

FINANCIAL STATEMENTS

2008/09

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OFFICERS AND STAFF PRINCIPALLY CONCERNED WITH FINANCIAL MATTERS

Membership of Council as at 27 November 2009

Dr M Acar	Sir John Gains	Professor S Pearce ^{3, 4}
Dr J Aldridge	Professor N Halliwell ^{4, 5}	S Proffitt ¹
A Baumhoff	R Hulme	Professor I Reid ⁴
J Blackwell	Sir John Jennings	M Sismey-Durrant ²
Sir Bryan Carsberg ^{3, 4}	J Morgado	J A M Strong ⁴
P Coates ³	J Murphy	N Tamplin ¹
Dr Sandie Dann	J Mutton ²	P Wilkinson-Blake
A Deakin ¹	T Neale	A A Woods ^{2, 3, 4, 5}
B Dent ⁵	Professor R Parker	D Wring
G Edila	Professor R Parry-Jones	

Membership of Committees as at 27 November 2009

Audit Committee ¹	Remuneration Committee ³	Performance Monitoring Group ⁵
Treasurer's Committee ²	Nominations Committee ⁴	

Officers and Staff in Post as at 27 November 2009

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

Providers of Financial Services

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

OPERATING AND FINANCIAL REVIEW

Funding, competitive and regulatory environment

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

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

Whilst the quality of its teaching activity is regulated by the Quality Assurance Agency for Higher Education, the financial and regulatory relationship with government is mediated principally through the Higher Education Funding Council for England (HEFCE). HEFCE provides funding to the University for teaching, research and enterprise, and the terms on which its grants are made are governed by a Financial Memorandum. The University is required to submit various data and accountability returns as part of the 'single conversation' with HEFCE and these processes are subject to scrutiny by the Audit Committee. However, 56% of University income is derived from entirely non-governmental sources including students, business and industry.

Competition for research funding, both from HEFCE, the Research Councils and other sources is very competitive and the University has invested significantly, particularly in high calibre staff, to strengthen its position in this field of activity. Student markets are diverse, with regulated fees and student numbers for UK/EU undergraduates but flexibility to set fee levels for student intake for postgraduate and international students. The University is experiencing unprecedented demand from well qualified UK undergraduates. Recruitment is also strong at present in the postgraduate and international markets, not least as a result of the recession and favourable exchange rates. The global economic downturn has already started to impact on our partners and some of our activity but has not as yet had any significant impact on the day to day finances of the University. However, there is considerable uncertainty surrounding the future, for example from public sector funding cuts, the outcome of the government review of undergraduate fees and financial support, demographic trends and the depth of the global recession. The University's financial plans and scenarios in response to this uncertainty are reviewed by its governing body, the Council.

Vision and strategy

Loughborough celebrates its Centenary this year – one hundred years since the establishment of Loughborough Technical Institute, the University's predecessor.

Throughout its history Loughborough has built upon its distinctive characteristics and today it is one of the country's leading universities, with an international reputation for excellence in teaching and research, strong links with industry and unrivalled sporting achievement.

Over the years Loughborough has established a broad disciplinary base across engineering, science, the social sciences and the humanities. Since 2006 it has consistently been ranked in the top twenty of UK universities in national newspaper league tables, and in September last year it was awarded the Sunday Times University of the Year 2008-09 title, in recognition of the quality of its teaching and research, its consistently high rankings in the National Student Survey, its outstanding success in sport and its six Queen's Anniversary Prizes.

Throughout each decade Loughborough has changed and grown in a way that has reflected its distinctive strengths and responded to the changing external environment. The coming years will see the University change again as it consolidates its successes, builds on its strengths, establishes strong international partnerships and responds to the rapidly changing global environment.

Loughborough's vision for the future is provided in its strategic plan 'Loughborough University – Towards 2016', which outlines the way the University will work, as well as the outcomes it aspires to achieve. The overarching strategy is underpinned by more detailed implementation plans, which outline the underlying issues that need to be addressed in order to deliver the overall vision.

This framework for operation will enable the University to respond speedily and positively to opportunities and threats as they arise. In drawing up its strategy, the University has taken into consideration a number of factors that could have a significant impact on its core business. Internationally it has recognised the global changes in trade and industry, in education and the environment, the political agenda and workforce issues. On a national level it has acknowledged the potential changes to the way HE is funded, future demographic shifts, the continued need for wider access to HE, and the increasing emphasis on employer engagement. Regionally the University has taken into account the need to maximise the University's benefit to the locality and its place in development of the region.

The University's mission is to:

- Increase knowledge and understanding through research which is internationally recognised.
- Provide a high quality international educational experience with wide opportunities for students from diverse backgrounds which prepares our graduates for the global workplace.
- Influence the economic and social development of individuals, business, professions and communities.
- Value all our staff and students.
- Embed a commitment to equality and diversity and value the positive aspects of our differences.
- Value and reward our staff for their contribution and commitment to the University's successes.
- Contribute to society.
- Listen to our staff, students, alumni and partners.

Risk

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

The principal risks include:

- Failure to meet international recruitment targets.
- Poor student behaviour.
- Failure to prevent or adequately manage a major health incident.
- Deterioration of employee relations in HE at national level, leading to industrial action.
- Failure to provide Business Continuity as a result of a loss of key service, such as IT, Gas, Power, Water.
- Increased pensions deficit and future contributions.
- Reduction in public spending.

A committee structure has existed for several years now to handle high risks with the exception of Business Continuity and Emergency Planning. An institutional project has been set up to address this and to position the University better to manage major incidents. The University is refreshing its major incident plan to make it consistent with BS25999 and is developing business continuity plans for key activities in line with the standard.

An overall risk regarding the assumptions of the university financial plan in relation to levels of public funding reduction remains high at present.

Capital investment

Capital expenditure amounted to £27m (2007/08 £29m), of that £13.6m was funded from external sources, the balance was funded from internal sources together with a £10m draw down against the university's committed loan facility. The budgeted spend of the main projects include a new multi storey car park (£4.9m), and a SportPark building (£13.6m) to house sporting governing bodies.

The capital plan assumes a spend of £208m to 2016. This is largely targeted at the development of the east park site to include a design and technology building. Much of this is to be funded from capital grants, internal cash generation together with a £30m external long term loan (facilities already in place). The continued management time invested during the year on its 5 year forecasting maximises certainty that the University will be able to meet and deliver its capital plan.

Financial performance

The university's financial performance reduced slightly over that of the previous year returning a surplus of £6.477m (2007/08 £7.438m). Total income for the year increased by £15.6m to £215.8m of which £4.6 m relates to the third year of variable tuition fees.

Staff costs grew by 7% and represent 55.4% (2007/08 56.3%) of total expenditure, this is a result of continued investment in our front-line staff and a nationally agreed pay award of 5% from 1 October 2008 which far exceeded the rate of inflation originally forecast.

The University has a well developed Treasury Investment Strategy for its cash balances, dealing with requirements for availability (overnight, 7 & 30 days, 3 months etc) and counterparty risk viewed against credit ratings which are regularly reviewed. Additionally the University has fixed its interest payable on £24.5m of debt. Cash balances are currently well in excess of the balance of debt.

The University manages its cash investment portfolio in-house by placing all investments on the money market conforming to the treasury policy on levels of investments and counterparties to be used.

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

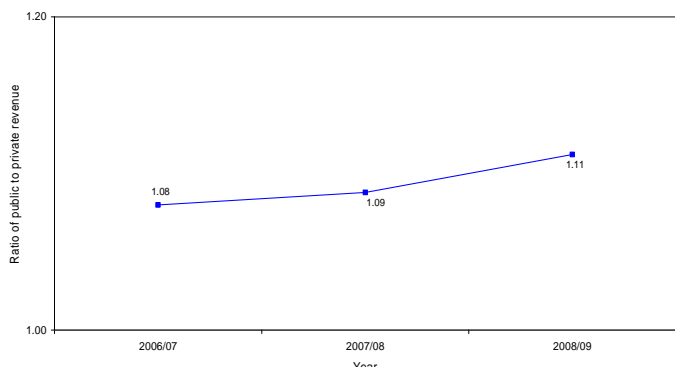
There was an operating cash inflow of £19.2m (2007/08 £13.7m). Cash balances and short term deposits increased from £35.8m to £49.6m over the year largely as a result of the £10m drawdown increasing our long term debt from £33.1m to £42.3m. £14.7m of this debt reducing is fixed at 5.1625%, £17.8m is charged at 0.19% above base rate and £9.8m is fixed at 4.7%.

KPI's relating to all themes within the Strategic Plan such as research, teaching and learning, enterprise and human resources are reported regularly to Council. Those relating to the financial sustainability of the university include:

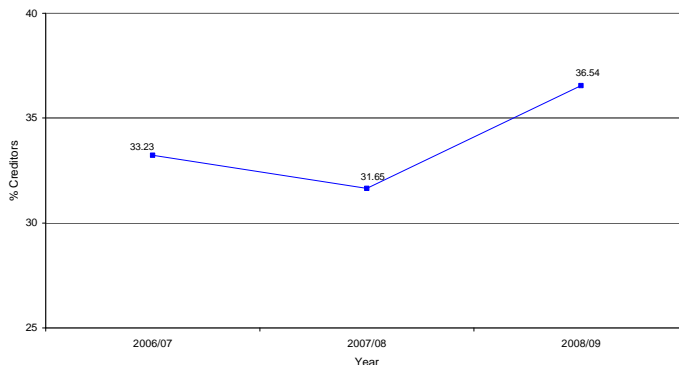
- Ratio of public to private revenue
- Gearing ratio of creditors to net assets
- Surplus as a percentage of turnover
- Staff costs as a percentage of total expenditure

The following charts display this information over the last 3 years.

