

FOR THE YEAR ENDED
31 JULY 2010



Middlesex
University

Financial Statements

2009/10

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Operating and Financial Review



Introduction from the Vice-Chancellor

The year 2009/10 has seen Middlesex University continue to go from strength to strength. Our reputation for the quality of our teaching was again reinforced by quality and professional audits undertaken this year. Our research excellence continues to be recognised with a thirty-five per cent increase in research income over the previous year.

Student demand for courses at Middlesex is strong both in the UK and overseas. Our commitment to enhancing our students' experience is leading to increased rates of student satisfaction and this emphasis on putting our students first will continue to be a priority in everything we do. This also means providing students with the best facilities in which to learn, research and socialise. Construction work is advanced on the

University's largest ever development, the new Art, Design and Media Building, opening next year at Hendon. This further consolidates our London activities at Hendon campus as part of our strategy for a sustainable estate.

Middlesex University's second overseas campus welcomed its first students in January. The campus, opened in November 2009 by The Right Honourable Sir Anerood Jugnauth, President of Mauritius, is the first international university to open in Mauritius. The University's presence in Mauritius means that students are able to access a British university education at a fraction of the cost of travelling to the UK to study.

Plans to open a campus in India are progressing well, enabling us to build on our longstanding presence there. Middlesex has an excellent reputation in India and the University's plans are receiving strong support from government.

The University is in a comparatively strong position in the UK higher education sector, as we enter a very challenging period for public funding and policy. The coalition government's priority of reducing the budget deficit has introduced a climate of austerity into public sector funding. For universities, this will mean reductions in recurrent and capital funding from HEFCE and we can also expect cuts in training, consultancy and research contracts from the NHS, the TDA and other public sector departments and agencies

It is unlikely that all of the cuts in public funding can be fully offset by growth in private sources of income or that student fees will be increased quickly to compensate for the loss of grant income. Both reductions in expenditure and growth in income and productivity will be necessary in order to protect the financial position of the University.



Pressure on research and enterprise funding may lead to a move away from funding excellence wherever it is found towards supporting research environments with high critical mass, leading to greater concentration of research and postgraduate students in fewer universities. The entry of more private providers and colleges of further education into the market could lead to a more fiercely competitive environment. These reforms could have a profound long term influence on the size and shape of the UK higher education sector.

We enter this new era in good shape. Student demand is strong, our research reputation is rising and our dependence on grant funding is less than most of our close competitors.

The University has a flexible and adaptable teaching framework, strengthened capacity and expertise in marketing and communications and the University's estate is improving, enhancing our appeal to students and reducing future operating costs. Our international infrastructure is strong, enabling us to plan for growth in areas not constrained by government policy.

The University will need, more than ever, to exhibit the qualities that have enabled us to benefit from change in the past: flexibility; adaptability; speed of response; creativity; a culture which embraces change and innovation; and the excellence in governance, leadership and management needed to deliver a robust strategy that everyone at Middlesex is committed to.

About Middlesex University

What we do and why

Middlesex is an established British university based in London with a substantial international presence including campuses in Dubai and Mauritius. The University serves 35,000 students worldwide and has many business and public sector clients. Middlesex is recognised for its commitment to the success of its culturally and internationally diverse students, the quality of its teaching, the promotion of lifelong learning, the excellence of its research and the strength of its partnerships and international activity.

We offer over three hundred undergraduate and postgraduate programmes across our campuses. Our teaching quality is consistently and independently recognised as first rate and the latest Research Assessment Exercise found that 77% of our research was internationally recognised.

We are one of the largest employers in the London Borough of Barnet and make a significant contribution to its local economy.

Organisation

The Executive Team advise the Board of Governors on strategic direction and ensure delivery of the agreed University mission and individually carry out specific responsibilities determined by the Vice-Chancellor, Professor Michael Driscoll:

Deputy Vice-Chancellor Finance and External Relations

Melvyn Keen

Responsible for Financial Strategy, the Alumni and Development Office, Procurement and the Students' Union.

Deputy Vice-Chancellor International

Dr Terry Butland

Responsible for developing the international strategy of the University and for the Centre for International Education, the University's network of 21 regional offices across the world and the Middlesex University Mauritius Campus. He is also the executive lead on corporate statistical information.

