

FINANCIAL STATEMENTS

2010/11

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OFFICERS AND STAFF PRINCIPALLY CONCERNED WITH FINANCIAL MATTERS

Membership of Council as at 25 November 2011

J Blackwell
Sir Bryan Carsberg 3,4
P Coates1,3
Dr S Dann

A Jones
Professor C Linton 2, 3, 4
J Murphy
J Mutton

Professor H Rendell
Dr Carol Robinson
Sir Nigel Rudd
M Sismey-Durrant 2

B Dent
G Edila 4
Sir John Gains
Professor E Hobby
A Hughes 2

T Neale
Professor R Parker
Professor R Parry-Jones
Professor S Pearce 2, 3, 4
S Proffitt 1

Dr A Spencer
J A M Strong 4
Dr G Swallowe
P Wilkinson-Blake
A A Woods 2, 3, 4,

Membership of Committees as at 25 November 2011

Audit Committee ¹
Finance Committee ²

Remuneration Committee ³
Nominations Committee ⁴

Officers and Staff in Post as at 25 November 2011

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
Honorary Treasurer	Alan Woods, DL, DUniv (Hon), FCA
Chair of Finance Committee	Professor Shirley Pearce, CBE, BA Oxon, MPhil, PhD
Chair of Audit Committee	Simon Proffitt, FCA Chief Executive of LOROS
Vice-Chancellor and Accountable Officer	Professor Shirley Pearce, CBE, BA Oxon, MPhil, PhD
Acting Director of Finance	Paula Powditch BA, ACA

Professor Pearce has publicised her intention to retire from the University on 31 July 2012.

Providers of Financial Services

External Auditors	Deloitte LLP, Nottingham
Internal Auditors	KPMG LLP, Nottingham
Bankers	Barclays Bank plc, Birmingham Lloyds Bank Ltd, Birmingham
Insurers	Allianz Commercial, Leeds Universities Mutual Special Risks, London

OPERATING AND FINANCIAL REVIEW

Contents

- Summary of performance and current position
- Vision and strategy
- Funding, competitive and regulatory environment
- Academic review
- Financial review
- Operations review
- Future developments
- Conclusion

Summary of performance and current position

This review of 2010-11 records a year of good progress by the University in pursuit of its aims and mission. The University remains in a strong position in academic, financial and operational terms. This position of strength means that Loughborough is well placed to cope with the uncertainties arising from the introduction of the new fee regime in 2012/13.

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

In financial terms the University has performed well, recording an operating surplus of £11.875m against a budget of £9.835m for the year and an overall surplus of £14.018m. Operating surpluses are essential if the University is to continue to invest in necessary facilities and infrastructure. (Details of future capital commitments are given in the financial review section.) The result for the year and the level of our reserves place us in a good position to meet the pressures of the expected severe reductions in public funding for teaching and the rising cost of pay and pensions.

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

Financial highlights

	2010/11	2009/10
	£'000	£'000
Income	239,868	232,686
Expenditure	(227,993)	(222,388)
Operating surplus for the year before property transactions and tax	11,875	10,298
*Surplus for the year after property transactions and tax	14,018	10,663
Capital expenditure	37,718	39,253
Capital grants received	(11,748)	(13,404)
Net assets	206,624	173,457
Net funds (Note 33)	2,866	16,119

*Property transactions amount to £2,128k (2009/10 £376k).

Vision and strategy

The new funding environment and the arrival of the Government's White Paper mark a period of unprecedented change for UK Higher Education. Such change requires us to consider our vision and how our ambitions will be achieved in this 'new world'.

The University's proposal to set a tuition fee of £9,000 for UK and EU undergraduate students was made following serious consideration of the impact of different funding models on our activity. The working group that helped to determine the University's package included members of the Students' Union executive who provided a useful students' view of the new funding and fee arrangements.

The proposed package reflects the University's unrivalled, all-round student experience and the high quality of learning and teaching which equips our students and graduates for the global workplace. Research and teaching is integrated at every opportunity to provide the very best learning environment, and the placements enjoyed by a high proportion of our students help to ensure that Loughborough graduates are consistently targeted by the UK's top recruiters. The University will also provide a range of financial support to ensure that qualified students have the opportunity to study at Loughborough irrespective of their background or ability to pay.

The White Paper outlines the Government's wish to improve the student experience and make universities more accountable to students. Loughborough has an excellent track record in this area and enjoys a reputation for delivering the best student experience in the country. The White Paper acknowledges this and the importance of our relationship and engagement with the Students' Union:

"This partnership approach has led to many successes including the achievement of the Best Student Experience for the last five years. Student engagement in decision-making and feedback is vital and valued by University staff, and it contributes significantly to a shared commitment to excellence in learning and teaching at Loughborough."

(White Paper, June 2011)

It is clear that the University has strengths that matter to students and it will continue to work with them to listen to their needs and encourage their participation in enhancing the quality of learning and teaching.

Despite this position of strength, we are in no doubt that there are many threats and uncertainties ahead. The impact of increased fees on demand is unknown and creating a market for students with AAB+ qualifications will see increased competition. Whilst being able to compete freely in the market for students with AAB+ or equivalent, early indications are that the University is likely to lose around 44% of its current Student Number Control (the cap on numbers imposed by the government) to enable this market; the Student Number Control will be further reduced to allow an increase in places at institutions charging fees which average £7,500 or less. There are also concerns that science and engineering funding may be squeezed.

The new funding environment will see more demands from students as consumers and the University will need to manage the expectations of all its stakeholders including parents, teachers, employers as well as our current students. A different HE sector is likely to evolve with private providers, multiple modes of delivery and greater diversity. This will call for a changed business model in which market forces will play a part and even more market intelligence, pricing and costing, brand positioning and relationship management will be required. The University will embrace this new business model in a future where the student experience, academic reputation and strategic partnerships will figure ever more prominently.

The University has adopted scenario planning to anticipate the effects of changes, manage uncertainty and provide measures to ensure that academic excellence is maintained. The University is building an even stronger environment for academic development and financial sustainability. Based around larger cost centres a new academic structure will help to achieve our strategic goals. The new School structure will also promote new subject alliances and additional interdisciplinary work and was in place from August 2011.

The University's VFM programme continues to deliver reduced costs through optimisation of processes and reducing duplication of work. There have already been successes in a number of areas including procurement, energy consumption and student administration. Our challenge is to deliver on the University's strategy - *Towards 2016* despite the new environment. Progress continues to be made in our core areas of teaching, research and enterprise and the University will build on its strengths to enable it to:

- Increase international partnerships and provide global opportunities for our students
- Increase research income through the pursuit of internationally recognised research
- Enhance regional engagement and strategic partnerships
- Build on our excellence in sport and ensure that there is a significant Loughborough legacy from the 2012 Olympic Games
- Develop our reputation and increase donations and philanthropy to the University

The overarching strategy is underpinned by more detailed implementation plans, which outline the issues that need to be addressed in order to deliver the overall vision. Our successes are highlighted elsewhere in this review document and are based on the continued commitment of our talented and dedicated staff and students.

The deficits in Loughborough's two main pension schemes present significant uncertainty in the financial plans for the future. There have been major changes to the Universities Superannuation Scheme (USS) from 1 October 2011 in order to manage the increasing liability of the scheme (see finance section page 14).

Employers' contributions to the Local Government Pension Scheme previously at variable rates have been charged at the overall higher flat rate of 16.5% from April 2011 and will increase to 17.2% from April 2012 and 17.9% from April 2013. Negotiations to the recent statement by the Government that employee's contributions to public sector pensions should rise by 3% are currently taking place.

Funding, competitive and regulatory environment

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

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

Whilst the quality of its teaching activity is regulated by the Quality Assurance Agency for Higher Education, the financial and regulatory relationship with Government is mediated principally through the Higher Education Funding Council for England (HEFCE). HEFCE provides funding to the University for teaching, research and enterprise. The terms on which grants from HEFCE are made to the University are governed by a Financial Memorandum. The University is required to submit various data and accountability returns as part of the 'single conversation' with HEFCE and these processes are subject to scrutiny by the Audit Committee. However, 59% of University income is derived from entirely non-Governmental sources including students, business and industry.

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

The global economic downturn has already started to impact on our industrial research partners 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 will need to change its culture and style to adapt to a more volatile and uncertain world. The University's financial plans and scenarios in response to this uncertainty are reviewed by its governing body, the Council.

Delivery of public benefit

The University's mission is 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 graduates for the global workplace
- Influence the economic and social development of individuals, businesses, professions and communities

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

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

Risk

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

The following risks remain high at present:

- Poor international visibility; low esteem factor on staff
- Inability to manage liabilities with regard to the pension schemes
- Failure to respond to changing economic conditions and funding regimes

The University has identified actions to mitigate and control these risks. The University has put in place fit-for-purpose business continuity and major incident plans over the last 12 months. These are based on the framework published in the British Standard BS25999. Desktop exercises for the major incident team have taken place in 2010 and 2011 as well as tests of part of the plan including an incident affecting student accommodation and a test of communication protocols. An annual business continuity review process led by the Chief Operating Officer has been put in place. The University has benefitted from its involvement in a region-wide test, when hosting the Health Protection Agency's annual national mass casualty test in July 2011 and through involvement with the Local Resilience Forum.

Academic review

Research

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

Loughborough has made outstanding progress since the RAE 2001 and The Times Higher Education (THE) magazine named Loughborough as one of three rising stars among research-intensive universities. Loughborough continues to undertake research that matters, driven by society's need for solutions to real-world issues; grants and contracts income totalled £37.6 m in 2010-11 (£35.9m in 2009/10), examples of recent research successes include:

- The development of a mobile phone app to reignite students' interest in mathematics and convey its importance in many aspects of life
- An award of a £1.4m grant from the Engineering and Physical Sciences Research Council (EPSRC) to examine hi-tech ways to cut domestic energy bills
- Sponsorship by E.ON, through an EPSRC CASE Award, to address the issue of fuel poverty, the key contributing factors to which are a home's energy efficiency, household income and the price of energy. Working with 12 partners through the Challenge 100 project fuel poverty was eradicated for 42 families
- A £3.5m project to bring environmentally-friendly vehicles one step closer to an everyday reality

This year, Loughborough was selected to lead three new multi-million pound national Engineering and Physical Sciences Research Council (EPSRC) Centres for Innovative Manufacturing, which will feed new ideas through to business and the Government and help to support future development within the UK manufacturing industry. The Loughborough-based EPSRC Centres – in Intelligent Automation and Additive Manufacturing, are to receive funding grants from the Research Council totalling almost £10m, plus £6.5m worth of contributions from industrial partners.

Loughborough is also involved as an academic partner in two of the other EPSRC Centres, in Continuous Manufacturing and Crystallisation, and Industrial Sustainability, which are being led by the universities of Strathclyde and Cambridge respectively.

The EPSRC Centres announced in March this year were preceded by three pilot Centres, launched at the start of 2010, one of which, – in Regenerative Medicine, is already based at Loughborough.

The Manufacturing Technology Centre (MTC), in which Loughborough University is a founding research partner, was one of a consortium of seven research centres appointed this year to run the first of the Government's new generation of elite Technology Innovation Centres (TICs). The first TIC will focus on the area of high value manufacturing and provide much-needed access to technical expertise and state of the art equipment that would normally be out of the reach of individual businesses. The MTC, a £40m investment by Advantage West Midlands (AWM) and the East Midlands Development Agency (*emda*), provides a novel model of collaborative partnership between industry and TWI and its research partners, the universities of Loughborough, Birmingham and Nottingham. The MTC's purpose is to develop innovative ideas from academia and convert them into novel, practical manufacturing solutions to improve business performance of UK manufacturers.