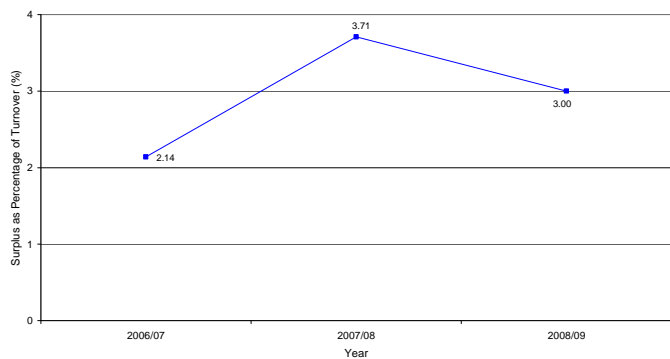
Ratio of Public (Funding Council Grants + Home Undergraduate Fees + Research Council Grants + EU Government Grants) to Private Revenue



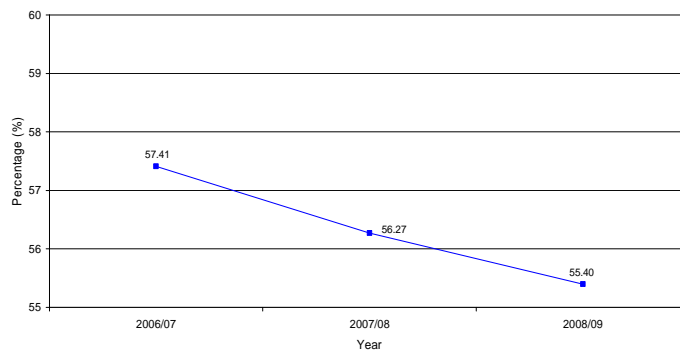
Gearing (Total Creditors as a proportion of Total Assets)



Surplus as a Percentage of Turnover



LU Staff Costs as a Percentage of Total Expenditure



On an FRS 17 valuation basis the deficit in the Local Government pension scheme was £44m, an increase of £26.4m over the year. This was mainly due to a fall in the discount rate from 6.7% as at 31 July 2008, to 6.0% as at 31 July 2009. This and a fall in the value of equities has increased our liabilities substantially.

The same pressures are affecting the Universities Superannuation Scheme and as a consequence employers contributions rose from 1 October 2009 from 14% to 16% adding £1.3m to recurrent costs. Although planned for within our budget forecasts, this is large rise in costs and adds to the financial pressures arising from last year's significant national pay awards. Through careful planning, the University has avoided the need for any compulsory redundancies in response to the financial pressures, but there is no complacency and a tight vacancy control process, through the Operations Committee, remains in place.

At 1 August 2009 the scheme is 80% funded, compared with 74% as at 1 March 2009. Consultation is currently taking place on a number of measures to reduce future liabilities including:

- The use of career average earnings to replace final salary calculations.
- Increasing the retirement age to 65 for all employees (institutions with Contractual Pension Ages of 60, like ours, would be charged if employees retired before 65).
- Changes to the employer/employee contribution rates.
- Shared costs between employer and employee.

The University has eight subsidiary companies, the largest of which is Imago@Loughborough Limited which manages conference and related commercial activities. Its turnover for 2008/09 was £7.9m and the amount to be gift-aided to the University for this year is £796k.

Academic review – teaching, research and enterprise

Loughborough is a research-intensive university and has a reputation for the relevance of its work, producing research that matters, driven by society's need for solutions to real-world problems. In the most recent Research Assessment Exercise (RAE) Loughborough was confirmed as one of the country's top twenty research universities, with every department found to be undertaking work that is internationally excellent and 18% of the University's research considered to be 'world leading'. As a result Loughborough received the greatest increase of any UK university without a medical school.

Commercial potential is at the centre for much of Loughborough's research and the University has a strong track record of fostering innovation and spin out company formation.

One of its most high-profile successes is its spin out Intelligent Energy, whose range of clean power system platforms based on its proprietary fuel cell technology has enabled it to target global mass markets through strong partnerships with blue chip customers that include Scottish and Southern Energy Plc and The Suzuki Motor Corporation. In August 2009 Intelligent Energy announced that it had raised \$30million (USD) at a material uplift in price received per ordinary share compared to previous funding rounds. The money raised from both existing and new investors will be used to provide for the next stage of Intelligent Energy's growth, as it accelerates the commercialisation of its fuel cell power systems into its targeted mass markets.

Loughborough also excels in building strong relationships with both SMEs and multinational companies. Sited on campus are the Henry Ford College for retail and management training of motor industry employees throughout Europe, the BAE Systems/East Midlands Development Agency-partnered Systems Engineering Innovation Centre, and the headquarters of the National Energy Technologies Institute.

Such partnerships with industry allow the University's students to benefit from valuable work placements, which are available on 65% of degrees. Many of the University's degrees are also designed and sponsored by industry, meaning its students develop the knowledge, skills and qualities required by business and industry. Loughborough's relationships with industry and its resulting student placement schemes were praised by the Prime Minister Gordon Brown, during a visit in April to the University to launch the Government's new strategic plan (New Industry, New Jobs) to invest in Britain's economic and industrial future.

At Loughborough research and teaching activity are integrated at every opportunity to provide the very best learning experience for the University's students. The quality of teaching is verified by exceptionally high scores awarded under the Government's independent assessment scheme, and Loughborough is consistently rated near the very top of the teaching quality tables.

Teaching and Learning remains the largest element of our academic activities. Total student numbers in this year were 16,646, including 13,773 full-time HE students. Full-time UK/EU undergraduate recruitment (3,518) was ahead of target (3,110). Full-time international undergraduate recruitment (298) fell slightly short of target (304). Over 70% of the undergraduate intake entered with the equivalent of BBB or higher at A-level. Full-time taught postgraduate intakes for UK/EU students were up 8% and international down 7%. Strong recruitment is important, not just financially but also in raising intake standards and securing the viability of vulnerable subject areas. Continued vigilance is required, especially in increasingly competitive international markets.

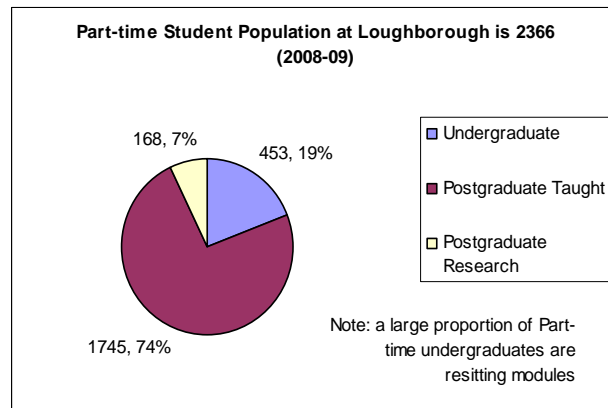
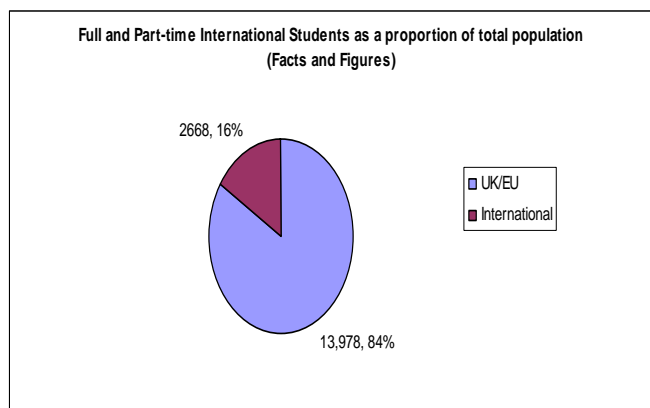
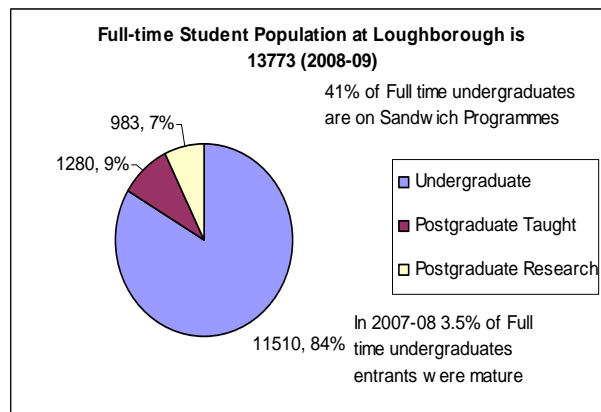
Approximately half of students are in the Faculties of Engineering and Science, with the balance in Social Sciences and Humanities. Just over 1 in 4 students are studying at postgraduate level. Approximately 40% of full-time undergraduates are registered on sandwich programmes and 925 undertook industrial professional training during 2008-09.

The quality of Teaching and Learning underpins the University's outstanding performance in the National Student Survey (NSS) and in other measures and league tables. Loughborough has ranked consistently in the top 5 publically-funded

institutions in the NSS and in 2008-09 over 90% expressed satisfaction with their course. Continued development is needed to maintain this position, and measures include a system of regular and effective monitoring of programmes and subjects to ensure their sustained relevance, the introduction of new subjects and programmes as appropriate, and the establishment of a Teaching Centre to support staff in this crucial activity.

