounts Falling Due Within One Year:				
Research grants receivables	3,747	3,747	4,387	4,387
Other trade receivables	14,293	13,060	13,627	12,441
Prepayments and accrued income	3,043	2,918	1,783	1,650
Amounts due from subsidiary companies	-	2,356	-	1,833
	<u>21,083</u>	<u>22,081</u>	<u>19,797</u>	<u>20,311</u>

	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
17 Current Investments				
Short term deposits	15,000	15,000	-	-
	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>-</u>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with more than three months 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 2016 the weighted average interest rate of these fixed rate deposits was 0.96% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 246 days. The fair value of these deposits was not materially different from the book value.

	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
18 Creditors : Amounts Falling Due Within One Year				
Unsecured loans	2,304	2,304	2,206	2,206
Service concession arrangements	261	261	238	238
Trade payables	14,562	12,767	13,659	12,359
Social security and other taxation payable	3,628	3,149	3,580	3,041
Accruals and deferred income	54,981	53,296	59,731	57,640
Amounts due to subsidiary companies	-	795	-	752
Derivatives	1,292	1,292	1,436	1,436
	<u>77,028</u>	<u>73,864</u>	<u>80,850</u>	<u>77,672</u>

Deferred Income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Donations	109	109	111	111
Research grants received on account	22,930	22,930	26,495	26,495
Grant income	5,984	5,984	5,750	5,750
Other income	14,085	13,568	19,159	19,159
	<u>43,108</u>	<u>42,591</u>	<u>51,515</u>	<u>51,515</u>

Derivatives

The derivatives balance shown above relates to a "receive floating, pay fixed" interest rate swap measured at fair value through income and expenditure. The floating rate on the interest rate swap is three months' LIBOR, with the fixed rate being 4.9725%. The Group settles the swap quarterly, with the difference between the fixed and floating interest rates settled on a net basis.

At 31 July 2016, the fair value of the swap at £1,292,000 (31 July 2015: £1,436,000), and the notional principal value was £11,060,000 (31 July 2015: £11,687,000)

Notes to the Financial Statements (continued)

for the year ended 31 July 2016

19 Creditors : Amounts Falling Due After More Than One Year	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Deferred income	32	-	-	-
Service concession liabilities due after one year	9,977	9,977	10,238	10,238
Unsecured loans	<u>64,335</u>	<u>64,335</u>	<u>66,639</u>	<u>66,639</u>
	<u>74,344</u>	<u>74,312</u>	<u>76,877</u>	<u>76,877</u>
Analysis of unsecured loans:				
Due within one year or on demand (Note 18)	2,304	2,304	2,206	2,206
Due between one and two years	2,405	2,405	2,304	2,304
Due between two and five years	7,086	7,086	7,388	7,388
Due in five years or more	<u>54,844</u>	<u>54,844</u>	<u>56,947</u>	<u>56,947</u>
Due after more than one year	<u>64,335</u>	<u>64,335</u>	<u>66,639</u>	<u>66,639</u>
Total secured and unsecured loans	<u>66,639</u>	<u>66,639</u>	<u>68,845</u>	<u>68,845</u>
Unsecured loan repayable by 2035	27,308	27,308	28,168	28,168
Unsecured fixed rate (4%) loan repayable by 2039	8,410	8,410	8,636	8,636
Unsecured fixed rate (5%) loan repayable by 2020	1,614	1,614	2,151	2,151
Unsecured fixed rate (3%) loan repayable by 2041	8,798	8,798	9,033	9,033
Unsecured fixed rate (3%) loan repayable by 2043	<u>18,205</u>	<u>18,205</u>	<u>18,651</u>	<u>18,651</u>
	<u>64,335</u>	<u>64,335</u>	<u>66,639</u>	<u>66,639</u>

All loans are unsecured and due to Lloyds Bank PLC.