Loughborough's world-renowned Water Engineering and Development Centre (WEDC) celebrated its 40th anniversary in 2011. The Centre is one of the world's leading education and research institutes for developing knowledge and capacity in water and sanitation for low- and middle-income countries. Part of the University's

Department of Civil and Building Engineering, WEDC conducts applied research orientated to real-life problem-solving in water and sanitation, and offers postgraduate training programmes both at Loughborough and by distance-learning. It also conducts in-service capacity building programmes and disseminates knowledge through publications, conferences and electronic media for policy makers, practitioners and researchers in the water and sanitation sector.

As part of its anniversary, WEDC, hosted its 35th annual conference, - usually held in Africa and Asia - on campus in July. Three hundred delegates from around the globe met to share knowledge, good practice and develop capacity in the water sanitation and hygiene sectors. WEDC also held an open day, which allowed members of the local community to view exhibitions and attend a series of workshops and presentations giving an insight into WEDC's work.

Two Masters students from the School of the Arts became the University's first ever students to exhibit at the Royal Academy of Arts Summer Exhibition.

In February 2011, sponsored by the Japanese Society for the Promotion of Science (JSPS), the University hosted a conference for UK and Japanese delegates which was supported by two leading sports brands, Asics and Mizuno. As well as the presentations and opportunities for discussion, delegates were taken on a tour of the University's Sports Technology Institute, which boasts state of the art equipment and bespoke test rigs. The expertise from the research group based there underpins many of the world's ground breaking sports products and this provided an opportunity to share research ideas and explore the potential for future collaborations and developments. The event further strengthened the University's strong ties with Japan, with the University confirmed as the base and final preparation camp for Japanese Olympic squad as well as Team GB in 2012.

The Wolfson School of Mechanical and Manufacturing Engineering is to support one of five new Industrial Doctorate Centres that will help to train the next wave of future engineers.

In the RAE every Department was found to be undertaking research that is internationally recognised, with over 10 Departments having more than 20% of their research judged to be 'world leading'. According to analysis by the THE and The Guardian, research activity in Design and Technology, Ergonomics and Safety Research Institute, and the School of Sport and Exercise Sciences was rated the best in the country in their respective fields. Combining research profile and volume of staff assessed, Loughborough's research across six departments, the School of Sport Exercise and Health Sciences, the Wolfson School of Mechanical and Manufacturing Engineering, Aeronautical and Automotive Engineering, Chemical Engineering, Materials, and Human Sciences, was assessed as the best in the UK. A further three departments, Information Science, Social Science, and Civil and Building Engineering, were assessed as being in the top five in the country. Loughborough submitted over 94% of its academic staff for assessment as part of the 2008 RAE, a rise of around 16% from the last RAE in 2001 and one of the highest returns of any university in the country. The University is actively preparing for its submission into the Research Excellence Framework in 2014 for which the introduction of electronic personal research plans and the implementation of a new research publications information system are key elements.

Pioneering research is integrated with the University's teaching at every opportunity to provide the very best quality learning experience. Such strengths are welcomed by Loughborough's students, who in 2010/11 voted their university experience to be the very best in the country for the fifth year in succession, according to THE. Loughborough students also benefit from the University's multi-faceted partnerships with industry and the commercial applicability that lies at the heart of much of its work.

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

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

The University's strong history of collaboration with business, industry and the professions points to a proven ability to solve real-world challenges which cross the borders of academia and have a real impact. In the annual *HEFCE Higher Education – Business and Community Interaction Survey*, Loughborough has one of

the highest levels of collaborative research within the sector; more than three times the national average for collaborative research.

In 2010, 293 PhDs were awarded by Loughborough University. These individuals will be available to work in industry across the world, forwarding knowledge and assisting in wealth creation. They were part of a thriving community of approximately 1,150 students studying at this level.

Teaching

Teaching and Learning is the largest element of income from our academic activities. Total student numbers for this year were 16,125, including 13,633 full-time HE students. We have sought to manage student populations slightly downwards, and full-time UK/EU undergraduate recruitment (3,124) was intentionally close to a lower target (3,103). Over 70% of the undergraduate applicants accepting a place entered with the equivalent of ABB or higher at A-level. Full-time taught postgraduate intakes for UK/EU and international students were both down 4% following substantial increases in the previous year. Strong recruitment is important in raising intake standards and securing the viability of vulnerable subject areas. Continued vigilance is required, especially in increasingly competitive international markets.

Almost half of students are in the Schools of Engineering and Science. Just over 1 in 4 students registered for a qualification are studying at postgraduate level. Approximately 40% of full-time undergraduates are registered on sandwich programmes and 1037 undertook industrial or professional training during 2010/11, up 20% on the previous year.

This year the University's popularity has continued to grow. Its degree programmes are highly regarded by professional institutions and businesses and, as a result, Loughborough's graduates are consistently targeted by the UK's top recruiters. The proportion of first-degree graduates for the academic year 2009-10 in employment within six months of graduation was 60% and rises to 85% when including those in further studies/work.

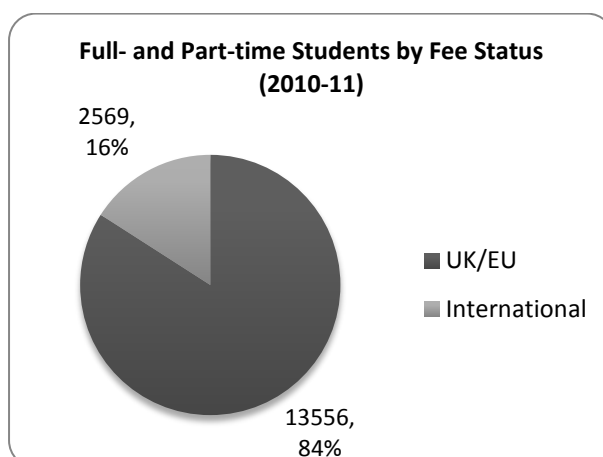
Loughborough's student centred ethos and its excellent reputation for high quality teaching and learning are among the strengths that matter to students. In the 2010 National Student Survey, 89% of the University's full-time students rated their overall satisfaction with their course as 'four' or 'five' on a five-point scale, with over 60% of the subject areas offered by the University being ranked in the top ten overall for satisfaction. Since the Survey's inception Loughborough has consistently been ranked in the top five of UK universities for student satisfaction.

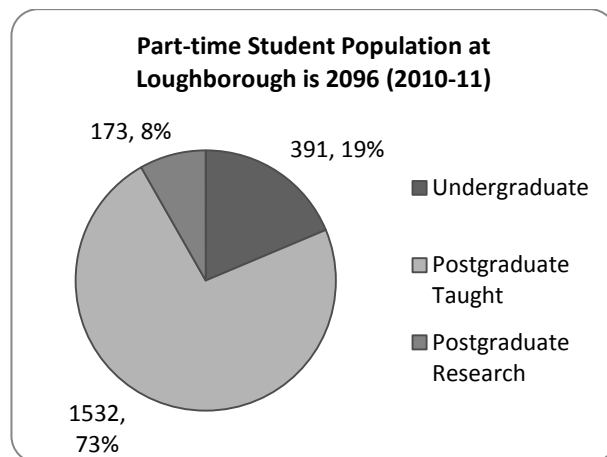
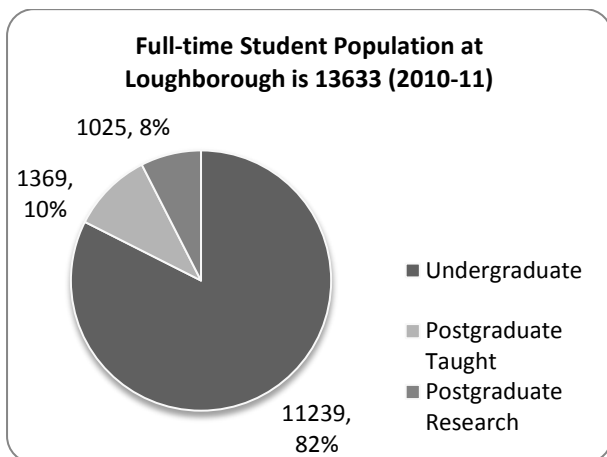
An outstanding Student Experience lies at the heart of Loughborough, helping to ensure the University's graduates are prepared intellectually, professionally and socially to make a positive contribution to the social and economic context in which they hope to live and work.

The balance of the benefits against any detriment or harm is always considered during the decision processes at the University. Property purchases and developments always comply with building regulations and restrictive covenants and there is always consideration given to the wider environmental impacts.

Loughborough student population profile 2010-11

Proportions	Loughborough University 2010-11	England 2009-10
International	16%	13%
Full-time	85%	64%
On full-time postgraduate programmes	15%	12%
Undergraduates on sandwich programmes	40%	10%
Full-time undergraduates who are mature	4%	24%





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

- The prestigious Mathematics Learning Support Centre (MLSC) designated from 2005-2010 a Centre for Excellence in Teaching and Learning by HEFCE
- The MLSC exists to provide a range of services designed to support any student at Loughborough in their learning of mathematics or statistics. In particular, it aims to help students in the earlier stages of their studies, who might benefit from resources and tuition over and above that normally provided as part of their programme
- The Engineering Centre for Excellence in Teaching and Learning seeks to integrate student input and focus into the activities of the centre, increase and improve student interaction with industry and develop employment skills for students.
- The English Language Support Service. This service assists students with the English language and study skills that they need to succeed on an academic programme. Loughborough currently runs a range of in-sessional and pre-sessional courses for international students and home students
- Disability and Additional Needs Service (DANS). Each department has its own disability coordinator who works with the student and the DANS office to ensure their needs are met. DANS offers a well developed package of support and measures for disabled students including:
 - a) Assessment of specific support, equipment and software needs
 - b) Arranging Educational Psychologist assessments and, adaptation of course materials into other formats
 - c) Arranging adapted accommodation for the duration of a student's course
 - d) Trained note-takers in lectures and tutorials
 - e) Mobility training
 - f) British Sign Language interpretation
 - g) Readers for research, or out-of-lecture activities
 - h) Provision of communication support workers
 - i) Study support for students who have dyslexia

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

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

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

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

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

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

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

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

Loughborough's tuition fee has been set at £9,000 for 2012/13. An agreement was reached with OFFA that 27% of the amount of the fee over £6,000 is to be set aside for widening access expenditure which should ensure that low incomes do not present a barrier to study at Loughborough in the light of the significant rise in tuition fees from 2012/13.

Enterprise

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

In ten years, the University has formed 29 spin-out companies and has brokered numerous licensing deals from across its research portfolio. Realising the economic value of the University's work generates new jobs,

enhances the international reputation of UK research and fosters economic prosperity for the region and the UK. Through business incubation activities the University supports new businesses, bringing additional employment to Loughborough. The University has nurtured a cluster of technology based companies and this has attracted other businesses to the area, stimulating growth and trade. Typically these clusters reflect the research strengths of the University, for example, in low carbon energy technologies and sport.

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

The University encourages its staff to be enterprising in their work. Staff undertaking research that has potential for exploitation are supported with investment, specialist advice, patenting, company formation, incubation and business planning as well as incubation facilities in the Innovation Centre. In 2009/2010, there were 38 disclosures for new inventions, 4 new patent applications, 8 patents granted in the year and a cumulative portfolio of 102 patents. On campus, the University manages the Loughborough Innovation Centre, a first stage incubation centre for start-up companies with a technology focus. Many companies are already benefitting from being located close to the University and developing important collaborations.