Loughborough student population profile 2008/09

	Loughborough	England (2007/08)
% International	16	10
% Full-time	83	63
% of Full-time who are Postgraduate	16	11
% Undergraduates on sandwich programmes	41	5



This year the University's popularity continued to grow, with applications for the 2009-10 academic year rising by 18%. Its degree programmes are highly regarded by professional institutions and businesses and, as a result, Loughborough's graduates are consistently targeted by the UK's top recruiters. The % of first-degree graduates for the academic year 2007-08 in employment within six months of graduation is 60% and rises to 84% when including those in further studies/work.

Loughborough's student-centred ethos and outstanding reputation for high quality teaching and learning are among the strengths that matter to students. In the 2008 National Student Survey, 91% of the University's full-time students rated their overall satisfaction with their course as 'four' or 'five' on a five-point scale, with 22 out of 30 subject areas being ranked in the top ten overall for satisfaction. Since the Survey's inception Loughborough has consistently been ranked in the top five of UK universities for student satisfaction.

An outstanding Student Experience lies at the heart of Loughborough, helping to ensure the University's graduates are prepared intellectually, professionally and socially. In 2008 the students voted it the winner of the Times Higher Award for the UK's Best Student Experience for the third consecutive time.

Sport

Loughborough is the UK's premier university for sport, bringing together exceptional athletes, world leading education and pioneering sports technology, and boasts an unparalleled record of excellence. In 2008-09 Loughborough retained the British Universities and Colleges Sport (BUCS) championship crown, the women taking the title for the 31st consecutive year and the men for the 29th. Over 50 past and present students and University-based athletes competed at the Beijing Olympics and Paralympics, bringing home a silver and bronze medal and breaking 15 national and two European records between them. In 2009 Loughborough's swimmers, both current and former students claimed most of Team GB's seven medals at the World Swimming Championships.

Headline-hitting performance is crucially underpinned by Loughborough's internationally renowned expertise in sports education, training and research. This year the University's academic sport provision was amalgamated with elements of the University's Human Sciences offering. The new School of Sport, Exercise and Health Sciences brings together the complementary strengths of the former School of Sport and Exercise Sciences and the biological and psychological components of Human Sciences and will be operative from August 2009 for the start of the next academic year. The move will strengthen research and innovation across sport, physical activity and health, bringing academics in related areas of research together.

The School's centrepiece is the impressive Clyde Williams building, an £8m construction which houses 27 laboratories, four teaching rooms and a large lecture theatre as well as the latest physiological, molecular and environmental technologies including two climatic chambers, a sprint lane and bespoke training and testing equipment. The building was officially opened in May by HRH The Princess Royal.

Corporate responsibility

Environment and Sustainability

The appointment of 2 additional posts to join the Energy Manager took place during the year. They have taken forward a range of initiatives including an energy campaign and recruitment of environmental champions, audits of energy use in buildings and have taken the first steps towards an environmental management system to bring a rigour through improved measurement and auditing. Negotiations on energy prices have also gained significant savings.

The team made use of the centenary celebrations through the Hard Rain Exhibition, displays at the Centenary Open Day and through the Centenary Lecture Series and are also working on biodiversity. The work undertaken recently at Burleigh Woods has been well received in the local community.

The University has participated in the Universities that Count corporate responsibility benchmarking exercise being promoted to the HE sector by HEFCE. This is based on the Business in the Community Index. Council have agreed that the index will be used as a KPI for corporate responsibility in 2009/10.

Social

Recognising its corporate social responsibility, the University has a strategic aim to work with the town and its local authorities to deliver an environment in which the inter-related communities of the University, the locality and the region can thrive.

The University is a large organisation based in a relatively small setting and this means that its local impact, both positive and less well received, is more substantial than for many other institutions and is of considerable significance.

The University has a long-standing record of positive local engagement in a variety of areas. A significant proportion of Loughborough's students regularly give up their time to work on community projects and raise funds for local and national charities. In recognition of students' contributions to local life and of their acts of kindness and good neighbourliness, the University presents two annual community awards. This year saw a record number of nominations, with three main awards and four commendations being made.

Loughborough's award-winning Student Experience is due in no small part to the Students' Union. Hundreds of students are involved in the Union's Community Action projects, which aim to make a positive difference to the lives of people in the local community. The Union also has the most successful student fundraising organisation in the country, which raised more than £970,000 for local and national charities in 2008-09, breaking its own national record.

Opening up the campus is a key part of the University's community strategy. This summer, as part of its Centenary celebrations, the University opened its doors to the public for its Centenary Open Day. Thousands of people attended the campus to gain an insight into the University and enjoy a variety of arts events, sport taster sessions and hands-on activities. The Centenary Open Day was an additional feature in the University's regular calendar of public lectures and seminars, cultural events and its activities as part of Science Week.

A series of annual children's sports camps also continues to grow in popularity and there is widespread community usage of the University's extensive world-class sporting facilities and expertise to promote sport and healthy living with the town and region.

Community groups and organisations across Charnwood benefited this year from the launch of the University's Community Donations Fund. In a pilot project, £10,000 was made available in two support categories: an Inside-out Fund of £5,000 where University staff involved in community groups were able to bid for amounts of up to £500, and an Open Fund, also of £5,000, available for bids from any community group in amounts up to £500. To be considered for support, projects or organisations had to be Charnwood-based and non-political in nature. Preference was also given to projects or activities that increase engagement between the University and community. 38 bids were received with 23 projects eventually receiving support.

From next academic year, a total of £25,000 will be available in the fund with two further categories, a Strategic Fund and an Education Fund, being added. The Strategic Fund of £10,000 will be allocated as one or two sums following a review of local needs and as part of a strategic development. The Education Fund of £5,000 will be used to support projects in educational contexts, local schools etc, in amounts of up to £1,000.

Alongside this positive activity, it is recognised that relationships at local level have at times been challenging. Significant developments continue to be made, however, notably through the operation and further expansion this year of the Community Wardens scheme, and through the formal and informal meetings with residents and local authorities. The University has also developed relationships with key local and regional bodies and formal partnerships with some stakeholders. Regionally, the University has well-established channels of contact with the East Midlands Development Agency (*emda*), and with other stakeholders in the local and regional economy. In addition to the formal relationships, and underpinning many of them, are informal engagements with the community at an individual level. Members of staff in all grades are involved with voluntary work; they include magistrates, school governors, elected members of local authorities, and people engaged in a wide range of charitable, social, cultural, political and sporting activities. This enrichment of civil society in the town and region is of mutual benefit.

Staff

Staff numbers rose from 2,705 in 2008 to 2,761 in April 2009 (full-time equivalent figures). Loughborough recognises that its staff are its most important asset and the University places a high priority on effective recruitment, retention and development policies. The leadership and management of Loughborough University and that of its student accommodation team were recognised as the best in the country in the first-ever Times Higher Education Leadership and Management Awards.

Key strategic objectives include:

- Enhancing the excellent working environment for staff
- Maintaining the quality of staff at all levels and to attract the very best academic staff from across the world
- Put in place a formal structured and sustained programme of training and ongoing support for our leaders and managers
- Review our selection, support and reward systems for senior members of staff
- Develop better systems for the management of performance
- Create a diverse workforce whose diversity will aid us in the achievement of all our objectives

The University undertook a survey in 2008 inviting staff to give their views on their working life at the University and the areas which could be improved. The University response rate of 65% is the highest score achieved by any of the 32 Higher Education Institutions in which the Survey Unit has undertaken surveys (average 48%). The university was extremely pleased with the key positive issues highlighted as a result of the survey. Most respondents think that the University is a good place to work, that they enjoy their work and their motivation is high. Key areas for improvement were highlighted and the university is committed to ensuring that these are addressed appropriately.

The delay and resulting uncertainty in the national negotiations for 2009/10 are an issue of concern, both in terms of the financial cost of the award, but more significantly in relation to the potential industrial action that may be taken by the trade unions in support of their pay claim.

Future developments

The environment for Higher Education is changing rapidly presenting both potential challenges and opportunities to the sector and to Loughborough. These sector issues include:

- A new Higher education Framework for the next 10-15 years expected in the Autumn
- Treasury's requirement of additional efficient savings of £180m from DIUS (Department for Innovation Universities and skills) are expected for 2010/11. HEFCE has already reduced the recurrent grant for teaching in 2009/10 by £65m. The position beyond 2010/11 is extremely uncertain but the need for further cuts in public spending seems inevitable and is being widely discussed in the media.
- Review of tuition fees is due in 2010. Variable tuition fees were introduced in 2006 but capped at £3,000 plus RPI.
- Potential changes to HEFCE teaching funding methodology which could affect future HEFCE funding. Reduction in the differential between laboratory and non-laboratory based subjects could have a significant impact on our teaching and research grants.
- RAE (Research Assessment Exercise) is to be replaced by a new Research Excellence Framework. Loughborough's success in the 2008 RAE generated an additional £6m of recurrent funding. Quantitative indicators are expected to play a greater role than in previous assessment exercises. Loughborough must be ready and able to respond to the new assessment process if its success in gaining Quality-related Research funding is to continue
- There is increasing pressure on universities to demonstrate the impact of their activities and to show how their work benefits the economy and society.
- Increase in competition as the demographic decline in the number of school leavers takes effect and also for increased competition from the private sector and from overseas.

As the University celebrates its rich heritage throughout its Centenary year, it also continues to plan for its future.