Note on loan repayable by 2035: £10.9m reducing is fixed at a rate of 5.1725% until March 2019 and is subject to an interest rate swap (notes 18, 21). £7.3m 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.

20 Provisions for Liabilities

Consolidated	Obligation to fund deficit on USS Pension	Pension enhancements on retirement	Defined Benefit Obligations (Note 25)	Total Pension Provisions	Deferred tax	Total Other
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2015	31,015	2,191	72,166	105,372	55	55
Utilised in year	(1,041)	(139)	(4,856)	(6,036)	(7)	(7)
Additions in 2015/16	1,709	448	5,360	7,517	-	-
At 31 July 2016	<u>31,683</u>	<u>2,500</u>	<u>72,670</u>	<u>106,853</u>	<u>48</u>	<u>48</u>
University	Obligation to fund deficit on USS Pension	Pension enhancements on retirement	Defined Benefit Obligations (Note 25)	Total Pension Provisions	Deferred tax	Total Other
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2015	31,015	2,191	72,166	105,372	-	-
Utilised in year	(1,041)	(139)	(4,856)	(6,036)	-	-
Additions in 2015/16	1,709	448	5,360	7,517	-	-
At 31 July 2016	<u>31,683</u>	<u>2,500</u>	<u>72,670</u>	<u>106,853</u>	<u>-</u>	<u>-</u>

USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payments over the period of the contracted obligation in assessing the value of this provision. The provision is discounted.

Pension enhancement on retirement

The assumptions for calculating this provision are the same as those shown in Note 25. Payments increase in line with inflation each year, which has been estimated at 2.01%. The provision is not discounted as the time value of money is not material to the valuation.

Notes to the Financial Statements (continued)

for the year ended 31 July 2016

21 Financial instruments

The carrying values of the Group and University's financial assets and liabilities are summarised by category below.

Financial assets	Note	2015/16		2014/15	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Measured at fair value through income and expenditure					
Investments in listed ordinary shares		431	421	518	413
Investments in common investment funds		1,611	1,167	1,572	1,140
Debt instruments measured at amortised cost					
Long-term loans receivable	14	129	360	311	541
Measured at undiscounted amount receivable					
Trade and other receivables	16	18,040	16,807	18,014	16,828
Equity instruments measured at cost less impairment					
Non-current asset investments in unlisted equity instruments		116	42	43	42
		<u>20,327</u>	<u>18,797</u>	<u>20,458</u>	<u>18,964</u>

Financial liabilities		2015/16		2014/15	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Measured at fair value through income and expenditure					
Derivative financial liabilities	18	1,292	1,292	1,436	1,436
Measured at amortised cost					
Loans payable	19	66,639	66,639	68,845	68,845
Obligations under Service concession agreements	13	10,238	10,238	10,476	10,476
Measured at undiscounted amount payable					
Trade and other creditors	18	18,190	16,711	17,239	16,152
		<u>96,359</u>	<u>94,880</u>	<u>97,996</u>	<u>96,909</u>

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

Interest income and (expense)		2015/16		2014/15	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Total interest income for financial assets at amortised cost	5	521	494	879	437
Total interest expense for financial liabilities at amortised cost	8	(2,683)	(2,683)	(2,828)	(2,828)
		<u>(2,162)</u>	<u>(2,189)</u>	<u>(1,949)</u>	<u>(2,391)</u>

Fair value gains and (losses)		2015/16		2014/15	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
On financial assets measured at fair value through income and expenditure	14	(40)	36	68	200
On derivative financial liabilities	8	(144)	(144)	(102)	(102)
		<u>(184)</u>	<u>(108)</u>	<u>(34)</u>	<u>98</u>