One of the University's flagship spin-outs, the global clean power systems company, Intelligent Energy - recently completed a fundraising round of approximately £7m from existing and new institutional shareholders. Intelligent Energy technology underpins the Fuel Cell Black Cabs, which debuted on the streets of London in March 2011, and the Suzuki Burgman Fuel Scooter which has European Whole Vehicle Type Approval, a world first. The company employs 180 people worldwide and is headquartered at the University's Science and Enterprise Park.

Student and graduate enterprise is well supported at Loughborough in a number of different ways. Loughborough is very fortunate to have large numbers of highly creative, entrepreneurial and capable students and graduates. Practical advice and support for fledgling businesses is given through the delivery of business workshops, mentoring, competitions and practical help for start-up companies. In 2009/2010 a staggering 129 student and graduate business ventures began to trade or were formally incorporated. In addition the Commercialisation Studio is open to Graduates from the Loughborough Design School to incubate, develop and grow their commercial ideas. The expansion of this project is currently under review so that it can cater to the highly entrepreneurial graduates Loughborough creates. It is important to note that enterprise training is not just limited to those wanting to be future employers or be self-employed; so called entrepreneurs are developed at Loughborough through this type of activity too. They then understand what innovation and enterprise means within a company that they may go on to work for and therefore are able to increase this important activity within an organisation. These skills are highly desirable to employers, increasing Loughborough students' employability.

Examples of student and graduate enterprise are:

- A Dozen Eggs (advertising, branding and marketing company)
- Ratemyplacement.com (digital economy)
- Inspired Bicycles (design, manufacture and retail)
- Bojangle Beads (retail)
- Skyshot (design and manufacture)
- Onesixeight Fitness (Sports and Exercise)

Loughborough University has established an international reputation for the breadth of its partnerships with business, industry and commerce. It has long-standing collaborative links with many blue chip companies including BAE Systems, Rolls Royce, EON, Caterpillar, Jaguar Land Rover, Ford and JCB. The Caterpillar Innovation and Research Centre, established in 2009, has demonstrated the success of establishing a framework agreement in relation to IP and contractual issues, and this model is being extended to other partners.

Through the activities of campus tenants over 1,700 people not employed directly by the University also work on campus. Enterprise activities are not confined to campus. Support and networking opportunities are offered locally, on a wider regional basis and, where appropriate, in national contexts.

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

The University's residential hotel and conferencing business (Imago) attracts companies from all over the world to Loughborough, enhancing the reputation of the town as a centre for hospitality and good service which is well connected to the rest of the world by air, road and train. Recently, imago expanded its business to begin running a local hotel (The Link Hotel) which was closing. The hotel was purchased by the University and is leased back to imago. The purchase saved a number of local jobs and further enhances the University's ability to attract prestigious conferences and tourism for the area.

Graduates often settle within a fifty mile radius of their university, creating a skilled workforce for local businesses and attracting new business to the area. As higher than average earners they help to raise the overall wealth of the local population and support economic growth. A significant number go on to launch companies, further adding to the economic vibrancy of the area. The University offers a brokerage service to match graduates with the requirements of companies, enabling graduates to gain valuable work experience and in some cases permanent employment.

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

Financial Review

Financial performance

The University achieved a good overall result for 2010/11, with the surplus from continuing operations before property transactions and tax rising to £11.875m (from £10.298m in 2009-10). This was against a difficult economic climate and included in-year cuts in Government funding.

Income

Total income rose by £7.2m to £239.9m, the increase is principally due to:

- £3.5m (5.4%) increase in academic fees and support grants a large part of this relating to the fourth year of variable fees
- £1.7m (4.8%) relating to the additional research funding received

Expenditure

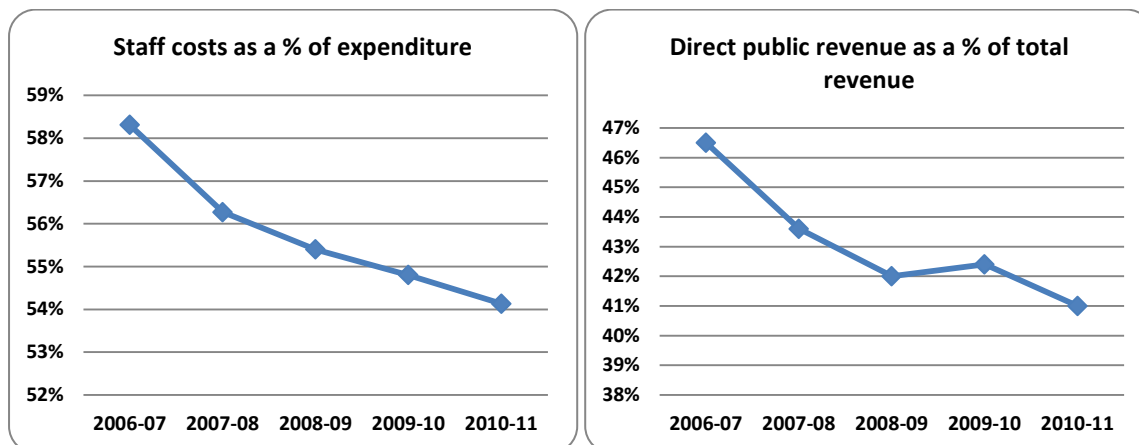
Total expenditure rose by £5.6m over the year to £228.0m, the increase principally being driven by:

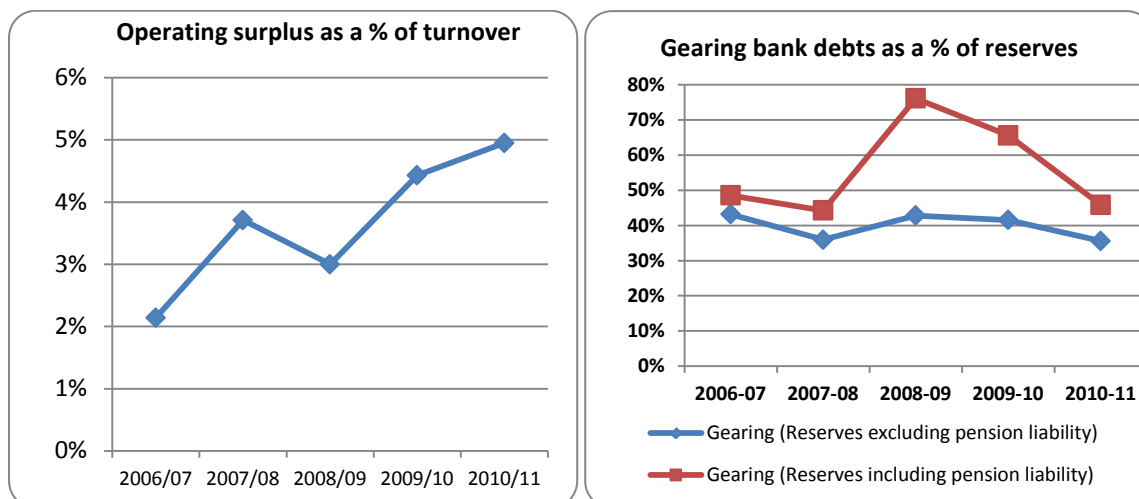
- £1.5m (1.3%) rise in staff costs as a result of a 0.4% nationally negotiated pay award and annual increments
- £3.5m (4.2%) increase in other operating expenses in line with the increases in turnover
- Non-recurring gains from property transactions were £2.1m (2009/10 £0.4m) and staff restructuring costs were £0.7m (2009/10 £0.1m).

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

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

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





Cash flow

The University has a well developed Treasury Investment Strategy for its cash balances, dealing with requirements for availability (overnight, 7 & 30 days, 3 months etc) and counterparty risk viewed against credit ratings which are regularly reviewed. Additionally the University has fixed its interest payable on £27.3m of debt. Cash balances are currently well in excess of total debt. The University manages its cash investment portfolio in-house by placing all investments on the money market conforming to the treasury policy on levels of investments and counterparties to be used.

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

There was an operating cash inflow of £14.5m for the year (2009/10 £31.9m). Cash balances reduced from £20.1m to £19.7m over the year whilst long term debt reduced from £46.0m. to £44.7m. Currently, £13.9m of this debt is fixed at 5.1725%, £17.3m is charged at 0.2% above base rate, £9.4m is fixed at 4.4725% and £4.0m is fixed at 4.68%. Year end net funds were £2.9m (2009/10 £16m) with the reduction being due to an increase in net capital expenditure and a reduction in creditors due to a £12.7 m reduction in the pension deficit.

Balance sheet

The University's reserves increased from £173.5m to £206.60m over the year due to an increase in retained surpluses and the reduction in the LGPS pension deficit. At the year end the University held £19.7m in cash and £29.0m in short term investments, with banks and building societies and had long and short term debt of £45.8m giving net funds of £2.9m. This together with an unused loan facility of £30m is required to assist the long term capital programme. The pension liability reduced from £41.6m in 2009/10 to £28.9m in 2010/11. The net current assets/liabilities of the University have reduced from an asset of £1.5m in 2009/10 to a liability of £2.2m in 2010/11, with trade creditors falling by £6m over the year as no provision was required at July 2011 relating to property transactions.

Pensions

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

On an FRS 17 valuation as at 31 July 2011 the deficit in the LGPS reduced from £41.634m to £28.902m over the year. Financial assumptions as 31 July 2011 were more favourable than they were at 31 July 2010

due to a further reduction in the CPI pension increases assumption. Additionally the longevity assumptions have been changed (although they had already been strengthened last year to reflect improvements in life expectancy). The combined effect of these factors serves to decrease the value of the liabilities and thus is a positive impact on the FRS 17 position. The previous twelve months have been better than expected for most funds, also having a positive impact on the FRS 17 position.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2011 the actuary for the USS has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 98% (a deficit of £700m). Compared to the previous 12 months, the funding level has improved from 91% (as at 31 March 2010) to 98%.

As part of the review of the Universities Superannuation Scheme (USS) to reduce future liabilities, a formal consultation with members over the changes to the scheme began on 20th October 2010 and measures have been agreed as follows:

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

Capital investment

Capital expenditure amounted to £37.7m (2009/10 £39.3m), of which £11.7m was funded from external sources.

The main projects included the completion of work on the East Park Design Centre, refurbishment of the Haslegrave, Hazlerigg and Rutland buildings and the i2012 project.

The capital framework from 1 August 2011 to 2016 assumes a spend of £172m. This is expected to include the completion of the development of the University's East Park area, carbon reduction in 1960s buildings, the refurbishment of Schofield, the extension to Brockington and S building ventilation. The University expects to continue with the capital plan, which is necessary to ensure that the estate and infrastructure provide a quality environment for staff and students that allows the University to remain competitive in the sector, even in the face of expected reductions in public funding.

Operations Review

Staff

Staff numbers have shown a decrease over the year, falling slightly from 2,814 (full-time equivalents) in April 2010 to 2,783 (full-time equivalents) in April 2011. There has been a further decline towards July 2011. This follows a previous upward trend, year on year, since 2001 and reflects the tighter establishment control and efficiency savings, as well as the loss of staff through the withdrawal of some external funding streams.

The University continues to participate in the national pay negotiations, facilitated by UCEA, and despite a 'failure to agree' an increase by two of the unions, a pay increase of 0.4% for 2010/11 was implemented and paid to staff in February 2011. The national negotiations for the 2011/12 pay round have commenced, but are likely to result in a very moderate award, given the continued financial pressures on HEIs and the backdrop of the public sector pay freeze.