Plans for the further development of the University's estate are underway. The official opening of the Clyde Williams Building, housing the newly formed School of Sport, Exercise and Health Sciences, marks the first step in the University's East Park development project, which will transform this part of campus over the next ten to twenty years. Four new 'zones' will be created – residential, academic, cultural and leisure, with new academic space and student accommodation provided.

The proposal to develop the next phase of our Science and Enterprise Park at the University is moving forward, with a development partner now being sought. The next phase of the Park would allow the University to expand its science and enterprise links with industry, by attracting research and development activities that require university expertise and by providing facilities for its own researchers.

Part of the land is already being used for the SportPark development – a £13.6 million management hub providing office accommodation for sports organisations, which will reinforce Loughborough's position the UK's leading centre for sport. Work began in October 2008 and is due for completion by the end of 2009.

With its standing as the UK's premier university for sport, Loughborough will play an integral part in the London 2012 Olympic and Paralympic Games. In June the University and the Japanese Olympic Committee (JOC) signed a Memorandum of Understanding that will see both organisations working together until the Games. As well as basing themselves at Loughborough in the weeks immediately prior to the London Games, Japan's Olympic teams will also use the University's world-class facilities for training camps and final preparations before competitions in Europe over the next three years. The wide ranging agreement will benefit the University's academic research activity and teaching programmes, improve the student experience, develop cultural and business links in the region and help raise Loughborough's international profile.

Loughborough University is also set to become a primary centre for athletics investment in the run up to the London Olympics after being named one of two new 2012 Performance Centres by UK Athletics (UKA). Already recognised as a national High Performance Centre, Loughborough will see even more of the country's top talent joining its ranks following the governing body's decision to reduce its number of national centres from four to two.

Conclusion

The global economic position and the current recession in the UK has created an uncertain future for universities. Loughborough is currently in a relatively strong position as a result of the additional income it received following RAE 2008. In the longer term Loughborough will have to adjust to cuts in public spending and respond to the challenges outlined above. Management have developed financial scenarios to plan for the future outlook and its significant capital development. The impending government election creates further uncertainty and further policy shifts for HE could follow. The university must be able to respond to these challenges as they arise and is well placed to continue to succeed in delivering the vision towards 2016.

Professor Shirley Pearce, Vice-Chancellor and Designated Officer

Alan Woods, Treasurer

Caroline Walker, Director of Finance

27 NOVEMBER 2009

STATEMENT OF CORPORATE GOVERNANCE

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

The University is committed to exhibiting best practice in all aspects of Corporate Governance. This statement describes the manner in which the University has applied the principles set out in the CUC Governance Code of Practice (November 2004).

Throughout the year ended 31 July 2009, the University has been in compliance with all the Code provisions except that with a membership of 30, the size of the Council slightly exceeds the CUC recommended maximum of 25 members. This allows greater representation of staff and students on the governing body, whilst preserving a lay majority, and Council regards this as important in the context of the ethos of the University.

Summary of the University's Structure of Corporate Governance

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

Both Council and Senate conduct their routine business through committees, some of which are jointly composed. So far as financial management is concerned, the **Operations Committee**, comprising executive officers, has responsibility for the integration of academic, financial and physical planning and the allocation of resources to departments and sections.

Monitoring of the overall financial situation and treasury management are the responsibility of the **Treasurer's Committee**, which is chaired by a non-executive member of Council and on which there is a majority of independent members. The Operations Committee and Performance monitoring Group monitors the performance of faculties and business units regularly.

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

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

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

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

Internal Control

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

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

The system of internal control is based on an ongoing review process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2009 and up to the date of approval of the financial statements, and accords with HEFCE guidance. During the year the risk register was revised to reflect the new strategic themes as detailed in the University's strategic plan to 2016. This entailed significant review of the register and supporting documents; risks have been managed according to the normal process and the usual cyclical reviews with audit committee have been completed. The Executive Leadership Team (ELT) continued to receive appropriate updates from managers but reviewed the register at one point in time.

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

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

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

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

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

Going Concern

The University Council is satisfied that the University and its subsidiary companies have adequate resources to continue in operation for the foreseeable future. The Council has reviewed the University's financial forecasts for the period to 31 July 2014, prepared under the direction of the Funding Council and on the basis of assumptions made as to the continuance of government grants to be given by the Funding Council. On that basis, Council has a reasonable expectation that the University has adequate resources to continue operations for its foreseeable future. For this reason, the financial statements continue to be prepared on the going concern basis.

STATEMENT OF THE RESPONSIBILITIES OF THE COUNCIL OF LOUGHBOROUGH UNIVERSITY

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

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

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

4. To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
5. To approve the annual budget and financial statements, to ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
6. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
7. To appoint the Vice-Chancellor as chief executive and principal Academic and Administrative Officer of the University, in accordance with paragraph 7. of the Charter, and to put in place suitable arrangements for monitoring his/her performance.
8. To delegate authority to the Vice-Chancellor for the appointment of University nominees to the boards of public bodies, limited companies and other institutions.
9. To establish processes to monitor and evaluate the performance and effectiveness of Council itself.
10. To conduct its business in accordance with best practice in higher education, corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
11. To safeguard the good name and values of the University.
12. To appoint the Secretary to Council, and to ensure that, if he/she has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.
13. To be the employing authority for all staff in the University and to be responsible for establishing a human resources strategy.
14. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, and to have overall responsibility for the University's assets, property and estate.
15. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
16. To make such provision as it thinks fit for the general welfare of students, in consultation with Senate.
17. To ensure that the University's Charter, Statutes and Ordinances are followed at all times and that appropriate advice is available to enable this to happen.

It follows from the above that the University Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and its subsidiary companies and enable it to ensure that the financial statements are prepared in accordance with the relevant parts of the Royal Charter, company law, the Statement of Recommended Practice on Accounting for Further and Higher Education and other Accounting Standards. In addition, within the terms and conditions of the Financial Memorandum between the Higher Education Funding Council for England and the University, the latter, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and its subsidiary companies and of the surplus or deficit and cash flows of the University and its subsidiary companies for that year.

In preparing the financial statements, the University Council has to ensure that:-

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable Accounting Standards have been followed
- the going concern basis is used unless it is inappropriate to presume that the University will continue in operation.

The University Council has taken reasonable steps to: -

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe
- ensure that income from the Training and Development Agency for Schools is applied for the purpose for which it has been received and in accordance with the funding agreement with the Agency
- ensure that income from the Learning and Skills Council is applied for the purpose for which it has been received and in accordance with the funding agreement with the Council
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the University and its subsidiary companies and prevent and detect fraud, and
- secure the economical, efficient and effective management of the resources and expenditure of the University and its subsidiary companies.

27 NOVEMBER 2009

**Sir Bryan Carsberg
Chair of Council**

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF LOUGHBOROUGH UNIVERSITY

We have audited the financial statements of Loughborough University for the year ended 31 July 2009 which comprise the consolidated income and expenditure accounts, the statement of consolidated total recognised gains and losses, the consolidated balance sheet, the University balance sheet, the consolidated cash flow statement, reconciliation of net cash flow to movement in net funds/(debt), and the related notes 1 to 36. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Council of the University, as a body, in accordance with the Financial Memorandum dated June 2008. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Members of the Council and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. We also report whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

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

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

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the University Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- (a) the financial statements give a true and fair view of the state of affairs of the University and the Group as at 31 July 2009 and of the surplus of the Group for the year then ended;
- (b) the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions;
- (c) in all material respects income from Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received; and
- (d) in all material respects income has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum, dated June 2008 with the Higher Education Funding Council for England.

Deloitte LLP

Chartered Accountants and Statutory Auditors
Nottingham UK

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1 Accounting Convention

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

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

2 Basis of Consolidation

The University and its subsidiaries prepare accounts to 31 July. The consolidated financial statements combine the financial statements of the University and all its subsidiary undertakings for the financial year to 31 July 2009. The individual subsidiary companies' financial statements have been prepared in accordance with the Companies Act and other relevant Accounting Standards.

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

3 Recognition of Income

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

4 Merger with Loughborough College of Art and Design

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

5 Pension Schemes

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

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

The LGPS is a defined benefit scheme which is externally funded and contracted out of the State Second Pension Scheme. The institution is able to identify its share of the assets and liabilities of this scheme. The difference between the fair value of the assets held in the University's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the University's balance sheet as a pension scheme asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the University is able to recover the surplus through reduced contributions in the future or through refunds from the scheme.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the University are charged to the Income and Expenditure Account or the statement of total recognised gains and losses in accordance with FRS17 "Retirement benefits".