Notes to the Financial Statements (continued)

for the year ended 31 July 2016

22 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Restricted expendable endowments £'000	2015/16 Total £'000	2014/15 Total £'000
Consolidated				
At 1 August 2015				
Capital	853	435	1,288	1,208
Accumulated income	190	90	280	263
	<u>1,043</u>	<u>525</u>	<u>1,568</u>	<u>1,471</u>
New endowments	8	-	8	-
Investment income	33	15	48	47
Expenditure	(6)	(4)	(10)	(13)
Increase in market value of investments	19	10	29	63
Total endowment comprehensive income for the year	<u>54</u>	<u>21</u>	<u>75</u>	<u>97</u>
At 31 July 2016	<u>1,097</u>	<u>546</u>	<u>1,643</u>	<u>1,568</u>
Represented by:				
Capital	856	445	1,301	1,288
Accumulated income	241	101	342	280
	<u>1,097</u>	<u>546</u>	<u>1,643</u>	<u>1,568</u>
	Restricted permanent endowments £'000	Restricted expendable endowments £'000	2015/16 Total £'000	2014/15 Total £'000
University				
At 1 August 2015				
Capital	705	435	1,140	1,083
Accumulated income	117	90	207	178
	<u>822</u>	<u>525</u>	<u>1,347</u>	<u>1,261</u>
New endowments	-	-	-	-
Investment income	25	15	40	42
Expenditure	(5)	(4)	(9)	(13)
Increase in market value of investments	17	10	27	57
Total endowment comprehensive income for the year	<u>37</u>	<u>21</u>	<u>58</u>	<u>86</u>
At 31 July 2016	<u>859</u>	<u>546</u>	<u>1,405</u>	<u>1,347</u>
Represented by:				
Capital	722	445	1,167	1,140
Accumulated income	137	101	238	207
	<u>859</u>	<u>546</u>	<u>1,405</u>	<u>1,347</u>
Analysis of consolidated funds by type of purpose:				
Prize Funds	393	222	615	587
Hardship Funds	89	107	196	187
Travel Awards & Other	96	-	96	92
Lectures	-	217	217	208
Post & Departmental Support	519	-	519	494
	<u>1,097</u>	<u>546</u>	<u>1,643</u>	<u>1,568</u>
			2015/16 £'000	2014/15 £'000
Analysis by asset				
Current and non-current asset investments			1,301	1,288
Cash & cash equivalents			342	280
			<u>1,643</u>	<u>1,568</u>
Deficit balances				

The Wallace Music Scholarship permanent endowment currently has a capital balance of £7,117 with an income deficit of £354. Income to cover the deficit is expected to be received by 31 July 2017.

Notes to the Financial Statements (continued)

for the year ended 31 July 2016

23 Restricted Reserves

Reserves with restrictions are as follows:

Consolidated	Capital grants for restricted use assets	Other capital grants	Donations	Government grants	2015/16 Total	2014/15 Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2015	48,769	-	1,558	-	50,327	39,745
New grants	3,108	2,588	-	34,382	40,078	52,217
New donations	-	-	905	-	905	1,153
Investment income	-	-	10	-	10	15
Capital grants with expired use restrictions	(1,640)	-	-	-	(1,640)	(823)
Expenditure	-	(2,588)	(662)	(34,382)	(37,632)	(41,995)
Increase in market value of investments	-	-	8	-	8	15
Total restricted comprehensive income for the year	1,468	-	261	-	1,729	10,582
At 31 July 2016	50,237	-	1,819	-	52,056	50,327

Analysis of consolidated donations with restrictions by type of purpose:	Total	Total
	£'000	£'000
Post and departmental support	1,414	1,224
Prize funds	17	18
Other	388	316
	1,819	1,558

University	Capital grants for restricted use assets	Other capital grants	Donations	Government grants	2015/16 Total	2014/15 Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2015	48,769	-	-	-	48,769	38,498
New grants	3,108	2,588	-	34,382	40,078	52,217
New donations	-	-	688	-	688	906
Capital grants with expired use restrictions	(1,640)	-	-	-	(1,640)	(823)
Expenditure	-	(2,588)	(688)	(34,382)	(37,658)	(42,029)
Total restricted comprehensive income for the year	1,468	-	-	-	1,468	10,271
At 31 July 2016	50,237	-	-	-	50,237	48,769