Deputy Vice-Chancellor Academic

Professor Margaret House

Executive lead on the student experience and has responsibility for the University's four academic Schools and the Institute for Work Based Learning. She is also responsible for the Centre for Learning and Teaching Enhancement and the Middlesex University Dubai campus.

Deputy Vice-Chancellor Research and Enterprise

Professor Waqar Ahmad

Executive lead on equality and diversity and corporate social responsibility. He has responsibility for the Research and Business Office, Learning Resources and Knowledge Transfer and Continuing Professional Development.

Deputy Vice-Chancellor, Director of Corporate Services

Steve Knight

Responsible for the Development Strategy, Estates and Facilities Management, Human Resources, Academic Registry, Computing and Communications Services and the Office of Clerk to the Board. He is executive lead on value for money.

Deputy Vice-Chancellor, Marketing and Recruitment

Katie Bell

Responsible for Corporate Marketing and Communications, UK and International Student Marketing, Recruitment, and Admissions. Executive lead on student employability.

Profiles of the Executive can be found at www.mdx.ac.uk/executive

The arrangements for Governance are described in the Corporate Governance Section of these statements.

Academic structure

The University has four Schools: Arts and Education, the Business School, Engineering and Information Sciences and Health and Social Sciences. Our schools allow the cross-pollination of ideas and expertise from teaching, research and services for business.

The Institute of Work Based Learning is a Middlesex success story; the University has pioneered the development of work based learning





at higher education level and is a nationally recognised Centre of Excellence.

Middlesex has two overseas campuses: Dubai and Mauritius.

Working in partnership

The University believes fundamentally in partnership and believes it can further achieve its mission of developing and delivering outstanding higher education by working with others who share our ambition and beliefs. We work in partnerships of several types and foster close links with our local community.

We work with prestigious academic partners to provide Middlesex degrees to thousands of students throughout the world. Many of our partners are delivering Middlesex franchised or validated programmes to their students. As pioneers of this type of partnership we are now one of the largest UK providers of higher education to students across the globe.

The Middlesex-Barnet partnership

The University enjoys good relations with the London Borough of Barnet and has strong partnerships with schools, colleges and voluntary organisations in the Borough. The Council continue to be very supportive of the University's development of Hendon campus, both in modernising and increasing the capacity of our estate.

A key strategic objective of the University and a critical factor in realising our ambitions is to continue to develop a mutually supportive and beneficial relationship with the Council and the wider Barnet community. There is much to be gained by all parties in strengthening our partnership – with more than £190 million contribution by the University to the local economy in 2008/9, generating an estimated 2,825 jobs. We are also working closely with Barnet on a range of community matters and are taking a proactive approach to facilitating community use of facilities at Hendon Campus.

Strategic Review

Our goal

Our goal is to produce a growing worldwide community of successful Middlesex graduates who make vital contributions to the economic, cultural and social wellbeing of the societies in which they live and work and to be the preferred university partner for business, public sector and other educational organisations.

Our purpose

Middlesex University is committed to:

- inspiring its students to achieve ambitious goals through the delivery of outstanding innovative, career-focussed courses that result in highly valued qualifications to begin and develop successful professional careers.
- developing new knowledge and professional skills through research and scholarship to advance academic areas and professional practice for the benefit of our students, business and public sector organisations and the wider community.

Our approach

Middlesex University is dedicated to unlocking potential – in our students, through the excellence of our teaching and research, and our links with businesses.

Our students are at the heart of everything we do. Our ambitious campus development programme is delivering state-of-the-art learning and research environments. Students have plans and goals beyond university and we support them in developing and realising their ambitions, regardless of the route they take to higher education.

At Middlesex researchers teach and teachers do research and we believe this keeps both at the cutting edge.



Our impact extends far beyond our campuses in London, Dubai and Mauritius. We produce a high proportion of internationally significant research, a third of our students come from outside the UK and our graduates contribute to societies and economies around the world. We are committed to the communities in which we are based.

Our relationships with businesses and other organisations provide them with the benefits of university expertise and innovation whilst bringing professional focus to our courses. We are pioneers in work based degrees, enabling people to combine work and study by taking intellectual dynamism and rigour into the workplace.

In fulfilling our purpose the University will hold fast to the key values which are characteristic of Middlesex: striving for excellence; always placing the needs of our students first; promoting diversity and inclusiveness; service to the community; freedom of academic enquiry; and professionalism.

Five year plan key priorities

The University's Board of Governors approved the updated corporate plan for the next five years in September 2010.