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

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

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

6 Land and Buildings

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

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

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

7 Fixtures, fittings, plant and equipment

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

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

Main computer systems	- 7 years
Other main frame computers and telephone equipment	- 5 years
Motor vehicles and other general equipment	- 4 years
Equipment acquired for specific research projects	- project life (generally 3 years)
Plant, furniture and fixtures	- between 5 and 15 years

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

8 Investments

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

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

9 Stocks

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

10 Maintenance of Premises

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

11 Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

12 Cash Flows and Liquid Resources

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

13 Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Income and Corporation Taxes Act 1988 (ICTA) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

14 Operating lease rentals receivable

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

15 Leases

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

Consolidated Income and Expenditure Account

Year Ended 31 July 2009

	Note	2008/09 £'000	2007/08 £'000
INCOME			
Funding Council Grants	1	65,524	63,605
Academic Fees and Support Grants	2	59,195	52,601
Research Grants and Contracts	3	34,618	33,329
Other Income	4	55,623	48,019
Endowment and Investment Income	5	883	2,710
Total Income		<u>215,843</u>	<u>200,264</u>
EXPENDITURE			
Staff Costs	6	115,994	108,651
Depreciation	11	12,664	11,341
Other Operating Expenses		78,740	71,357
Interest Payable	7	1,962	1,736
Total Expenditure	8	<u>209,360</u>	<u>193,085</u>
SURPLUS ON CONTINUING OPERATIONS BEFORE DISPOSAL OF ASSETS AND TAX	9	6,483	7,179
SURPLUS ON CONTINUING OPERATIONS AFTER DISPOSAL OF ASSETS BUT BEFORE TAX		<u>6,483</u>	<u>7,179</u>
Tax	10	28	56
SURPLUS ON CONTINUING OPERATIONS AFTER TAX		<u>6,511</u>	<u>7,235</u>
Transfer (from)/to accumulated income within specific endowments		(34)	203
Surplus for the year retained within reserves	23	<u>6,477</u>	<u>7,438</u>

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

Balance Sheets as at 31 July 2009

	Note	2008/09		2007/08	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Tangible Assets	11	241,630	231,722	227,115	217,348
Benefit Arising from the Acquisition of LCAD	12	(2,896)	(2,896)	(3,029)	(3,029)
Investments	13	313	8,452	279	8,734
Long-term Loans	14	210	1,168	240	973
Total fixed assets		239,257	238,446	224,605	224,026
Endowment assets	15	1,146	1,025	1,198	1,067
Stocks and Stores in Hand		169	110	174	143
Debtors:					
Due within one year	16	16,249	17,105	16,270	17,665
Due after one year	16	474	474	0	0
Short Term Deposits	17	42,055	42,005	26,055	26,005
Cash at Bank and in Hand		7,528	3,359	9,725	5,169
Total current assets		66,475	63,053	52,224	48,982
Less: Creditors - amounts falling due within one year	18	(66,448)	(64,104)	(54,907)	(53,097)
Net current assets/liabilities		27	(1,051)	(2,683)	(4,115)
Total assets less current liabilities		240,430	238,420	223,120	220,978
Less: Creditors - amounts falling due after more than one year	19	(42,287)	(42,287)	(33,094)	(33,094)
Less: Provisions for liabilities	20	(2,048)	(1,896)	(2,052)	(1,878)
NET ASSETS excluding pension liability		196,095	194,237	187,974	186,006
Pension liability	34	(43,995)	(43,995)	(17,599)	(17,599)
NET ASSETS including pension liability		152,100	150,242	170,375	168,407
Deferred Capital Grants	21	94,403	93,796	93,150	92,500
Endowments					
Expendable		376	376	392	392
Permanent		770	649	806	675
	22	1,146	1,025	1,198	1,067
Reserves excluding pension liability		100,546	99,416	93,626	92,439
Pension reserve	23,34	(43,995)	(43,995)	(17,599)	(17,599)
Reserves including pension liability	23	56,551	55,421	76,027	74,840
TOTAL		152,100	150,242	170,375	168,407

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

27 November 2009

Statement of Consolidated Total Recognised Gains and Losses

Year Ended 31 July 2009

	Note	2008/09 £'000	2007/08 £'000
SURPLUS ON CONTINUING OPERATIONS AFTER TAX		6,511	7,235
Loss of endowment asset investments	22	(86)	(86)
Actuarial (loss) in respect of pension scheme	34	<u>(25,953)</u>	<u>(8,405)</u>
TOTAL RECOGNISED LOSSES RELATING TO THE YEAR		(19,528)	(1,256)
Reconciliation			
Opening reserves and endowments		77,225	
Total recognised gains and losses for the year		(19,528)	
Closing reserves and endowments		<u><u>57,697</u></u>	

Consolidated Cash Flow Statement

Year ended 31 July 2009

	Notes	Year Ended 31 July 2009 £'000	Year Ended 31 July 2008 £'000
Net cash inflow from operating activities	28	19,177	13,569
Returns on investments and servicing of finance	29	(970)	212
Taxation		-	-
Capital expenditure and financial investment	30	(13,758)	(12,195)
Management of liquid resources	31	(16,000)	663
Financing	32	9,388	(541)
(Decrease)/increase in cash in the year	33	(2,163)	1,708

Reconciliation of net cash flow to movement in net funds

		31 July 2009 £'000	31 July 2008 £'000
(Decrease)/increase in cash in the year		(2,163)	1,708
Change in short term deposits	31	16,000	(663)
Change in debt	32	(9,388)	541
Change in net funds		4,449	1,586
Net funds at 1 August		2,264	678
Net funds at 31 July	33	6,713	2,264

Notes to the Accounts

Year Ended 31 July 2009

1 FUNDING COUNCIL GRANTS

	2008/09 £'000	2007/08 £'000
HEFCE Recurrent:		
Teaching	39,115	37,628
Research	16,156	15,879
Other	4,650	4,954
LSC Recurrent	816	1,000
TDA	796	750
Deferred Capital Grants Released in Year :		
Buildings (Note 21)	1,301	1,081
Equipment (Note 21)	2,690	2,313
	<u>65,524</u>	<u>63,605</u>

2 ACADEMIC FEES AND SUPPORT GRANTS

Home Students	34,785	29,367
International Students	24,410	23,234
	<u>59,195</u>	<u>52,601</u>

3 RESEARCH GRANTS AND CONTRACTS

Research Councils and Charities	19,524	17,608
Industry and Commerce	4,459	4,978
Governmental	10,635	10,743
	<u>34,618</u>	<u>33,329</u>

4 OTHER INCOME

	2008/09 £'000	2007/08 £'000
Residences, Catering and Conferences	31,543	29,762
Other income	22,646	17,082
Benefit on acquisition of LCAD - Release to Income (Note 12)	133	134
Released from Deferred Capital Grants	1,301	1,041
	<u>55,623</u>	<u>48,019</u>

5 ENDOWMENT AND INVESTMENT INCOME

Income from Specific Endowments (Note 22)	51	247
Income from Short-term Investments	832	1,836
Net return on pension scheme (Note 34)	0	627
	<u>883</u>	<u>2,710</u>

Notes to the Accounts

Year Ended 31 July 2009

6 STAFF COSTS

	2008/09	2007/08
	£'000	£'000
Staff Costs :		
Wages and Salaries	96,605	89,304
Social Security Costs	7,288	6,935
Other Pension Costs (Note 34)	11,950	12,147
Restructuring Costs	151	265
Total	<u>115,994</u>	<u>108,651</u>

The emoluments of the Vice-Chancellor (excluding employers pension contributions) amounted to £210,000 (2007/08 - £180,000) and are disclosed on the same basis as for higher paid staff. The University's pension contributions to the Universities Superannuation Scheme (USS) in respect of the Vice-Chancellor are on the standard basis for academic and related staff and amounted to £29,400 (2007/08 - £25,200).

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

Average Staff Numbers by Major Category:

	No.	No.
Academic	656	636
Teaching and scholarship	59	56
Research	305	318
Management & Specialist	458	431
Technical	219	213
Other	1,064	1,051
	<u>2,761</u>	<u>2,705</u>

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

Notes to the Accounts

Year Ended 31 July 2009

7 INTEREST PAYABLE

	2008/09	2007/08
	£'000	£'000
Loans not wholly repayable within five years	1,218	1,736
Net pension charge (note 34)	744	0
	<u>1,962</u>	<u>1,736</u>

8 ANALYSIS OF EXPENDITURE BY ACTIVITY

	£'000	£'000
Academic Departments	85,692	80,506
Academic Services	11,665	10,544
Research Grants and Contracts	28,248	27,417
Residences, Catering and Conferences	28,151	25,970
Premises	22,158	16,628
Administration and Central Services	23,722	21,358
Other Expenses	9,724	10,662
	<u>209,360</u>	<u>193,085</u>

Notes to the Accounts

Year Ended 31 July 2009

9 SURPLUS BEFORE TAX

	2008/09 £'000	2007/08 £'000
This is stated after charging/(crediting):		
External Auditors Remuneration in Respect of Audit Services (University 2008/09 - £52,000, 2007/08 - £61,000)	72	80
External Auditors Remuneration in Respect of Tax Services	9	8
Loss/(profit) on disposal of Fixed Assets	97	(110)
Operating Lease Rentals		
Plant & machinery	81	88
Other	319	352

10 TAX

UK Corporation Tax credit on the profits of subsidiary companies	(6)	(56)
Deferred Tax re subsidiary company - accelerated capital allowances	(22)	0
	<u>(28)</u>	<u>(56)</u>