24 Cash and Cash Equivalents

	1st August 2015	Cash Flows	31st July 2016
	£'000	£'000	£'000
Consolidated cash and cash equivalents	86,935	(19,831)	67,104
	86,935	(19,831)	67,104

Notes to the Financial Statements (continued)

for the year ended 31 July 2016

25 Pension Schemes

Different categories of staff were eligible to join one of three different schemes:

- Universities Superannuation Scheme (USS)
- The Local Government Pension Scheme (LGPS) which is administered by Leicestershire County Council
- The Teachers' Pension Scheme (TPS)

The total charge to the consolidated income and expenditure account is noted below.

	2015/16	2014/15
	£'000	£'000
USS contributions paid (excluding amounts paid under the USS deficit recovery plan)	12,317	10,178
LGPS	6,454	5,336
Other pension schemes, including TPS	773	760
	19,544	16,274

(i) The Universities Superannuation Scheme

The Universities Superannuation Scheme (USS) is the main scheme covering most academic and academic-related staff, which provides benefits based on final pensionable salary. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Limited.

Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS102 'Employee benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the University recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ('the valuation date'), which was carried out using the projected unit method.

Since the University cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third 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. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability calculations for the scheme have been produced using the following assumptions:

	2015/16	2014/15
Discount Rate	3.6%	3.3%
Pensionable Salary Growth	n/a	3.5% (year 1)
Pension increases (CPI)	2.2%	4.0% (thereafter) 2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ["light"] YoB tables- No age rating
Female members' mortality	99% of S1NA ["light"] YoB tables- rated down 1 year

Use of these mortality tables reasonably reflects actual USS experience. To allow for further improvements on mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2015/16	2014/15
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

	2015/16	2014/15
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS102 total scheme deficit	£8.5bn	£11.1bn
FRS102 total funding level	85%	82%

Notes to the Financial Statements (continued)

for the year ended 31 July 2016

25 Pension Schemes (continued)

(ii) Local Government Pension Scheme (LGPS)

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 trustee 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 18.9% from April 2015.

Under the definitions set out in FRS102, the LGPS is a multi-employer defined benefit pension scheme. In the case of the LGPS, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2016.

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.

Assumptions

The financial assumptions used to calculate scheme liabilities under FRS102 are:

	2015/16 %pa	2014/15 %pa
Pension Increase Rate	1.9	2.6
Salary Increase Rate	2.9	4.5
Expected return on assets	2.4	3.6
Discount rate	2.4	3.6

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

	Males	Females
Current pensioners	22.2 years	24.3 years
Future pensioners	24.2 years	26.6 years

Scheme assets and expected rate of return for LGPS

The assets in the scheme, measured at fair value, were:

	31 July 2016 £'000	31 July 2015 £'000
Equities	90,310	72,889
Bonds	21,031	21,438
Property	11,134	10,719
Cash	1,237	2,144
Total	<u>123,713</u>	<u>107,190</u>

	2015/16 £'000	2014/15 £'000
Analysis of the amount shown in the balance sheet		
Scheme assets	123,713	107,190
Scheme liabilities	<u>(196,383)</u>	<u>(179,356)</u>
Deficit in the scheme – net pension liability	<u>(72,670)</u>	<u>(72,166)</u>

Analysis of the amount charged to staff costs within operating surplus

	2015/16 £'000	2014/15 £'000
Current service cost	6,399	5,332
Past service costs (including curtailments)	55	4
Total operating charge:	<u>6,454</u>	<u>5,336</u>

Analysis of the amount charged to interest payable

	2015/16 £'000	2014/15 £'000
Interest cost on defined benefit obligation	6,510	6,470
Interest income on plan assets	<u>(3,876)</u>	<u>(3,887)</u>
Net charge to interest and other finance costs	<u>2,634</u>	<u>2,583</u>