The year also saw proposals for significant changes to the Universities Superannuation Scheme (USS) and a major consultation exercise involving all members and prospective members. The result of this saw some amendments to the proposals, which have subsequently been approved for implementation with effect from 1 October 2011.

As a consequence of the protracted national pay negotiations and the concerns over the changes to USS, the University & Colleges Union (UCU) balloted all HEIs for industrial action, resulting in two days of national strike action in March. At Loughborough, approximately 190 academic and academic related staff took strike

action. UCU has embarked on another ballot for further industrial action in relation to the pension changes, and action short of a strike is being carried out.

The University also has a large number of staff in grades 1 to 5 who are members of the Local Government Pension Scheme (LGPS) which has been included in the Hutton review of public sector pension schemes. Although not affected by the industrial action by public sector unions on 30 June, it is possible that the HEI sector will face the threat of industrial action from these staff during the next year.

At a local level, relationships with the three recognised trade unions remain very strong and have now been strengthened through a formal Partnership and Recognition agreement, including the establishment for the first time of a joint negotiation and consultation committee including all three unions. The involvement of the trade union representatives has been invaluable and constructive in furthering the HR implementation plan in the revision of HR Policies and Procedures and conditions of service, as well as dealing with organisational change.

The additional investment in Staff Development made in the previous year has now resulted in the ability to meet the increased demand for improved inputs to staff and organisational development, particularly in terms of increasing management capability and dealing with organisational changes arising out of restructuring. Individual staff development needs are identified through the Performance and Development Review process, which has been rolled out to cover all staff.

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

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

The University seeks to ensure that the conduct of all its staff and students carrying out teaching and research involving human participants, whether human biological, psychological or sociological, conforms to accepted professional and ethical standards and is known to do so. The Ethical Advisory Committee and Ethical Advisory Sub-Committee were established to guide and assist investigators, and to ensure that full consideration is given to protecting the rights and the health and safety of participants. As part of a revised ethical framework an over-arching institutional Ethics Committee has also been established. Furthermore, the University continues to engage with the UK Research Integrity Office (UKRIO), having recently become a subscribing member under its new mode of operation.

Corporate Responsibility

The University participates in the Universities That Count corporate responsibility benchmarking exercise being promoted to the HE sector by HEFCE. This is based on the Business in the Community (BiTC) Index. Council has adopted the index as a KPI for corporate responsibility. In 2009/10 the University achieved Bronze Standard, scoring 74.5% (up from 60.7% in 2008/09) and an interim assessment in 2010/11, undertaken prior to the next national survey in 2011-12, showed further improvement and progress towards our target of the Silver Standard next year.

Considerable progress has been made in the area of environment and sustainability during the year. A major campaign to reduce energy consumption has continued. The "It's better OFF!" initiative reduced consumption by a further 4.7% on top of the 5% saving the previous year. More than 250 volunteer Environmental Champions helped to achieve this success – the highest number of staff volunteers in the sector. A popular and informative Environment Day and an Active Travel Week were held during the year. The University achieved the Bronze Standard in the EcoCampus environmental management system – a higher education specific phased implementation of ISO14001, and is targeting the Silver Standard for autumn 2011. The University has updated its travel plan incorporating new targets as part of our wider sustainability agenda.

The University continues its strategy of linking its research and teaching activities in sustainability with its practices in operations and estates developments. Links have been established to look at technologies for carbon reduction and energy saving and in looking at green travel.

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

The University and its students continued their long-standing record of positive engagement. The Students' Union volunteer scheme is called 'Action' and mobilized over 1,900 student volunteers, some of whom were recognised at a well-supported awards event hosted by the Mayor. Action volunteers have undertaken over 10,000 hours of volunteering during the year on projects which include working with young people, the elderly, special needs groups and the homeless. A new theme for this year has seen the University's international students share their culture, traditions and language with presentations to over 2,000 people in schools and community groups.

Opening up the campus continues to be an important aspect of the University's community strategy. The series of annual children's sports camps continues to grow in popularity and there is widespread community usage of the University's extensive world-class sporting facilities and expertise to promote sport and healthy living with the town and region.

The University's Community Donations Fund once more awarded grants, with a total of £25,000 distributed to a wide range of local community groups and organisations. The majority of the funds are distributed in response to bids from groups, and around 40 such grants have been made this year. The balance has been awarded strategically in larger amounts following an extensive consultation process to identify areas of particular need in the local community.

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

Sport

Loughborough University is the leading university for sport in the UK. The University has a partnership with the Japanese Olympic Committee and with the British Olympic Association to be the Official Preparation Camp Headquarters for both the Japanese team and Team GB prior to the London 2012 Olympic Games. As part of the agreement many of Team GB's sports disciplines will use Loughborough's facilities for their pre-Games preparation.

Central to the University's position in sport is the University's leading place in sport science and technology research and education. A high level example of this expertise being applied to sport and linked to the countdown to London 2012, includes the launch of a new high performance leadership programme combining performance development consultancy, research from Loughborough University and insights from Team GB. The Sports Technology Institute also secured representatives from Japanese sports giants Asics and Mizuno to present public lectures on 'Footwear design methodology' and 'Technology for the development of new sports equipment'.

At the 2010 Commonwealth Games in Delhi, past and present students and Loughborough-based athletes won a total of 44 medals, six gold, 19 silver and 19 bronze, across a range of five sports. If the University had been a country it would have finished 8th in the medal table.

Lord Sebastian Coe, Dame Tanni Grey-Thompson and Sir Clive Woodward were among 21 inaugural inductees into the Loughborough University Sport Hall of Fame, which was established this year to recognise the achievements of the University's many sportsmen and women. The first inductees have had a bronze paver laid on the University campus in their honour, as a permanent record of their entry into the Hall of Fame.

Lord Coe also hosted the launch at the House of Lords of the Loughborough Sporting Club - a joint initiative between the University's Development and Alumni Relations Office and the Sports Development Centre that aims to provide a social-networking club for members, keeping them informed and engaged with sport at Loughborough. The event was attended by the cream of British sport, including a number of high profile Loughborough graduates and Sport Hall of Fame inductees, such as Sir Clive Woodward, Bob Wilson, David Moorcroft and Mary Nevill.

In July, Loughborough hosted the UK Corporate Games, Europe's largest corporate multi-sports festival. Approximately 4,000 competitors representing 200 companies went head-to-head in 22 sports from netball, football and cricket to karting, dragon boat racing and ten pin bowling.

To coincide with the Games, a new research centre was launched, which will examine how businesses can continue to thrive despite adversity. The Centre for Organisational Resilience (COR), based at the University's School of Business and Economics, will research sustainable systems that help organisations to innovate and adapt to complex new challenges.

In June, Lord Coe returned to the campus, with World Diving Champion Tom Daley, to officially open SportPark, a £15m development, which was funded by the University, with support from Sport England, East Midlands Development Agency (emda), Leicestershire County Council and Charnwood Borough Council.

SportPark is a state of the art home to many of the country's top national governing bodies including swimming, volleyball, and wheelchair basketball, who share the building with a number of national sports partners including Sport England and the Youth Sport Trust. This unique facility, which is enabling all those based in the building to work more effectively with each other, as well as with the University, reinforces the leading role that Loughborough plays in sport.

One of the sports industry's newest professional development bodies, the Institute for the Management of Sport and Physical Activity (IMSPA), launched in May this year, is one of the latest organisations to base itself at SportPark. The new Institute represents the first unified voice for sport and physical activity tasked with providing leadership, support and empowerment for professionals working in the sector.

One of the biggest names in football management visited the University in March for a breakthrough seminar on science expertise in the sport. Sven Göran Eriksson, the former England and Leicester City Football Club manager, spoke at the 'Science in Football: from Principle to Practice' seminar about the developments he has witnessed during his time in management. The seminar was attended by over 100 delegates from some of the biggest clubs in English football, including Manchester United, Chelsea, Tottenham Hotspur and Liverpool, alongside international representatives from Spain and Ghana. It was a unique opportunity for the football industry to engage with sports scientists that have influenced international and domestic governing bodies such as FIFA, UEFA and the FA, and also many of the leading Premiership clubs.

The delegates received a wide range of presentations from leading sports scientists on a number of key areas including nutritional recommendations, the impact on the immune function from training and playing, youth development and talent identification, coaching behaviour and learning environments, and the application of psychology in football. There was also an insight into the research associated with developments in football technology, including pitch surfaces, footwear, apparel, and hardware – such as footballs, gloves and protective equipment.

As part of the build up to London 2012, Loughborough hosted the training camp for one of the fastest growing sports in the country. The Great Britain Men's Handball team trained at Loughborough in March and played international matches against Turkey and Italy. The training camp gave the GB Handball squad the opportunity to spend time at the University, the official preparation camp headquarters for Team GB and Japan in the build up to the London 2012 Olympic and Paralympic Games.

Alongside its elite level provision, student sport is equally important at Loughborough and the University's students this year picked up the British Universities and Colleges Sport (BUCS) overall trophy for the 31st year running. Long renowned for its contribution to elite level sport, the University continued to achieve on the world stage in 2010-11.

Loughborough swimmers demonstrated that they are one of the finest swim teams in the world by taking the top International Team Trophy at the Trofeo Setti Colli meet in Rome. At the 2010 European Championships Loughborough swimmers picked up 17 of the 27 medals won by Team GB. Fran Halsall returned with a five-medal haul which led to her winning the Sunday Times Young Sportswoman of the Year Award 2010. Paralympian Emma Hollis won five medals at the IPC European Championships in Berlin.

In athletics Dan Greaves claimed a gold medal, and a new world record, at the IPC Athletics World Championships in Christchurch. The Athens 2004 Paralympic Champion defended his World Championship title in the F44 discus with a throw of 58.98 metres. Loughborough University graduate Chris Thompson won silver in the 10,000m at the European Athletics Championships in Barcelona.

Five Loughborough representatives helped to secure the first ever World Cup medal for the England women's hockey team, claiming the bronze. Loughborough Lightning netball player Jo Harten also won a bronze medal, helping England to record their best performance for eight years at the World Netball Championships.

The University's performance clubs continue to provide students with an excellent playing environment. This year Loughborough rugby players have won international honours, and cricketers and footballers have managed to secure professional contracts with county cricket and football league clubs.

Future developments

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

Plans were announced in April for the establishment of the Glendonbrook Centre for Enterprise Education, which will enable students, staff and members of the local community with promising business ideas to tap into the University's wealth of academic research and entrepreneurial expertise. The Centre has been made possible thanks to a £1m donation from one of the East Midlands' leading businessmen, Lord Glendonbrook.

The redevelopment of the East Park area of campus continued throughout the year. The new Design Centre, a 7,760m² state-of-the-art facility for the various design disciplines at the University features innovative teaching, research and lecture space, workshops, offices, studios, computer suites and a display area. This Centre was completed for the start of this current academic year.

From August 2011 the University's academic departments was restructured into ten schools. Through this the University will strengthen academic representation at senior management levels, streamline decision making and make the University more resilient and better prepared to face the challenges ahead.

The University has just agreed a contract with the Nanyang University of Technology to work in collaboration with them on the establishment of a new Institute for Sports Research.

This year the University announced details of its plans to encourage staff to become less reliant on their cars when travelling to and from the campus. As part of its Car Park Management Strategy, it outlined a new charging structure for those who wish to bring their vehicles on to campus, which will become effective from autumn 2012. This is being implemented to encourage staff to use alternative means of transport wherever possible and therefore reduce the University's transport-related carbon emissions.