Notes to the Accounts

Year Ended 31 July 2009

11 TANGIBLE ASSETS

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Fixtures, Fittings Plant and Equipment £'000	Assets in Course of Construction £'000	Total £'000
CONSOLIDATED					
Cost:					
At 1 August 2008	201,097	48,279	46,603	12,432	308,411
Additions at cost	7,910	3,127	5,367	10,898	27,302
Transfer	(12)	0	12	0	0
Disposals at cost	(29)	0	(1,553)	(15)	(1,597)
At 31 July 2009	<u>208,966</u>	<u>51,406</u>	<u>50,429</u>	<u>23,315</u>	<u>334,116</u>
Depreciation:					
At 1 August 2008	(45,779)	(4,820)	(30,697)	0	(81,296)
Charge for the year	(5,319)	(1,392)	(5,953)	0	(12,664)
Eliminated on disposals	4		1,470	0	1,474
At 31 July 2009	<u>(51,094)</u>	<u>(6,212)</u>	<u>(35,180)</u>	<u>0</u>	<u>(92,486)</u>
Net Book Value:					
At 31 July 2009	<u>157,872</u>	<u>45,194</u>	<u>15,249</u>	<u>23,315</u>	<u>241,630</u>
At 31 July 2008	<u>155,318</u>	<u>43,459</u>	<u>15,906</u>	<u>12,432</u>	<u>227,115</u>
UNIVERSITY					
Cost:					
At 1 August 2008	192,598	48,279	41,885	12,283	295,045
Additions at cost	7,541	3,127	4,707	11,047	26,422
Disposals at cost	(1)	0	(1,238)	(15)	(1,254)
At 31 July 2009	<u>200,138</u>	<u>51,406</u>	<u>45,354</u>	<u>23,315</u>	<u>320,213</u>
Depreciation:					
At 1 August 2008	(44,930)	(4,820)	(27,947)	0	(77,697)
Charge for the year	(5,112)	(1,392)	(5,451)	0	(11,955)
Eliminated on disposals	1	0	1,160	0	1,161
At 31 July 2009	<u>(50,041)</u>	<u>(6,212)</u>	<u>(32,238)</u>	<u>0</u>	<u>(88,491)</u>
Net Book Value:					
At 31 July 2009	<u>150,097</u>	<u>45,194</u>	<u>13,116</u>	<u>23,315</u>	<u>231,722</u>
At 31 July 2008	<u>147,668</u>	<u>43,459</u>	<u>13,938</u>	<u>12,283</u>	<u>217,348</u>

Note: Freehold and leasehold buildings with a net book value of £38m (2007/08 - £41m) and cost of £52m (2007/08 - £54m) have been funded from Treasury sources: should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Higher Education Funding Council for England.

Notes to the Accounts

For the year ended 31 July 2009

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

	£'000
Fair Value:	
At 31 July 2009 and at 1 August 2008	<u>5,565</u>
Released to Income and Expenditure Account :	
At 1 August 2008	(2,536)
Release for year (Note 4)	(133)
At 31 July 2009	<u>(2,669)</u>
Net Book Value :	
At 31 July 2009	<u>2,896</u>
At 31 July 2008	<u>3,029</u>

Note: The amortisation period is up to 60 years

13 INVESTMENTS

	2008/09		2007/08	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Subsidiary companies (Note 36)	0	8,139	0	8,456
Investments in spinouts:				
Hazid Technologies Ltd	30	30	20	20
Phase Vision Ltd	35	35	10	10
Other	0	0	1	0
Trade Investments:				
CVCP Properties PLC	42	42	42	42
Adsfab Limited	6	6	6	6
Lachesis Seed Fund Limited	200	200	200	200
Net book value at 31 July	<u>313</u>	<u>8,452</u>	<u>279</u>	<u>8,734</u>

Note: The market value of all shareholdings at 31 July 2009 is not significantly different from those values stated above.

The **subsidiary companies** are 100% owned by the University, the full list can be found under note 36. During the year two subsidiary companies have been liquidated.

Hazid Technologies Ltd owns and licenses the intellectual property of the first available software for the management of chemical plant hazard assessment.

Phase Vision Ltd is a company registered in the UK and engaged in the analysis of multidimensional phase fields.

The **Other Investments in spinouts** are all held by Loughborough University Enterprises Ltd (LUEL). None of the investments exceeds £1,000 and further information can be found in LUEL's accounts.

CVCP Properties plc was set up by the membership of Universities UK in 1995 for the purpose of acquiring the long leasehold of Woburn House, home of the Universities UK central office

Adsfab Ltd is an advertising agency offering advertising and marketing solutions across the Education sector and other industries.

Lachesis Seed Fund Ltd invests in spin out companies emerging from five partner Universities (Loughborough University, De Montfort University, University of Leicester, University of Nottingham and Nottingham Trent University).

Notes to the Accounts

Year Ended 31 July 2009

14 LONG-TERM LOANS

	2008/09		2007/08	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Loughborough Students Union	210	210	240	240
Imago @ Loughborough Ltd	0	958	0	733
	<u>210</u>	<u>1,168</u>	<u>240</u>	<u>973</u>

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

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

15 ENDOWMENT ASSET INVESTMENTS (CONSOLIDATED AND UNIVERSITY)

	2008/09		2007/08	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Balance at 1 August 2008	1,198	1,067	2,177	1,501
Additions	59	0		
Disposals	(59)	0	(157)	(157)
Depreciation on Revaluation	(86)	(76)	(86)	(74)
Increase/(decrease) in cash balances	34	34	(736)	(203)
Balance at 31 July 2009	<u>1,146</u>	<u>1,025</u>	<u>1,198</u>	<u>1,067</u>
Represented by:				
Quoted Unit Trusts (Unlisted)	965	867	1,051	943
Bank Balances	181	158	147	124
Total Endowment Asset Investments	<u>1,146</u>	<u>1,025</u>	<u>1,198</u>	<u>1,067</u>

Notes to the Accounts

Year Ended 31 July 2009

16 DEBTORS

	2008/09		2007/08	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Trade debtors	14,754	13,566	15,579	14,251
Prepayments and Accrued Income	1,495	1,363	691	622
Amounts due from subsidiary companies	0	2,176	0	2,792
	<u>16,249</u>	<u>17,105</u>	<u>16,270</u>	<u>17,665</u>
Amounts falling due after one year:				
Trade debtors	<u>474</u>	<u>474</u>	<u>0</u>	<u>0</u>
Total	<u>16,723</u>	<u>17,579</u>	<u>16,270</u>	<u>17,665</u>

17 SHORT TERM DEPOSITS

Short term deposits include 63,113 BTG plc ordinary shares of 10p each.
The cost of the shares was £4,722 and their market value as at 31 July 2009 was £113,130.

	2008/09		2007/08	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
	<u>42,055</u>	<u>42,005</u>	<u>26,055</u>	<u>26,005</u>

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

At 31 July 2009 the weighted average interest rate of these fixed rate deposits was 1.19% per annum and the weighted average period for which the interest rate is fixed on these deposits was 88 days. The fair value of these deposits was not materially different from the book value.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008/09		2007/08	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured Loans (note 19)	764	764	569	569
Payments Received on Account	39,103	39,103	33,782	33,782
Trade creditors	13,251	12,758	12,931	12,825
Social Security and Other Taxation Payable	2,421	2,162	3,153	2,987
Accruals and Deferred Income	10,909	9,317	4,472	2,934
	<u>66,448</u>	<u>64,104</u>	<u>54,907</u>	<u>53,097</u>

Notes to the Accounts

Year Ended 31 July 2009

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008/09		2007/08	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loan repayable by 2035	32,495	32,495	33,094	33,094
Unsecured fixed rate loan repayable by 2039	9,792	9,792	0	0
	42,287	42,287	33,094	33,094
Analysis of unsecured loans:				
Due within one year or on demand	764	764	569	569
Due between one and two years	803	803	600	600
Due between two and five years	2,661	2,661	1,993	1,993
Due in five years or more	38,823	38,823	30,501	30,501
	43,051	43,051	33,663	33,663
Due within one year or on demand	(764)	(764)	(569)	(569)
Due after more than one year	42,287	42,287	33,094	33,094

Note on loan repayable by 2035: £14.76m reducing is fixed at a rate of 5.1625% until March 2019. Interest on the remaining value of the loan is charged at 0.19% above base rate. This loan is repayable by instalments over the period to 10 December 2035.

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

20 PROVISIONS FOR LIABILITIES

	Consolidated			
	Deferred tax £'000	Premature Retirement Compensation £'000	Enhanced Pension Costs £'000	Total £'000
At 1 August 2008	174	147	1,731	2,052
Utilised in year	0	(147)	(114)	(261)
Transfer from Income and Expenditure Account	(22)	141	138	257
At 31 July 2009	152	141	1,755	2,048

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

	University		
	Premature Retirement Compensation £'000	Enhanced Pension Costs £'000	Total £'000
At 1 August 2008	147	1,731	1,878
Utilised in year	(147)	(114)	(261)
Transfer from Income and Expenditure Account	141	138	279
At 31 July 2009	141	1,755	1,896

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

	31 July 2009	31 July 2008
Discount Rate	6.0%	6.7%
Inflation	3.7%	3.8%

Notes to the Accounts

Year Ended 31 July 2009

21 DEFERRED CAPITAL GRANTS

CONSOLIDATED	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2008:			
Buildings	41,399	41,215	82,614
Equipment	9,049	1,487	10,536
Total	<u>50,448</u>	<u>42,702</u>	<u>93,150</u>
Cash Receivable:			
Buildings	2,427	(2,954)	(527)
Equipment	2,396	5,633	8,029
Total	<u>4,823</u>	<u>2,679</u>	<u>7,502</u>
Released to Income and Expenditure:			
Buildings	(1,301)	(1,312)	(2,613)
Equipment	(2,690)	(946)	(3,636)
Total	<u>(3,991)</u>	<u>(2,258)</u>	<u>(6,249)</u>
At 31 July 2009:			
Buildings	42,525	36,949	79,474
Equipment	8,755	6,174	14,929
Total	<u>51,280</u>	<u>43,123</u>	<u>94,403</u>
UNIVERSITY	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2008:			
Buildings	41,399	40,565	81,964
Equipment	9,049	1,487	10,536
Total	<u>50,448</u>	<u>42,052</u>	<u>92,500</u>
* Cash Receivable:			
Buildings	2,427	(2,954)	(527)
Equipment	2,396	5,633	8,029
Total	<u>4,823</u>	<u>2,679</u>	<u>7,502</u>
Released to Income and Expenditure:			
Buildings	(1,301)	(1,269)	(2,570)
Equipment	(2,690)	(946)	(3,636)
Total	<u>(3,991)</u>	<u>(2,215)</u>	<u>(6,206)</u>
At 31 July 2009:			
Buildings	42,525	36,342	78,867
Equipment	8,755	6,174	14,929
Total	<u>51,280</u>	<u>42,516</u>	<u>93,796</u>