Analysis of other comprehensive income for LGPS

	2015/16 £'000	2014/15 £'000
Return on assets excluding amounts included in net interest	11,683	5,695
Changes in financial assumptions	<u>(9,528)</u>	<u>(11,255)</u>
Other experience	2,020	1,141
Total other comprehensive income before deduction for tax	<u>4,175</u>	<u>(4,419)</u>

Notes to the Financial Statements (continued)

for the year ended 31 July 2016

25 Pension Schemes (continued)

	2015/16 £'000	2014/15 £'000
Analysis of movement in deficit		
Deficit at beginning of year	(72,166)	(64,103)
Contributions or benefits paid by the University	4,409	4,275
Current service cost	(6,399)	(5,332)
Past service cost	(55)	(4)
Other finance charge	(2,634)	(2,583)
Gain/(loss) recognised in other comprehensive income	4,175	(4,419)
Deficit at end of year	(72,670)	(72,166)
Analysis of movement in the present value of scheme liabilities		
Present value at the start of the year	179,356	160,973
Current service cost	6,399	5,332
Past service cost including curtailment	55	4
Interest cost	6,510	6,470
Actual member contributions	1,411	1,291
Actuarial loss	7,508	10,114
Actual benefit payments	(4,856)	(4,828)
Present value at the end of the year	196,383	179,356
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	107,190	96,870
Expected return on assets	3,876	3,887
Actuarial gain on assets	11,683	5,695
Actual contributions paid by University	4,409	4,275
Actual member contributions (including notional contributions)	1,411	1,291
Actual benefit payments	(4,856)	(4,828)
Fair value of scheme assets at the end of the year	123,713	107,190
Actual gain on scheme assets in the year	15,559	9,582

LGPS assets do not include any of the University's own financial instruments, or any property occupied by the University.

The estimated contribution for LGPS in the Financial Year 2016/17 is £4,664,000.

iii) Teachers' Pension Scheme

This scheme is valued every 5 years by the Government Actuary. Contributions are paid by the University 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 employers was 16.4% of pensionable salaries.

Under the definitions set out in Section 28 of FRS 102, this scheme is a multi-employer defined benefit pension scheme as the University is unable to identify its share of the underlying assets and liabilities.

26 Critical Accounting Estimates and Judgements

Pensions - USS

FRS102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund the deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The University is satisfied that the Scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the estimated contractual deficit recovery contributions under the funding plan in existence at the date of approving the financial statements. This required estimates in respect of future headcount, salary changes and the discount rate to apply.

Pensions - LGPS

The LGPS deficit is sensitive to the actuarial assumptions used. The assumptions are set following advice received from a qualified actuary. The following table highlights the sensitivities regarding the principal assumptions used to measure the scheme liabilities.

Change in assumptions at 31 July 2016	Approximate increase in scheme liabilities	
	%	£'000
0.5% decrease in Real Discount Rate	11%	21,211
1 year increase in member life expectancy	3%	5,891
0.5% increase in the Salary Increase Rate	3%	5,661
0.5% increase in the Pension Increase Rate	8%	15,144

Notes to the Financial Statements (continued)

for the year ended 31 July 2016

27 Subsidiary Undertakings

The University wholly owns or effectively controls the following subsidiary companies (all of which are registered in England & Wales)

Company	Shareholding	Principal Activity
CASCAID Limited	100%	Production and sale of computer-aided careers guidance software
Imago @ Loughborough Limited	100%	Management of conference and related commercial facilities
Loughborough Sport Limited	100%	Management of sports facilities
Loughborough University Development Trust	Limited by guarantee	Promotion of the charitable purposes of the University
Loughborough University Enterprises Limited	100%	Marketing of the expertise and facilities of the University in applicable specialist areas.
Loughborough University Services Limited	100%	Supply of utilities and other services

28 Associated Undertakings

The Group has the following interests in associated undertakings:

Company	Shareholding	Principal Activity
Antrum Limited	50%	Development and production of specialist antennae base stations for the mobile phone industry.
Charnwood Molecular Limited	22%	Contract research for the Chemistry industry.
Micropore Technologies Limited	18%	Supply of specialist filtration and dispersion equipment.
Laser Optical Engineering Limited	17%	Research and development of laser radiation measuring equipment
Sonobex Limited	6%	Design and development of acoustic barriers.