The University opted for an emissions-based policy, rather than one based on people's salary, as that was considered to best reflect the University's commitment to sustainability. The scheme is part of the University's groundwork for its reports to HEFCE on transport-related carbon emissions, which will be required from 2013.

All the income generated from the new parking charges will be invested into initiatives that improve travel and transport on the campus, including improved facilities for cyclists, a more frequent cross-campus bus service and the installation of free electrical charging points for low-emission vehicles.

The Car Park Management Strategy is an integral part of the University's overall five-year Travel Plan. An update to the Travel Plan was recommended by Charnwood Borough Council's Scrutiny Panel on university entrances and parking policies and is a requirement of the planning permission for the East Park Design Centre.

The University submitted a planning application to improve its provision of sports pitches and changing facilities at the west end of the campus. The application includes the development of a first team pitch for Loughborough University Football Club on the site of an existing pitch adjacent to the Ford College, creating an enclosed 3,000-spectator venue. The proposed changes will meet the requirements set out by the Football Association for the club to play in their current league, the Midland Alliance, where they are competing for promotion. It will also ensure the facility meets league standards if the club is successful in achieving promotions to higher levels of the amateur football league structure. The development would also allow the University to hold a limited number of showcase events such as the annual Varsity and England under 20 rugby matches.

Conclusion

This review presents continued success for the University. It is clear that it will be facing different challenges over the next few years. The University have taken positive action to handle the implications of the significant Government funding cuts and will need to monitor closely the impact on student numbers following the rise in tuition fees to £9,000 in 2012. The University is operating from a strong foundation and is well placed to respond to these changes. In teaching, its strengths are those that matter to students and this gives it confidence as the University enters into the new regime for higher education. Its research and enterprise activities remain relevant to industry and attractive to funding bodies.

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's Royal Charter sets out the objectives which form its charitable purpose:

"to advance knowledge, wisdom, understanding and professional competence, particularly in the fields of engineering and other technologies and sciences, through teaching, research and collaboration with industrial and other bodies, and to develop the character of its students by virtue of its corporate life." The University is committed to exhibiting best practice in all aspects of Corporate Governance. This statement describes the manner in which the University has applied the principles set out in the CUC Governance Code of Practice (March 2009).

Throughout the year ended 31 July 2011, the University has been in compliance with all the Code provisions except that with a membership of 27, the size of Council slightly exceeds the recommended CUC 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.

In addition the members of Council i.e. the trustees of the University have had due regard to the Charity Commission's guidance on charitable purpose and public benefit.

Summary of the University's Structure of Corporate Governance

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

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

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

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

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.

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

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 2011 and up to the date of approval of the financial statements, and accords with the HEFCE guidance. The University Strategic Risk Register is aligned with the University's Strategic Plan and during the year University risks were reviewed quarterly by Risk Holders, ALT Risk Sub Group, ALT and Audit Committee. An update to the Risk Management Policy and Procedures Manual has taken place to incorporate the new responsibility of the Deans following the changes to the University's structure on 1 August 2011. The Higher Education Sector is entering a period of greater uncertainty with fundamental changes to its funding base. There are new financial risks inherent in the organisation as a result of the current economic climate and period of political change and these have been reflected in the University's risk register.

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

- A comprehensive strategic and operational planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets with clear allocation of responsibilities for achievement of strategic and operational plans is reported to Council through Operations Committee, and Finance Committee. In addition the Council has adopted clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving substantial capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council. Comprehensive Financial Regulations, detailing financial controls and procedures, have been approved by the Council. Regular reviews of academic performance and financial results involving variance reporting and updates of forecast out-turns take place. ALT 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 ALT has been implemented for each of the significant risks.
- The Audit Committee monitors the effectiveness of control, governance, the management of risk and gains assurance on the University's arrangements to secure value for money. It receives regular reports from the Internal Auditors, and where relevant, the External Auditors. The internal audit approach reflects the increased emphasis on risk management. Periodic reports concerning internal control are received by Council from the Audit Committee. Reports on the progress on key projects and regular reports from senior management on the steps they are taking to manage risks in their area of responsibility are received by the Council and its principal committees.
- The Research Performance Monitoring 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. This group reports to Senate and Council.

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

Going Concern

The University Council is satisfied that the University and its subsidiary companies have adequate resources to continue in operation for the foreseeable future and for a period of not less than twelve months from the date of this report. The ALT, Finance Committee and Council have reviewed the University's financial forecast for the period to July 2012, prepared taking into account guidance by the Funding Council. On that basis, they have a reasonable expectation that the University has adequate resources to continue operations for its foreseeable future or that appropriate action to reduce expenditure can be taken. For this reason, the financial statements continue to be prepared on the going concern basis.

STATEMENT OF THE RESPONSIBILITIES OF THE COUNCIL OF LOUGHBOROUGH UNIVERSITY

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

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

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

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

It follows from the above that the University Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and its subsidiary

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

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

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

The University Council has taken reasonable steps to: -

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

25 NOVEMBER 2011

**Sir Bryan Carsberg
Chair of Council**

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF LOUGHBOROUGH UNIVERSITY

We have audited the financial statements of Loughborough University for the year ended 31 July 2011 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the consolidated and University Balance Sheets, the consolidated Cash Flow Statement, the consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Council in accordance with the financial memorandum effective 1 August 2010. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and University's affairs as at 31 July 2011 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

In our opinion:

- in all material respects, income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2011 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2011 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum dated July 2010 and with the funding council.

Matter on which we are required to report by exception

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

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

Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham, UK

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 2011. The individual subsidiary companies' financial statements have been prepared in accordance with the Companies Act and other relevant Accounting Standards.

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

3 Recognition of Income

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

4 Merger with Loughborough College of Art and Design

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

5 Pension Schemes

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

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

The LGPS is a defined benefit scheme which is externally funded and contracted out of the State Second Pension Scheme. The institution is able to identify its share of the assets and liabilities of this scheme. The difference between the fair value of the assets held in the University's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the University's balance sheet as a pension scheme asset or liability as

appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the University is able to recover the surplus through reduced contributions in the future or through refunds from the scheme. Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the University are charged to the Income and Expenditure Account or the statement of total recognised gains and losses in accordance with FRS17 "Retirement benefits".

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

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

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

6 Land and Buildings

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

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

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

7 Fixtures, fittings, plant and equipment

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

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

Main computer systems and equipment over £100k	- between 4 and 7 years
Motor vehicles and other general equipment	- 4 years
Equipment acquired for specific research projects	- project life (generally 3 years)
Plant, furniture and fixtures	- between 5 and 25 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and released to the Income and

Expenditure Account over the expected useful, economic life of the equipment (the period of the grant in respect of specific projects).

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

10 Maintenance of Premises

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

11 Foreign currency transactions

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

12 Cash Flows and Liquid Resources

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

13 Taxation Status

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

All subsidiary companies (with the exception of Loughborough University Development Trust, which is a registered charity) are liable to Corporation tax and Value Added Tax in the same way as any other commercial organisation. The University's principal activities are exempt from Value Added Tax, but certain ancillary supplies and services are liable to Value Added Tax at various rates. Expenditure includes irrecoverable Value Added Tax charged by suppliers to the University.

14 Operating lease rentals receivable

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

15 Leases

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

Consolidated Income and Expenditure Account

Year Ended 31 July 2011

	Note	2010/11 £'000	2009/10 £'000
INCOME			
Funding Council Grants	1	70,973	71,712
Academic Fees and Support Grants	2	67,972	64,463
Research Grants and Contracts	3	37,663	35,949
Other Income	4	62,670	60,031
Endowment and Investment Income	5	590	531
Total Income		<u>239,868</u>	<u>232,686</u>
EXPENDITURE			
Staff Costs	6	123,420	121,862
Depreciation	11	13,748	12,473
Other Operating Expenses		88,107	84,568
Interest Payable	7	2,718	3,485
Total Expenditure	8	<u>227,993</u>	<u>222,388</u>
SURPLUS ON CONTINUING OPERATIONS BEFORE PROPERTY TRANSACTIONS AND TAX		11,875	10,298
Transactions relating to property	9	2,128	376
SURPLUS ON CONTINUING OPERATIONS AFTER PROPERTY TRANSACTIONS AND TAX	9	<u>14,003</u>	<u>10,674</u>
Tax	10	23	(13)
SURPLUS ON CONTINUING OPERATIONS AFTER TAX		<u>14,026</u>	<u>10,661</u>
Transfer (to)/from accumulated income within endowments		(8)	2
Surplus for the year retained within reserves	23	<u>14,018</u>	<u>10,663</u>

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

Balance Sheets as at 31 July 2011

	Note	2010/11		2009/10	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Tangible Assets	11	285,365	276,535	262,401	252,466
Benefit Arising from the Acquisition of LCAD	12	(2,630)	(2,630)	(2,763)	(2,763)
Investments	13	313	8,402	313	8,402
Long-term Loans	14	202	688	231	954
Total fixed assets		283,250	282,995	260,182	259,059
Endowment assets	15	1,305	1,149	1,246	1,115
Stocks and Stores in Hand		625	573	218	137
Debtors:					
Due within one year	16	19,584	19,716	16,149	17,090
Due after one year	16	0	0	702	702
Short Term Investments	17	29,005	29,005	43,055	43,005
Cash at Bank and in Hand		19,654	14,619	20,075	15,737
Total current assets		68,868	63,913	80,199	76,671
Less: Creditors - amounts falling due within one year	18	(71,082)	(67,957)	(78,673)	(76,150)
Net current (liabilities)/assets		(2,214)	(4,044)	1,526	521
Total assets less current liabilities		282,341	280,100	262,954	260,695
Less: Creditors - amounts falling due after more than one year	19	(44,714)	(44,714)	(45,978)	(45,978)
Less: Provisions for liabilities	20	(2,101)	(1,975)	(1,885)	(1,751)
NET ASSETS excluding pension liability		235,526	233,411	215,091	212,966
Pension liability	34	(28,902)	(28,902)	(41,634)	(41,634)
NET ASSETS including pension liability		206,624	204,509	173,457	171,332
Deferred Capital Grants	21	105,048	105,048	100,299	99,810
Endowments					
Expendable		438	438	422	422
Permanent		867	711	824	693
	22	1,305	1,149	1,246	1,115
Reserves excluding pension liability		129,173	127,214	113,546	112,041
Pension reserve	23,34	(28,902)	(28,902)	(41,634)	(41,634)
Reserves including pension liability	23	100,271	98,312	71,912	70,407
TOTAL		206,624	204,509	173,457	171,332

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

25 November 2011

Statement of Consolidated Total Recognised Gains & Losses

Year Ended 31 July 2011

	Note	2010/11 £'000	2009/10 £'000
SURPLUS ON CONTINUING OPERATIONS AFTER TAX		14,026	10,661
Gain on endowment asset investments	22	51	85
Actuarial gain in respect of pension scheme	34	14,341	4,777
Adjustment to reserves	23	0	(79)
New endowments	15	0	18
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		<u>28,418</u>	<u>15,462</u>
Reconciliation			
Opening reserves and endowments		73,158	
Total recognised gains and losses for the year		28,418	
Closing reserves and endowments		<u><u>101,576</u></u>	