* Brought forward deferred capital grant received of £3.6m was transferred from non-treasury grant buildings to non-treasury grant equipment

22 ENDOWMENTS (CONSOLIDATED AND UNIVERSITY)

Consolidated

	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2009 Total £'000	2008 Total £'000
Balances at 1 August 2008					
Capital	699	699	352	1,051	1,344
Accumulated income	107	107	40	147	833
	<u>806</u>	<u>806</u>	<u>392</u>	<u>1,198</u>	<u>2,177</u>
(Redeemed)/New endowments	0	0	0	0	(157)
Investment income	34	34	17	51	247
Expenditure	(12)	(12)	(5)	(17)	(443)
	<u>22</u>	<u>22</u>	<u>12</u>	<u>34</u>	<u>(353)</u>
Transfer to endowments	0	0	0	0	(540)
Decrease in market value of investments	(58)	(58)	(28)	(86)	(86)
At 31 July 2009	<u><u>770</u></u>	<u><u>770</u></u>	<u><u>376</u></u>	<u><u>1,146</u></u>	<u><u>1,198</u></u>
Represented by:					
Capital	641	641	324	965	1,051
Accumulated income	129	129	52	181	147
	<u><u>770</u></u>	<u><u>770</u></u>	<u><u>376</u></u>	<u><u>1,146</u></u>	<u><u>1,198</u></u>

University

	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2009 Total £'000	2008 Total £'000
Balances at 1 August 2008					
Capital	591	591	352	943	1,174
Accumulated income	84	84	40	124	327
	<u>675</u>	<u>675</u>	<u>392</u>	<u>1,067</u>	<u>1,501</u>
(Redeemed)/New endowments	0	0	0	0	(157)
Investment income	29	29	17	46	239
Expenditure	(7)	(7)	(5)	(12)	(442)
	<u>22</u>	<u>22</u>	<u>12</u>	<u>34</u>	<u>(203)</u>
Decrease in market value of investments	(48)	(48)	(28)	(76)	(74)
At 31 July 2009	<u><u>649</u></u>	<u><u>649</u></u>	<u><u>376</u></u>	<u><u>1,025</u></u>	<u><u>1,067</u></u>
Represented by:					
Capital	543	543	324	867	943
Accumulated income	106	106	52	158	124
	<u><u>649</u></u>	<u><u>649</u></u>	<u><u>376</u></u>	<u><u>1,025</u></u>	<u><u>1,067</u></u>

Notes to the Accounts

Year Ended 31 July 2009

23 RESERVES

Income and expenditure account including pension reserve

	2008/09		2007/08	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
At 1 August	76,027	74,840	70,419	69,796
Surplus retained for the year	6,477	6,534	7,438	7,306
Adjustment to reserves	0	0	6,035	6,143
Transfer to endowments	0	0	540	0
Pension deficit	<u>(25,953)</u>	<u>(25,953)</u>	<u>(8,405)</u>	<u>(8,405)</u>
At 31 July	<u>56,551</u>	<u>55,421</u>	<u>76,027</u>	<u>74,840</u>

Pension reserve only

At 1 August	(17,599)	(17,599)	(8,765)	(8,765)
Actuarial (loss)	(25,953)	(25,953)	(8,405)	(8,405)
Deficit retained within reserves	(443)	(443)	(429)	(429)
At 31 July	<u>(43,995)</u>	<u>(43,995)</u>	<u>(17,599)</u>	<u>(17,599)</u>

Note: The consolidated adjustment to reserves includes £5,894k relating to the deferred capital grant release on land and £141k relating to the adjustment required on endowments in accordance with the SORP 2007 for further and higher education 2007.

24 LEASE OBLIGATIONS

	2008/09		2007/08	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Land and Buildings				
Annual, non-cancellable operating lease commitments in respect of leases expiring:				
Over five years	81	81	88	88
	<u>81</u>	<u>81</u>	<u>88</u>	<u>88</u>
Other				
Annual, non-cancellable operating lease commitments in respect of leases expiring:				
Within one year	18	0	15	11
Between one and two years	123	105	9	4
Between two and five years	178	99	328	230
Over five years	0	0	0	0
	<u>319</u>	<u>204</u>	<u>352</u>	<u>245</u>

Notes to the Accounts

Year Ended 31 July 2009

25 CAPITAL COMMITMENTS

Provision has not been made for the following capital commitments at 31 July 2009:

	2008/09		2007/08	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted	8,592	8,290	4,197	3,494
Authorised but not contracted	15,629	15,629	15,043	15,043
	<u>24,221</u>	<u>17,879</u>	<u>19,240</u>	<u>18,537</u>

26 CONTINGENT LIABILITIES

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

27 HARDSHIP FUNDS (CONSOLIDATED AND UNIVERSITY)

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Income:				
Excess of Income over Expenditure Brought Forward	22		10	
Funding Council Grants	210		303	
Interest Earned	<u>1</u>	233	<u>6</u>	319
Expenditure:				
Disbursed to Students	(199)		(280)	
Fund Running Costs	<u>(11)</u>	(210)	<u>(17)</u>	(297)
Excess of Income over Expenditure Carried Forward		<u>23</u>		<u>22</u>

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

Notes to the Accounts

Year Ended 31 July 2009

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

	Note	2008/09	2007/08
		£'000	£'000
Surplus Before Tax and exceptional items		6,483	7,179
Depreciation	11	12,664	11,341
Benefit on Acquisition of LCAD released to Income	12	(133)	(134)
Deferred Capital Grants released to Income	21	(6,249)	(5,169)
Investment Income	5	(883)	(2,710)
Interest Payable	7	1,962	1,736
Decrease in Stocks		5	63
(Increase) in Debtors		(588)	(2,958)
Increase in Creditors		5,363	2,829
(Decrease)/increase in provision		(4)	3
Pension costs less contributions payable		443	1,056
Endowment Expenditure Adjustment		17	443
Loss on disposal of fixed assets		97	(110)
NET CASH INFLOW FROM OPERATING ACTIVITIES		19,177	13,569

29 Returns on Investment and Servicing of Finance

Income from Endowments	22	51	247
Other Interest received		967	1,735
Interest Paid		(1,988)	(1,770)
		<u>(970)</u>	<u>212</u>

30 Capital Expenditure and Financial Investment

Payments made to acquire fixed assets		(27,302)	(28,898)
Reclassification of Fixed Asset included in above		0	370
Proceeds from sales of fixed assets		0	2,308
Fixed Asset Investment Additions		(34)	(10)
Net disposals of endowments		(17)	(443)
Changes in long term Loans		30	30
Deferred Capital Grants Received	21	7,502	14,448
Deferred Capital Grants Received in Deferred Income		6,063	0
		<u>(13,758)</u>	<u>(12,195)</u>

31 Management of Liquid Resources

(Withdrawals)/Additions of deposits		(16,000)	663
		<u>(16,000)</u>	<u>663</u>

32 Financing

New Loan		10,000	0
Capital repayments on all loans		(612)	(541)
		<u>9,388</u>	<u>(541)</u>

Notes to the Accounts

Year Ended 31 July 2009

33 ANALYSIS OF CHANGES IN NET FUNDS

	At 1st August 2008	Cash Flows	Other Non-Cash Changes	At 31st July 2009
	£'000	£'000	£'000	£'000
Cash at Bank and In Hand :				
Endowment Assets	147	34	0	181
Other	9,725	(2,197)	0	7,528
	<u>9,872</u>	<u>(2,163)</u>	<u>0</u>	<u>7,709</u>
Short Term Investments	26,055	16,000	0	42,055
Debts Due Within One Year	(569)	612	(807)	(764)
Debts Due After One Year	(33,094)	(10,000)	807	(42,287)
	<u>2,264</u>	<u>4,449</u>	<u>0</u>	<u>6,713</u>

Notes to the Accounts

34 PENSION SCHEMES

The two principal pension schemes for the Institution's staff are the Universities Superannuation Scheme (USS) and the Local Government Superannuation Scheme (LGSS). Also for academic staff who were employed by Loughborough College of Art and Design in August 1998, contributions are paid to the Teachers' Pension Scheme (TPS).

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

	2008/09	2007/08
	£'000	£'000
USS contributions paid	8,986	8,236
LGSS charge to the Income & Expenditure account	2,840	3,782
TP contributions paid	123	124
Contributions paid to other pension schemes	1	5
Total Pension Cost (Note 6)	11,950	12,147
Outstanding Pension Contributions at 31 July	1,518	1,414

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

	USS	LGSS	TPS
Latest actuarial valuation	31 March 2008	31 March 2007	31 March 2004
Investment returns per annum	6.40%	4.50%	6.50%
Salary scale increase per annum	4.30%	4.70%	3.50%
Pension increase per annum	3.30%	3.20%	3.50%
Market value of assets at date of last valuation	£28,843 million	£2,179 million	£163,240 million
MFR proportion of members' accrued benefits covered by the actuarial value of the assets	103%	100%	100%

Teachers' Pension Scheme

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

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

Notes to the Accounts

Universities Superannuation Scheme

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

The contribution rate payable by the Institution to USS is 14% of pensionable salaries. The actuary to USS has confirmed that it is appropriate to take the pensions costs in the institution's accounts to be equal to the actual contributions paid during the year. In particular, the contribution rate recommended following the 2008 valuation has regard to the surplus disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread surplus in a prudent manner over the future working lifetime of current scheme members. The contribution rate will increase to 16% from 1 October 2009.