The Group's share of the profit or loss for the year and the net assets of the associated undertakings are not material to these financial statements in either the current or prior year and have therefore been excluded from the consolidation.

29 Connected Charitable Institutions

One charitable institution is administered by or on behalf of the University and has been established for its general or special purposes. As a result, under paragraph 28 of Schedule 3 to the Charities Act 2011, these connected institutions are exempt from registration with the Charity Commission. This charity is included as a subsidiary undertaking in these consolidated financial statements and the movements in the year on the total funds of the connected institution, as reported in its own accounts, were as follows:

	Opening balance £'000	Income £'000	Expenditure £'000	Change in market value £'000	Closing balance £'000
Consolidated					
Loughborough University Development Trust	2,097	1,096	(725)	12	2,480

Notes to the Financial Statements (continued)

for the year ended 31 July 2016

30 Disclosure of Related Party Transactions

The University's Council members are the trustees for charitable law purposes. 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 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	Balance due to the University at 31 July 2016 £'000
Members of Council			
Imperial College - (Peter Saraga)	44	(674)	-
Leicestershire County Council - (Memis Acar)	210	-	37
University of Bath - (John Sinnott)	125	(20)	32
Loughborough Students Union - (Jess Excell - James Bowker)	283	(1,725)	76
Senior Members of the University			
English Institute of Sport - (John Steele)	275	(16)	11
Elsevier - (Mark Biggs)	-	-	592
Lawn Tennis Association - (Peter Keen)	162	-	80
EPSRC - (Rachel Thomson)	450	(238)	99
Loughborough Students Union - (Richard Taylor)	283	(1,725)	76
Manufacturing Technology Centre - (Steve Rothberg)	125	-	271

The total expenses paid to or on behalf of 9 council members was £8,042 (2015 - £8,050 to 9 council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and any other events in their official capacity. The University Officers and Members of Council have also had access to the catering, sporting and other facilities of the University on terms which are available to all members of University staff.

The University has taken advantage of the exemption allowed by FRS102 not to disclose transactions between wholly owned group companies. Related party transactions with University spinout companies have not been disclosed as they are not material

	2015/16		2014/15	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
31 Capital and Other Commitments				
Commitments contracted	20,733	20,526	14,209	14,209
Authorised but not contracted	22,782	22,782	31,410	31,410
	<u>43,515</u>	<u>43,308</u>	<u>45,619</u>	<u>45,619</u>

32 Contingent Liabilities

The University has given written undertakings to support the subsidiary companies for twelve months from the date of approval of these financial statements.

33 Lease Obligations

Total rentals payable under operating leases:

	2015/16			Total £'000	2014/15 Total £'000
	Land and Buildings £'000	Plant and Machinery £'000	Other leases £'000		
Payable during the year	1,266	450	234	1,950	828
Future minimum lease payments due:					
Not later than 1 year	101	344	113	558	622
Later than 1 year and not later than 5 years	1,858	368	124	2,350	1,120
Later than 5 years	2,459	-	-	2,459	-
Total lease payments due	<u>4,418</u>	<u>712</u>	<u>237</u>	<u>5,367</u>	<u>1,742</u>

34 Events after the reporting period

There are no post balance sheet events to disclose.