Consolidated Cash Flow Statement

Year Ended 31 July 2011

	Notes	Year Ended 31 July 2011 £'000	Year Ended 31 July 2010 £'000
Net cash inflow from operating activities	28	14,460	31,863
Returns on investments and servicing of finance	29	(2,303)	(2,894)
Capital expenditure and financial investment	30	(25,410)	(19,563)
Management of liquid resources	31	14,050	(1,000)
Financing	32	(1,210)	4,138
(Decrease)/increase in cash in the year	33	(413)	12,544
Reconciliation of net cash flow to movement in net funds			
		31 July 2011 £'000	31 July 2010 £'000
(Decrease)/increase in cash in the year		(413)	12,544
Change in short term deposits	31	(14,050)	1,000
Change in debt	32	1,210	(4,138)
Change in net funds		(13,253)	9,406
Net funds at 1 August	33	16,119	6,713
Net funds at 31 July	33	2,866	16,119

Notes to the Accounts

Year Ended 31 July 2011

1 FUNDING COUNCIL GRANTS

	2010/11 £'000	2009/10 £'000
HEFCE Recurrent:		
Teaching	40,007	41,205
Research	22,111	22,115
Other	3,363	2,459
LSC Recurrent	769	772
TDA	817	921
Deferred Capital Grants Released in Year :		
Buildings (Note 21)	1,517	1,438
Equipment (Note 21)	2,389	2,802
	<u>70,973</u>	<u>71,712</u>

2 ACADEMIC FEES AND SUPPORT GRANTS

Home Students	40,306	38,896
International Students	27,666	25,567
	<u>67,972</u>	<u>64,463</u>

3 RESEARCH GRANTS AND CONTRACTS

Research Councils and Charities	22,604	21,099
Industry and Commerce	5,844	4,966
Governmental	9,215	9,884
	<u>37,663</u>	<u>35,949</u>

Research grants and contracts income includes £719,000 (2009-10 - £898,000) in respect of the release of deferred capital grants on equipment.

4 OTHER INCOME

Residences, Catering and Conferences	37,656	34,354
Other income	23,056	24,117
Benefit on acquisition of LCAD - Release to Income (Note 12)	133	133
Released from Deferred Capital Grants	1,825	1,427
	<u>62,670</u>	<u>60,031</u>

5 ENDOWMENT AND INVESTMENT INCOME

Income from Specific Endowments (Note 22)	41	72
Income from Short-term Investments	549	453
Net return on pension scheme (Note 34)	0	6
	<u>590</u>	<u>531</u>

Notes to the Accounts

Year Ended 31 July 2011

6 STAFF COSTS

	2010/11	2009/10
	£'000	£'000
Staff Costs :		
Wages and Salaries	100,879	100,513
Social Security Costs	7,781	7,331
Other Pension Costs (Note 34)	14,094	13,916
Restructuring Costs	666	102
Total	<u>123,420</u>	<u>121,862</u>

The remuneration of the Vice-Chancellor (excluding employer's pension contributions) amounted to £240,000 (2009/10 - £240,000) and is disclosed on the same basis as for higher paid staff. The University's pension contributions to the Universities Superannuation Scheme (USS) in respect of the Vice-Chancellor are on the standard basis for academic and related staff and amounted to £38,400 (2009/10 - £35,365).

During the year compensation for loss of office was paid to one higher paid staff member (remuneration >£100,000) and amounted to £88,000.

Remuneration of other higher paid staff, excluding employer's pension contributions:	No.	No.
£100,000 to £109,999	7	10
£110,000 to £119,999	1	2
£120,000 to £129,999	0	0
£130,000 to £139,999	3	3
£140,000 to £149,999	1	1
£150,000 to £159,999	0	0
£160,000 to £169,999	1	1
£180,000 to £189,999	0	1
£190,000 to £199,999	0	0
£200,000 to £209,999	1	0
	<u>14</u>	<u>18</u>

Average Staff Numbers by Major Category:

	No.	No.
Academic	662	673
Teaching and scholarship	51	54
Research	322	324
Management & Specialist	474	462
Technical	211	222
Other	1,063	1,079
	<u>2,783</u>	<u>2,814</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 2011

7 INTEREST PAYABLE

	2010/11	2009/10
	£'000	£'000
Loans not wholly repayable within five years	1,498	1,392
Net pension charge (note 34)	1,220	2,093
	<u>2,718</u>	<u>3,485</u>

8 ANALYSIS OF EXPENDITURE BY ACTIVITY

Academic Departments	86,101	85,429
Academic Services	17,521	17,324
Research Grants and Contracts	30,705	29,060
Residences, Catering and Conferences	33,438	31,105
Premises	24,126	22,871
Administration and Central Services	24,541	24,455
Other Expenses	11,561	12,144
	<u>227,993</u>	<u>222,388</u>

Notes to the Accounts

Year Ended 31 July 2011

9 SURPLUS BEFORE TAX

	2010/11 £'000	2009/10 £'000
This is stated after charging/(crediting):		
External Auditors Remuneration in Respect of Audit Services (University 2010/11 - £46,000 2009/10 - £48,000)	70	74
External Auditors Remuneration in Respect of Tax Services	5	6
Transactions relating to property	(2,128)	(376)
Loss on disposal of Fixed Assets	482	86
Operating Lease Rentals		
Plant & machinery	83	83
Other	336	322

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

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

10 TAX

UK Corporation Tax credit on the profits of subsidiary companies	(15)	(5)
Deferred Tax re subsidiary company - accelerated capital allowances	<u>(8)</u>	<u>18</u>
(Credit)/charge for the year	<u><u>(23)</u></u>	<u><u>13</u></u>

Notes to the Accounts

Year Ended 31 July 2011

11 TANGIBLE ASSETS

	£'000	£'000	£'000	£'000
CONSOLIDATED				
Cost:				
At 1 August 2010	277,676	60,481	27,711	365,868
Additions at cost	14,071	19,131	4,516	37,718
Transfer Categories	(1,516)	1,516	0	0
Disposals at cost	<u>(2,376)</u>	<u>(1,427)</u>	<u>0</u>	<u>(3,803)</u>
At 31 July 2011	<u>287,855</u>	<u>79,701</u>	<u>32,227</u>	<u>399,783</u>
Depreciation:				
At 1 August 2010	(64,185)	(39,282)	0	(103,467)
Charge for the year	(7,705)	(6,043)	0	(13,748)
Eliminated on disposals	<u>1,494</u>	<u>1,303</u>	<u>0</u>	<u>2,797</u>
At 31 July 2011	<u>(70,396)</u>	<u>(44,022)</u>	<u>0</u>	<u>(114,418)</u>
Net Book Value:				
At 31 July 2011	<u>217,459</u>	<u>35,679</u>	<u>32,227</u>	<u>285,365</u>
At 31 July 2010	<u>213,491</u>	<u>21,199</u>	<u>27,711</u>	<u>262,401</u>
UNIVERSITY				
Cost:				
At 1 August 2010	268,651	55,191	27,711	351,553
Additions at cost	14,068	18,999	4,516	37,583
Transfer Categories	(1,518)	1,518	0	0
Disposals at cost	<u>(1,477)</u>	<u>(1,148)</u>	<u>0</u>	<u>(2,625)</u>
At 31 July 2011	<u>279,724</u>	<u>74,560</u>	<u>32,227</u>	<u>386,511</u>
Depreciation:				
At 1 August 2010	(62,948)	(36,139)	0	(99,087)
Charge for the year	(7,513)	(5,628)	0	(13,141)
Transfer Categories	0	0	0	0
Eliminated on disposals	<u>1,189</u>	<u>1,063</u>	<u>0</u>	<u>2,252</u>
At 31 July 2011	<u>(69,272)</u>	<u>(40,704)</u>	<u>0</u>	<u>(109,976)</u>
Net Book Value:				
At 31 July 2011	<u>210,452</u>	<u>33,856</u>	<u>32,227</u>	<u>276,535</u>
At 31 July 2010	<u>205,703</u>	<u>19,052</u>	<u>27,711</u>	<u>252,466</u>

Note: Freehold buildings with a net book value of £56m (2009/10 - £48m) and cost of £72m (2009/10 - £63m) have been funded from Treasury sources: should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Higher Education Funding Council for England.

Notes to the Accounts

Year Ended 31 July 2011

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

	£'000
Fair Value:	
At 31 July 2011 and at 1 August 2010	<u>5,565</u>
Released to Income and Expenditure Account :	
At 1 August 2010	(2,802)
Release for year (Note 4)	(133)
At 31 July 2011	<u>(2,935)</u>
Net Book Value :	
At 31 July 2011	<u><u>2,630</u></u>
At 31 July 2010	<u><u>2,763</u></u>

Note: The amortisation period is up to 60 years

13 INVESTMENTS

Consolidated	Subsidiary companies (Note 36)	Investments in spinouts	Investments	Total
	£'000	£'000	£'000	£'000
At 1 August 2010	0	65	248	313
Additions	0	0	0	0
Disposals	0	0	0	0
At 31 July 2011	<u><u>0</u></u>	<u><u>65</u></u>	<u><u>248</u></u>	<u><u>313</u></u>
University				
At 1 August 2010	8,089	65	248	8,402
Additions	0	0	0	0
Disposals	0	0	0	0
At 31 July 2011	<u><u>8,089</u></u>	<u><u>65</u></u>	<u><u>248</u></u>	<u><u>8,402</u></u>

Note: The market value of all shareholdings at 31 July 2011 is not significantly different from those stated above.

Notes to the Accounts

Year Ended 31 July 2011

14 LONG-TERM LOANS

	2010/11		2009/10	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Loughborough Students Union	150	150	180	180
Imago @ Loughborough Ltd	0	486	0	723
Manufacturing Technology Centre Ltd	52	52	51	51
	<u>202</u>	<u>688</u>	<u>231</u>	<u>954</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 2013.

Note: The loan granted to the Manufacturing Technology Centre Ltd is unsecured, interest is charged at 3% and the loan and accumulated interest are repayable on the final repayment date of 31 March 2014. The University is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

15 ENDOWMENT ASSET INVESTMENTS

	2010/11		2009/10	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Balance at 1 August 2010	1,246	1,115	1,146	1,025
Additions	0	0	18	18
Disposals	0	0	0	0
Appreciation on Revaluation	51	45	85	74
Increase/(Decrease) in cash balances	8	(11)	(3)	(2)
Balance at 31 July 2011	<u>1,305</u>	<u>1,149</u>	<u>1,246</u>	<u>1,115</u>
Represented by:				
Quoted Unit Trusts (Unlisted)	1,119	1,004	1,068	959
Bank Balances	186	145	178	156
Total Endowment Asset Investments	<u>1,305</u>	<u>1,149</u>	<u>1,246</u>	<u>1,115</u>

Notes to the Accounts

Year Ended 31 July 2011

16 DEBTORS

	2010/11		2009/10	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Trade debtors	16,170	14,765	14,913	13,350
Prepayments and Accrued Income	3,414	3,308	1,236	1,109
Amounts due from subsidiary companies	0	1,643	0	2,631
	<u>19,584</u>	<u>19,716</u>	<u>16,149</u>	<u>17,090</u>
Amounts falling due after one year:				
Trade debtors	<u>0</u>	<u>0</u>	<u>702</u>	<u>702</u>
Total	<u>19,584</u>	<u>19,716</u>	<u>16,851</u>	<u>17,792</u>

17 SHORT TERM INVESTMENTS

Short term deposits include 63,113 BTG plc ordinary shares of 10p each. The cost of the shares was £4,722 and their market value as at 31 July 2011 was £177,095.