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

Local Government Superannuation Scheme

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

For LGSS, the actuary has indicated 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 LGSS Regulations. As a result of the 2007 valuation, the contribution rates payable by employees and employers were increased from April 2008. Eight new contribution rates were introduced based on salary bands, with the employer's rate increasing to 250% of the employees' contributions. The average employer's rate is 16.25%.

Under the definitions set out in FRS 17, the LGSS is a multi-employer defined benefit pension scheme. In the case of the LGSS, the actuary of the scheme has identified the Institution's share of its assets and liabilities as at 31 July 2009.

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.

The material assumptions used by the actuary at 31 July 2009 were:

	2008/09	2007/08
	%	%
Price increases	3.7	3.8
Salary increases	5.2	5.3
Pension increases	3.7	3.8
Discount rate	6.0	6.7

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

	Males	Females
	%	%
Current pensioners	19.6 years	22.5 years
Future pensioners	20.7 years	23.6 years

Notes to the Accounts

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

	2008/09		2007/08		2006/07	
	LONG-TERM RETURN %	FUND VALUE £'000	LONG-TERM RETURN %	FUND VALUE £'000	LONG-TERM RETURN %	FUND VALUE £'000
Equities	7.3	48,419	7.8	53,686	8.0	55,384
Bonds	5.3	5,516	5.7	5,932	5.2	11,003
Property	5.3	5,516	5.7	8,359	6.0	6,529
Cash	4.3	1,839	4.8	2,120	5.1	1,254
		<u>61,290</u>		<u>70,097</u>		<u>74,170</u>

The following amounts at 31 July 2009 were measured in accordance with the requirements of FRS 17.

Analysis of the amount shown in the balance sheet	2008/09	2007/08
	£'000	£'000
The Institution's estimated asset share	61,290	70,097
Present value of the Institution's scheme liabilities	<u>(105,285)</u>	<u>(87,696)</u>
Deficit in the scheme - Net pension liability	<u>(43,995)</u>	<u>(17,599)</u>

Analysis of the amount charged to staff costs within operating surplus	2008/09	2007/08
	£'000	£'000
Current service cost	2,686	2,736
Past service cost	50	911
Settlements and curtailments	104	135
Total operating charge	<u>2,840</u>	<u>3,782</u>

Analysis of the amount that is credited to other finance income/ (charged) to interest payable	2008/09	2007/08
	£'000	£'000
Expected return on pension scheme assets	5,169	5,482
Interest on pension scheme liabilities	<u>(5,913)</u>	<u>(4,855)</u>
Net (charge)/return	<u>(744)</u>	<u>627</u>

Actuarial loss recognised in STRGL	2008/09	2007/08
	£'000	£'000
	<u>(25,953)</u>	<u>(8,405)</u>

Movement in deficit in the year	2008/09	2007/08
	£'000	£'000
Deficit in scheme at beginning of the year	<u>(17,599)</u>	<u>(8,765)</u>
Movement in the year:		
Current service costs	<u>(2,686)</u>	<u>(2,736)</u>
Contributions	3,141	2,726
Past service costs	<u>(50)</u>	<u>(911)</u>
Net return on assets	<u>(744)</u>	<u>627</u>
Impact of settlements and curtailments	<u>(104)</u>	<u>(135)</u>
Actuarial loss	<u>(25,953)</u>	<u>(8,405)</u>
Deficit in the scheme at the end of the year	<u>(43,995)</u>	<u>(17,599)</u>

Notes to the Accounts

Analysis of the movement in the present value of the scheme liabilities	2008/09	2007/08
	£'000	£'000
At beginning of the year	87,696	82,935
Current service cost	2,686	2,736
Interest costs	5,913	4,855
Contributions by members	1,199	1,056
Actuarial losses/(gains)	10,537	(1,182)
Past service costs	50	911
Losses on curtailments	104	11
Liabilities extinguished on settlements	0	(614)
Estimated benefits paid	(2,900)	(3,012)
At end of the year	<u>105,285</u>	<u>87,696</u>

Analysis of movement in the market value of the scheme assets	2008/09	2007/08
	£'000	£'000
At beginning of the year	70,097	74,170
Expected return on assets	5,169	5,482
Contributions by members	1,199	1,056
Contributions by the employer	3,141	2,602
Actuarial losses	(15,416)	(9,463)
Assets distributed on settlements	0	(738)
Estimated benefits paid	(2,900)	(3,012)
At end of the year	<u>61,290</u>	<u>70,097</u>

History of experience gains and losses	2008/09	2007/08	2006/07	2005/06	2004/05
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligations	(102,285)	(87,696)	(82,935)	(93,688)	(83,481)
Fair value of scheme assets	61,290	70,097	74,170	76,177	66,808
Surplus/(deficit) in the scheme	<u>(43,995)</u>	<u>(17,599)</u>	<u>(8,765)</u>	<u>(17,511)</u>	<u>(16,673)</u>
Experience adjustments on scheme liabilities Amount (£000)	0	(2,057)	32	1	3,649
Percentage of scheme liabilities %	<u>0</u>	<u>(2.3)</u>	<u>0</u>	<u>0</u>	<u>4.4</u>
Experience adjustments on scheme assets Amount £'000	(15,416)	(9,463)	4,250	4,388	7,782
Percentage of scheme liabilities %	<u>(25.25)</u>	<u>(13.5)</u>	<u>5.7</u>	<u>5.8</u>	<u>11.6</u>

Defined benefit scheme assets do not include any of the institution's own financial instruments, or any property occupied by the institution.

The estimate for the contribution for the defined benefit scheme for 2009/10 is £3,016,000.

The actual loss on scheme assets in the year was £10,247,000 and for 2008 was £3,981,000.

Notes to the Accounts

Year Ended 31 July 2009

35 DISCLOSURE OF RELATED PARTY TRANSACTIONS

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

	Income £'000	Expenditure £'000	Balances as at 31.7.09 due (to)/from the University £'000
Members of Council			
*D Goss as Local Ward Councillor for Charnwood Borough Council	255	268	(25)
D Goss as Vice President of Loughborough Students Union	284	1,016	(78)
N Halliwell as Governor of Loughborough College	188	100	(4)
J Mutton as Principal of Loughborough College	188	100	(4)
S Pearce as member of the Board of Trustees for the Youth Sport Trust	549	20	(89)
Members of Executive Leadership Team			
P Dickens as Director of Laser Optical Engineering Ltd	52	0	0
S W Spinks as member of the Board of Trustees of Loughborough Students Union	284	1,016	(78)
Member of Executive Leadership Team			
P Richards as Director of the East Midlands Metropolitan Area Network Limited	78	35	(4)

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

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

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

Notes to the Accounts

For the year ended 31 July 2009

36 SUBSIDIARY COMPANIES

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

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

Notes to the Accounts

Consolidated Five Year Results

INCOME AND EXPENDITURE ACCOUNT	2008/09	2007/08	2006/07	2005/06	2004/05
	£'000	£'000	£'000	£'000	£'000
Income	215,843	200,264	166,105	152,940	149,472
Expenditure	(209,360)	(193,085)	(160,699)	(150,369)	(141,377)
Surplus For The Year Retained Within Reserves	6,477	7,438	5,908	4,381	8,043

BALANCE SHEET	2008/09	2007/08	2006/07	2005/06	2004/05
	£'000	£'000	£'000	£'000	£'000
Fixed Assets and Investments	239,257	224,605	192,814	168,192	157,594
Endowment Assets	1,146	1,198	1,434	1,349	1,360
Net Current (Liabilities)/Assets	27	(2,683)	(2,115)	18,243	22,434
Less Amounts Due After More Than One Year:					
Creditors Due After More Than One Year	(42,287)	(33,094)	(34,191)	(51,045)	(53,100)
Provisions	(2,048)	(2,052)	(2,106)	(2,090)	(2,510)
Pension liability	(43,995)	(17,599)	(17,511)	(16,673)	0
Total Net Assets	152,100	170,375	138,325	117,976	125,778
Represented by:					
Deferred Capital Grants	94,403	93,150	80,142	65,566	61,765
Specific Endowments	1,146	1,198	1,434	1,349	1,360
Reserves	100,546	93,626	74,260	67,734	62,653
Pension reserve	(43,995)	(17,599)	(17,511)	(16,673)	0
Total Funds	152,100	170,375	138,325	117,976	125,778

CASH FLOW STATEMENT	2008/09	2007/08	2006/07	2005/06	2004/05
	£'000	£'000	£'000	£'000	£'000
Net Cash Inflow from Operating Activities	19,177	13,569	19,050	14,831	14,678
Returns on Investment and Servicing of Finance	(970)	212	(353)	(1,147)	(1,419)
Taxation	0	0	(46)	(2)	0
Capital Expenditure and Financial Investment	(13,758)	(12,195)	(13,705)	(8,910)	1,420
Management of Liquid Resources	(16,000)	663	7,139	1,177	(13,488)
Financing	9,388	(541)	(18,383)	(1,969)	(1,978)
(Decrease)/Increase In Cash Balances	(2,163)	1,708	(6,298)	3,980	(787)