Notes to the Financial Statements (continued)

for the year ended 31 July 2016

35 Transition to FRS102 and the 2015 SORP - Consolidated and University

As explained in the Accounting Policies, these are the University's first financial statements prepared in accordance with FRS 102 and the 2015 SORP. The Accounting Policies explained earlier in this document have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, 2015 SORP- based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the 2015 SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

	Notes	31 July 2015 Consolidated £'000	31 July 2015 University £'000	31 July 2014 Consolidated £'000	31 July 2014 University £'000
Total Net Assets reported applying 2007 SORP per 2014/15 Financial Statements		213,920	211,299	210,774	208,902
Land revalued and held at deemed cost on transition	35 (i)	54,308	54,308	54,308	54,308
Change in treatment of deferred capital grants	35 (ii)	(294)	(294)	(10,000)	(10,000)
Investment Properties recognition at valuation		1,076	5,978	432	4,997
USS Pension provision recognition (Note 20)	35 (iii)	(31,015)	(31,015)	(14,932)	(14,932)
Provision for derivative (Note 18)		(1,436)	(1,436)	(1,539)	(1,539)
Removal of negative goodwill		2,096	2,096	2,229	2,229
Holiday pay provision		(795)	(795)	(789)	(759)
Recognition of legacy debtor		1,322	1,322	1,322	1,322
Investments stated at fair value		506	408	629	377
Service concession arrangements		(303)	(303)	-	-
Other		(289)	98	(259)	68
Total Net Assets reported applying FRS102 and the 2015 SORP per 2015/16 Financial Statements		239,096	241,666	242,175	244,973
Total Increase in Net Assets due to the Transition to FRS102 and the 2015 SORP		25,176	30,367	31,401	36,071
Surplus for the year retained within reserves reported applying 2007 SORP per 2014/15 Financial Statements		9,044	8,649		
Change in treatment of deferred capital grants	35 (ii)	9,596	9,596		
Investment Properties recognition at valuation		644	981		
USS Pension provision recognition	35 (iii)	(16,083)	(16,083)		
Movement on provision for derivative		103	103		
Removal of negative goodwill		(133)	(133)		
Investments stated at fair value		(123)	31		
Service concession arrangements		(303)	(303)		
Change in treatment of endowments		324	-		
Other		51	51		
Actuarial loss in respect of pension scheme (LGPS), previously recognised in the Statement of Total Recognised Gains and Losses	35 (iv)	(6,199)	(6,199)		
Total Comprehensive Income for the Year reported applying FRS102 and the 2015 SORP per 2015/16 Financial Statements		(3,079)	(3,307)		
Total Reduction in Comprehensive Income due to the Transition to FRS102 and the 2015 SORP		(12,123)	(11,956)		

Transition notes:

The principal changes were as follows:

i) Land revaluation

As noted in the Accounting Policies, the University has chosen to adopt a valuation of land holdings on transition to FRS102. The impact of this is to increase net assets, replacing the previous historic cost with a modern equivalent asset value of £68.6 million. The valuation is dated at 31 July 2014 and was performed by InnesEngland. The revised land valuation on transition will be used as deemed cost from the date of transition and will not be depreciated.

ii) Change in Treatment of Deferred Capital Grants

As noted in the Accounting Policies, the University has chosen to adopt the performance model for accounting for government grants. Grants for capital works are released to the Statement of Comprehensive Income and Expenditure when the capital item moves into use. The impact of this change is evident in the transition notes as one grant for £10 million was held as a creditor on transition and released to income in 2014/15 when the building to which it related came into use.

iii) USS Pension Provision Recognition

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. As a multi-employer scheme the 2007 SORP did not require this obligation to be recognised on the balance sheet. The liability increased significantly in 2014/15 as a revised funding agreement was made between the employers and USS, this increase flows as a charge to staff costs in the Statement of Comprehensive Income and Expenditure.

iv) Actuarial Loss in Respect of Pension Scheme

This item relates to the Local Government Pension Scheme (LGPS). The impact of the 2015 SORP is that this item now flows through the Statement of Comprehensive Income and Expenditure, whereas it had previously been recognised in the Statement of Recognised Gains and Losses. There is no change to the value of this item.



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