	2010/11		2009/10	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Cash deposits	29,000	29,000	43,000	43,000
Other	5	5	5	5
	<u>29,005</u>	<u>29,005</u>	<u>43,055</u>	<u>43,005</u>

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 2011 the weighted average interest rate of the cash and fixed rate deposits was 1.19% per annum and the weighted average period for which the interest rate is fixed was 139 days. The fair value of the deposits was not materially different from the book value.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010/11		2009/10	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured Loans (note 19)	1,265	1,265	1,210	1,210
Payments Received on Account	48,236	48,236	45,150	45,150
Trade creditors	14,386	13,298	20,350	19,476
Social Security and Other Taxation Payable	2,673	2,292	2,747	2,446
Accruals and Deferred Income	4,522	2,866	9,216	7,868
	<u>71,082</u>	<u>67,957</u>	<u>78,673</u>	<u>76,150</u>

Notes to the Accounts

Year Ended 31 July 2011

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010/11		2009/10	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loan repayable by 2035	31,200	31,200	31,862	31,862
Unsecured fixed rate loan repayable by 2039	9,445	9,445	9,621	9,621
Unsecured fixed rate loan repayable by 2020	4,069	4,069	4,495	4,495
	<u>44,714</u>	<u>44,714</u>	<u>45,978</u>	<u>45,978</u>
Analysis of unsecured loans:				
Due within one year or on demand	1,265	1,265	1,210	1,210
Due between one and two years	1,335	1,335	1,265	1,265
Due between two and five years	4,415	4,415	4,207	4,207
Due in five years or more	38,964	38,964	40,506	40,506
	<u>45,979</u>	<u>45,979</u>	<u>47,188</u>	<u>47,188</u>
Due within one year or on demand	(1,265)	(1,265)	(1,210)	(1,210)
Due after more than one year	<u>44,714</u>	<u>44,714</u>	<u>45,978</u>	<u>45,978</u>

Note on loan repayable by 2035: £13.87m reducing is fixed at a rate of 5.1725% until March 2019. Interest on the remaining value of the loan is charged at 0.20% above base rate. This loan is repayable by instalments over the period to 10 December 2035.

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

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

20 PROVISIONS FOR LIABILITIES

CONSOLIDATED	Deferred tax	Premature Retirement Compensation	Pension Enhancements on Retirement	Total
	£'000	£'000	£'000	£'000
At 1 August 2010	134	18	1,733	1,885
Utilised in year	0	(426)	0	(426)
Transfer from Income and Expenditure Account	(8)	666	(16)	642
At 31 July 2011	<u>126</u>	<u>258</u>	<u>1,717</u>	<u>2,101</u>

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

UNIVERSITY	Premature Retirement Compensation	Pension Enhancements on Retirement	Total
	£'000	£'000	£'000
At 1 August 2010	18	1,733	1,751
Utilised in year	(426)	0	(426)
Transfer from Income and Expenditure Account	666	(16)	650
At 31 July 2011	<u>258</u>	<u>1,717</u>	<u>1,975</u>

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

Notes to the Accounts

Year Ended 31 July 2011

21 DEFERRED CAPITAL GRANTS

CONSOLIDATED	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2010:			
Buildings	47,946	37,348	85,294
Equipment	8,652	6,353	15,005
Total	56,598	43,701	100,299
Cash Receivable:			
Buildings	9,640	1,093	10,733
Equipment	0	1,015	1,015
Total	9,640	2,108	11,748
Released to Income and Expenditure:			
Buildings	(1,517)	(1,780)	(3,297)
Equipment	(2,389)	(1,313)	(3,702)
Total	(3,906)	(3,093)	(6,999)
At 31 July 2011:			
Buildings	56,069	36,661	92,730
Equipment	6,263	6,055	12,318
Total	62,332	42,716	105,048
UNIVERSITY	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2010:			
Buildings	47,946	36,859	84,805
Equipment	8,652	6,353	15,005
Total	56,598	43,212	99,810
Cash Receivable:			
Buildings	9,640	1,093	10,733
Equipment	0	1,015	1,015
Total	9,640	2,108	11,748
Released to Income and Expenditure:			
Buildings	(1,517)	(1,291)	(2,808)
Equipment	(2,389)	(1,313)	(3,702)
Total	(3,906)	(2,604)	(6,510)
At 31 July 2011:			
Buildings	56,069	36,661	92,730
Equipment	6,263	6,055	12,318
Total	62,332	42,716	105,048

Notes to the Accounts

Year Ended 31 July 2011

22 ENDOWMENTS

Consolidated	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2011 Total £'000	2010 Total £'000
Balances at 1 August 2010					
Capital	702	702	366	1,068	965
Accumulated income	122	122	56	178	181
	<u>824</u>	<u>824</u>	<u>422</u>	<u>1,246</u>	<u>1,146</u>
New endowments	19	19	0	19	18
Investment income	26	26	15	41	72
Expenditure	(36)	(36)	(16)	(52)	(75)
	<u>9</u>	<u>9</u>	<u>(1)</u>	<u>8</u>	<u>15</u>
Transfer to endowments	0	0	0	0	0
Increase in market value of investments	34	34	17	51	85
At 31 July 2011	<u><u>867</u></u>	<u><u>867</u></u>	<u><u>438</u></u>	<u><u>1,305</u></u>	<u><u>1,246</u></u>
Represented by:					
Capital	736	736	383	1,119	1,068
Accumulated income	131	131	55	186	178
	<u><u>867</u></u>	<u><u>867</u></u>	<u><u>438</u></u>	<u><u>1,305</u></u>	<u><u>1,246</u></u>
University					
	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2011 Total £'000	2010 Total £'000
Balances at 1 August 2010					
Capital	593	593	366	959	867
Accumulated income	100	100	56	156	158
	<u>693</u>	<u>693</u>	<u>422</u>	<u>1,115</u>	<u>1,025</u>
New endowments	0	0	0	0	18
Investment income	25	25	15	40	72
Expenditure	(35)	(35)	(16)	(51)	(74)
	<u>(10)</u>	<u>(10)</u>	<u>(1)</u>	<u>(11)</u>	<u>16</u>
Increase/(decrease) in market value of investments	28	28	17	45	74
At 31 July 2011	<u><u>711</u></u>	<u><u>711</u></u>	<u><u>438</u></u>	<u><u>1,149</u></u>	<u><u>1,115</u></u>
Represented by:					
Capital	621	621	383	1,004	959
Accumulated income	90	90	55	145	156
	<u><u>711</u></u>	<u><u>711</u></u>	<u><u>438</u></u>	<u><u>1,149</u></u>	<u><u>1,115</u></u>

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

The American Aid Industrial Fund had a closing balance of £243k, including £30k in cash. The fund supports the provision of Industrial Engineering education.

The John S Webber Memorial Fund had a closing balance of £183k, including £40k in cash. The fund supports the furtherance of research in Automotive Engineering.

The Davis-Swindin Memorial Lecture Fund had a closing balance of £159k, including £26k in cash. The fund supports lectures in Chemical Engineering at the University.

Notes to the Accounts

Year Ended 31 July 2011

23 RESERVES

Income and expenditure account including pension reserve

	2010/11		2009/10	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
At 1 August	71,912	70,407	56,551	55,421
Surplus retained for the year	14,018	13,564	10,663	10,288
Adjustment to reserves	0	0	(79)	(79)
Actuarial gain	14,341	14,341	4,777	4,777
At 31 July	<u>100,271</u>	<u>98,312</u>	<u>71,912</u>	<u>70,407</u>

Pension reserve only

At 1 August	(41,634)	(41,634)	(43,995)	(43,995)
Actuarial gain	14,341	14,341	4,777	4,777
Deficit within reserves	(1,609)	(1,609)	(2,416)	(2,416)
At 31 July	<u>(28,902)</u>	<u>(28,902)</u>	<u>(41,634)</u>	<u>(41,634)</u>

24 LEASE OBLIGATIONS

	2010/11		2009/10	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Land and Buildings				
Annual, non-cancellable operating lease commitments in respect of leases expiring:				
Over five years	83	83	83	83
	<u>83</u>	<u>83</u>	<u>83</u>	<u>83</u>

Other

Annual, non-cancellable operating lease commitments in respect of leases expiring:				
Within one year	15	8	69	20
Between one and two years	105	45	29	14
Between two and five years	183	165	217	148
Over five years	33	83	7	0
	<u>336</u>	<u>301</u>	<u>322</u>	<u>182</u>

Notes to the Accounts

Year Ended 31 July 2011

25 CAPITAL COMMITMENTS

Provision has not been made for the following capital commitments at 31 July 2011:

	2010/11		2009/10	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted	23,703	23,703	25,921	25,921
Authorised but not contracted	6,846	6,846	11,136	11,136
	<u>30,549</u>	<u>30,549</u>	<u>37,057</u>	<u>37,057</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)

	2010/11		2009/10	
	£'000	£'000	£'000	£'000
Income:				
Excess of Income over Expenditure Brought Forward	12		23	
Funding Council Grants	161		187	
Interest Earned	<u>0</u>	173	<u>0</u>	210
Expenditure:				
Disbursed to Students	(149)		(192)	
Fund Running Costs	<u>(5)</u>	(154)	<u>(6)</u>	(198)
Excess of Income over Expenditure Carried Forward		<u>19</u>		<u>12</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 2011

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

	Note	2010/11	2009/10
		£'000	£'000
Surplus Before Tax and exceptional items		11,875	10,298
Depreciation	11	13,748	12,473
Benefit on Acquisition of LCAD released to Income	12	(133)	(133)
Deferred Capital Grants released to Income	21	(6,999)	(7,508)
Deferred capital grants released relating to asset disposal		489	928
Investment Income	5	(590)	(531)
Interest Payable	7	2,718	3,485
Increase in Stocks		(407)	(49)
Increase in Debtors		(2,570)	(161)
(Decrease)/increase in Creditors		(8,158)	10,046
Increase/(decrease) in provision		216	(163)
Pension costs less contributions payable	34	1,609	2,416
Endowment Expenditure Adjustment	22	52	75
Loss on disposal of fixed assets	9	482	86
Transactions relating to property	9	2,128	601
NET CASH INFLOW FROM OPERATING ACTIVITIES		14,460	31,863

29 Returns on Investment and Servicing of Finance

Income from Endowments	22	60	72
Other Interest received		367	492
Interest Paid		(2,730)	(3,458)
		<u>(2,303)</u>	<u>(2,894)</u>

30 Capital Expenditure and Financial Investment

Payments made to acquire fixed assets		(37,170)	(33,276)
Payment made to acquire Link Hotel		0	(4,350)
Proceeds from sales of fixed assets		35	4,755
Net disposals of endowments	22	(52)	(75)
Changes in long term Loans		29	(21)
Deferred Capital Grants Received	21	11,748	13,404
		<u>(25,410)</u>	<u>(19,563)</u>

31 Management of Liquid Resources

Withdrawals of (additions)/deposits		14,050	(1,000)
		<u>14,050</u>	<u>(1,000)</u>

32 Financing

New Loan		0	5,000
Capital repayments on all loans		(1,210)	(862)
		<u>(1,210)</u>	<u>4,138</u>

Notes to the Accounts

Year Ended 31 July 2011

33 ANALYSIS OF CHANGES IN NET FUNDS

	At 1st August 2010	Cash Flows	Other Non-Cash Changes	At 31st July 2011
	£'000	£'000	£'000	£'000
Cash at Bank and In Hand :				
Endowment Assets	178	8	0	186
Other	20,075	(421)	0	19,654
	<u>20,253</u>	<u>(413)</u>	<u>0</u>	<u>19,840</u>
Short Term Investments	43,055	(14,050)	0	29,005
Debts Due Within One Year	(1,210)	1,210	(1,265)	(1,265)
Debts Due After One Year	(45,979)	0	1,265	(44,714)
	<u>16,119</u>	<u>(13,253)</u>	<u>0</u>	<u>2,866</u>

Notes to the Accounts

Year ended 31 July 2011

34 PENSION SCHEMES

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

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

	2010/11	2009/10
	£'000	£'000
USS contributions paid	10,615	10,363
LGPS charge to the Income & Expenditure account	3,376	3,439
TPS contributions paid	103	114
Contributions paid to other pension schemes	<u>0</u>	<u>0</u>
Total Pension Cost (Note 6)	14,094	13,916
Outstanding Pension Contributions at 31 July	1,619	1,673

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

	USS	LGPS	TPS
	31 March 2008	31 March 2010	1 January 2007
Latest actuarial valuation			
Investment returns per annum	6.4%	4.5%	6.5%
Salary scale increase per annum	4.3%	5.3%	3.5%
Pension increase per annum	3.3%	3.3%	3.5%
Market value of assets at date of last valuation	£28,843M	£2,111M	£163,240M
Proportion of members' accrued benefits covered by the actuarial value of the assets (Technical Provision)	103%	80%	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.

Notes to the Accounts

Year Ended 31 July 2011

Universities Superannuation Scheme

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

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

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced Page 2 of 5 by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality PA92 MC YoB tables – rated down 1 year

Female members' mortality PA92 MC YoB tables - No age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

Notes to the Accounts

Year Ended 31 July 2011

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed

asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

Since 31 March 2008 global investment markets have continued to fluctuate and as at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700 million). Over the past twelve months, the funding level has improved from 91%, as at 31 March 2010 to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS17 basis, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 is 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

Notes to the Accounts

Year Ended 31 July 2011

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

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/Increase by £2.2billion
Rate of pension	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimizing the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The main changes which took place on 1 October 2011 consist of a rise in the normal pension age from 60 to 65, increasing contributions for those in the "old" scheme, normal pension age to be linked to state pension age, flexible retirement age and pensions linked to CPI rather than the usual higher RPI.

Notes to the Accounts

Year Ended 31 July 2011

Local Government Pension Scheme

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

For LGPS, the actuary has indicated in the 2010 valuation that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS Regulations. The average employer's rate is 16.5%.

Under the definitions set out in FRS 17, the LGPS is a multi-employer defined benefit pension scheme. In the case of the LGPS, the actuary of the scheme has identified the Institution's share of its assets and liabilities as at 31 July 2011

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

A full actuarial valuation was carried out at 31 March 2010 and updated to 31 July 2011 on an FRS 17 basis by a qualified independent actuary. The material assumptions used by the actuary at 31 July 2011 were:

	2010/11	2009/10
	%	%
Price increases	2.7	2.9
Salary increases	5.0	4.9
Pension increases	2.7	2.9
Discount rate	5.3	5.4

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

	Males	Females
	%	%
Current pensioners	20.9 years	23.3 years
Future pensioners	23.3 years	25.6 years

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

	2010/11		2009/10		2008/09	
	LONG – TERM RETURN %	FUND VALUE £'000	LONG – TERM RETURN %	FUND VALUE £'000	LONG –TERM RETURN %	FUND VALUE £'000
Equities	7.1	55,543	7.3	57,284	7.3	48,419
Bonds	4.7	4,985	4.8	5,012	5.3	5,516
Property	5.1	8,545	5.3	8,593	5.3	5,516
Cash	4.0	2,136	4.4	716	4.3	1,839
		<u>71,209</u>		<u>71,605</u>		<u>61,290</u>

Notes to the Accounts

Year Ended 31 July 2011

The following amounts at 31 July 2011 were measured in accordance with the requirements of FRS 17.

Analysis of the amount shown in the balance sheet	2010/11	2009/10
	£'000	£'000
The Institution's estimated asset share	71,209	71,605
Present value of the Institution's scheme liabilities	(100,111)	(113,239)
Deficit in the scheme - Net pension liability	<u>(28,902)</u>	<u>(41,634)</u>
Analysis of the amount charged to staff costs within operating surplus	2010/11	2009/10
	£'000	£'000
Current service cost	3,353	3,389
Past service cost	0	0
Settlements and curtailments	23	50
Total operating charge	<u>3,376</u>	<u>3,439</u>
Analysis of the amount that is charged to interest payable	2010/11	2009/10
	£'000	£'000
Expected return on pension scheme assets	4,773	4,271
Interest on pension scheme liabilities	(5,993)	(6,364)
Net charge	<u>(1,220)</u>	<u>(2,093)</u>
Actuarial gain recognised in STRGL	2010/11	2009/10
	£'000	£'000
	14,341	4,777
Movement in deficit in the year	2010/11	2009/10
	£'000	£'000
Deficit in scheme at beginning of the year	(41,634)	(43,995)
Movement in the year:		
Current service costs	(3,353)	(3,389)
Contributions	2,987	3,116
Past service costs	0	0
Net return on assets	(1,220)	(2,093)
Impact of settlements and curtailments	(23)	(50)
Actuarial gain/(loss)	14,341	4,777
Deficit in the scheme at the end of the year	<u>(28,902)</u>	<u>(41,634)</u>

Notes to the Accounts

Year Ended 31 July 2011

Analysis of the movement in the present value of scheme liabilities	2010/11	2009/10
	£'000	£'000
At beginning of the year	113,239	105,285
Current service cost	3,353	3,389
Interest costs	5,993	6,364
Contributions by members	1,219	1,239
Actuarial losses	(14,690)	19
Past service costs	0	0
Losses on curtailments	23	50
Liabilities extinguished on settlements	0	0
Estimated benefits paid	(9,026)	(3,107)
At end of the year	<u>100,111</u>	<u>113,239</u>

Analysis of movement in the fair value of scheme assets	2010/11	2009/10
	£'000	£'000
At beginning of the year	71,605	61,290
Expected return on assets	4,773	4,271
Contributions by members	1,219	1,239
Contributions by the employer	2,987	3,116
Actuarial gains/(losses)	(349)	4,796
Assets distributed on settlements	0	0
Estimated benefits paid	(9,026)	(3,107)
At end of the year	<u>71,209</u>	<u>71,605</u>

History of experience gains and losses	2010/11	2009/10	2008/09	2007/08	2006/07
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligations	(100,111)	(113,239)	(105,285)	(87,696)	(82,935)
Fair value of scheme assets	71,209	71,605	61,290	70,097	74,170
Surplus/(deficit) in the scheme	<u>(28,902)</u>	<u>(41,634)</u>	<u>(43,995)</u>	<u>(17,599)</u>	<u>(8,765)</u>
Experience adjustments on scheme liabilities					
Amount (£000)	0	0	0	(2,057)	32
Percentage of scheme liabilities %	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(2.30)</u>	<u>0.00</u>
Experience adjustments on scheme assets					
Amount £'000	(349)	4,796	(15,416)	(9,463)	4,250
Percentage of scheme liabilities %	<u>(0.49)</u>	<u>6.70</u>	<u>(25.25)</u>	<u>(13.50)</u>	<u>5.70</u>

Defined benefit scheme assets do not include any of the institution's own financial instruments, or any property occupied by the institution. The estimate for the contribution for the defined benefit scheme for 2011/12 is £3,052,000.

The actual gain on scheme assets in the year was £4,424,000 and for 2010 was £9,067,000.

Notes to the Accounts

Year Ended 31 July 2011

35 DISCLOSURE OF RELATED PARTY TRANSACTIONS

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

	Income £'000	Expenditure £'000	Balances as at 31/7/2011 due to the University £'000
Members of Council			
Prof N Halliwell as Governor of Loughborough College	194	(69)	(3)
L Hopkins as President of Loughborough Students Union	271	(1,074)	(50)
J Mutton as Principal of Loughborough College	194	(69)	(3)
Prof R Parry-Jones as a Member of Council at Bangor University	1	(55)	0
S Pearce as member of the Board of Trustees for the Youth Sport Trust	448	0	(31)
R Smith as Vice President (Finance and Commercial Services) of Loughborough Students Union	271	(1,074)	(50)

During the financial year 2010-11, £7,000 (2009-10, £14,000) of expenses were paid to or on behalf of the trustees (being members of council) as a whole. The expenses included hotel, travel and subsistence costs. There were 10 trustees involved (2009-10, 19).

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 2011

36 SUBSIDIARY COMPANIES

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

Company	Principal Activity
Loughborough University Enterprises Ltd	Marketing of the expertise and facilities of the University in applicable specialist areas.
CASCAiD Ltd	Production and sale of computer-aided careers guidance software
Imago @ Loughborough Ltd	Management of conference and related commercial facilities
Loughborough Sport Ltd	Management of sports facilities
Loughborough University Services Ltd	Provision of utility and other services
Loughborough University Development Trust	Promotion of the charitable purposes of the University
Loughborough Innovation Centre Ltd	Letting of premises to business start-ups (business transferred to the University December 2010, company struck off)
Campuslife Ltd	Production of student information films (company sold March 2011)

Endowments and linked (paragraph (W)) charities

	Balance 1 August	Additions and transfers	Change in market	Income	Expenditur e	Balance 31 July 2011
	£'000	£'000	£'000	£'000	£'000	£'000
Loughborough Development Trust	131	19	6	1	1	156

Consolidated Five Year Results

INCOME AND EXPENDITURE ACCOUNT

	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000
Income	239,868	232,686	215,843	200,264	177,153
Expenditure	(227,993)	(222,388)	(209,360)	(193,085)	(170,594)
Exceptional income/(expenditure) not included above	2,128	376	0	0	(2,682)
Surplus For The Year Retained Within Reserves	14,018	10,663	6,477	7,438	3,795

BALANCE SHEET

	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000
Fixed Assets and Investments	283,250	260,182	239,257	224,605	209,690
Endowment Assets	1,305	1,246	1,146	1,198	2,177
Net Current (Liabilities)/Assets	(2,214)	1,526	27	(2,683)	(5,029)
Less Amounts Due After More Than One Year:					
Creditors Due After More Than One Year	(44,714)	(45,978)	(42,287)	(33,094)	(33,663)
Provisions	(2,101)	(1,885)	(2,048)	(2,052)	(2,049)
Pension liability	(28,902)	(41,634)	(43,995)	(17,599)	(8,765)
Total Net Assets	206,624	173,457	152,100	170,375	162,361
Represented by:					
Deferred Capital Grants	105,048	100,299	94,403	93,150	89,765
Specific Endowments	1,305	1,246	1,146	1,198	2,177
Reserves	129,173	113,546	100,546	93,626	79,184
Pension reserve	(28,902)	(41,634)	(43,995)	(17,599)	(8,765)
Total	206,624	173,457	152,100	170,375	162,361

CASH FLOW STATEMENT

	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000
Net Cash Inflow from Operating Activities	14,460	31,863	20,540	13,569	17,382
Returns on Investment and Servicing of Finance	(2,303)	(2,894)	(970)	212	162
Taxation	0	0	0	0	(4)
Capital Expenditure and Financial Investment	(25,410)	(19,563)	(15,121)	(12,195)	(15,692)
Management of Liquid Resources	14,050	(1,000)	(16,000)	663	(1,642)
Financing	(1,210)	4,138	9,388	(541)	(528)
Increase/(decrease) In Cash Balances	(413)	12,544	(2,163)	1,708	(322)