Our experience in the last few years of coping with an increasingly volatile and competitive higher education market and the potential impact of this environment on our sustainability as a successful university, suggests that we need to

think differently about the nature and longevity of any medium-term plan. We need to be prepared to revise our medium-term aims more continuously in the light of changing circumstances. Successful planning and achieving the outcomes it points to will depend increasingly on striving continuously to perform better in all that we do.

The sustainability and success of Middlesex University depends entirely on its ability to continue to attract sufficient students to its courses to enable the University to provide the quantity of courses and a quality of experience that will place the reputation of the University high among its main competitor group - the large post-92 Universities in and close to London. Part and parcel of the success we aim for in our Corporate Plan is success in improving our position in the sector, especially among our close competitors.

A key element of ensuring financial sustainability is the continued success of our international operations through the delivery of quality British higher education programmes at our campuses in Dubai and since January 2010, in Mauritius, as well as through partnerships with academic providers across the globe. The University continues to plan for the opening of a campus in India and for new strategic partnerships for the delivery of Middlesex programmes worldwide.

There are four key priorities on which the University will need to place considerable emphasis within the Corporate Plan, and which are likely to have the greatest impact on the success of the University. The future success of the University will depend upon the prioritisation and speedy delivery of activities that drive these mutually reinforcing areas:

- Sustaining academic quality (teaching, research and knowledge transfer)

- Enhancing the student experience
- Growing international income
- Improved productivity and efficiency

The corporate plan is developed further through academic and support strategies. Each academic department and service develops action plans to deliver the core objectives of the university for the forthcoming year. These are guided by the annual corporate objectives which are outlined in the Review of Operations section.

Key performance indicators

The success of our implementation of the corporate plan is measured by a set of key performance indicators which are reported regularly to the Board of Governors supported by targets set out in the University's financial strategy. These are commented on in the relevant sections of this review:

Sustaining academic quality:

- Quality assurance ratings
- Proportion of good honours degrees
- Retention
- Research ratings

Enhancing the student experience:

- Student survey ratings
- Proportion of good honours degrees
- Graduate employment

Growing international and other income:

- International teaching income
- Domestic teaching income
- Research income
- Business income
- Development income

Improved productivity and efficiency:

- Financial surplus
- Percentage spend on staff
- Facilities cost per student FTE
- Contribution of all activities to overhead costs

Review of Operations

Teaching, learning and student experience

Aim and goals

The aim of the University's Strategy for Enhancing Learning, Teaching and Assessment is to ensure a rich, effective and sustainable learning experience for all its students, which:

- promotes student engagement in life-long learning
- embraces varied, flexible, innovative and sustainable modes of learning, teaching and assessment, informed by research
- celebrates and values the diversity of the academic community

The aim is to be achieved through a set of strategic goals:

- enhancement of the learning experience for the diverse students of the University
- development of highly-valued, innovative programmes
- improvement in student achievement
- enhancement of the assessment experience for the diverse nature and background of our students
- enhancement of the learning environment
- improvement in flexibility of delivery, to meet the diversity of student situations and characteristics
- development of a more inclusive curriculum and approaches to teaching which promote equality and diversity
- support for professional standards and excellence in teaching and the support of learning

The 2009/10 academic year was marked by a number of significant achievements. Of perhaps greatest reward was the increase in the overall satisfaction rating from the NSS from 69% in 2008/09 to 78%. Our long term goal is to be placed in the top half of the sector as a whole (2009/10 average 82%). The results for all but one of the 22 questions increased.

| Agree/Strongly Agree by Category | MDX 2010 % | MDX 2009 % | % change 2009 to 2010 | NSS ALL UK 2010 % |
|----------------------------------|------------|------------|-----------------------|-------------------|
| Overall | 78 | 69 | 9.0 | 82 |
| Teaching on the Course | 78 | 73 | 4.8 | 83 |
| Assessment & Feedback | 66 | 58 | 8.0 | 67 |
| Academic Support | 70 | 63 | 6.7 | 75 |
| Org & Management | 70 | 62 | 8.3 | 73 |
| Learning Resources | 76 | 73 | 3.3 | 79 |
| Personal Development | 80 | 74 | 5.7 | 79 |

Total student numbers studying for Middlesex degrees grew by 3.5% to 32,871 although the number of students in 2009 studying at our UK campuses was 1.3% below 2008. The following table illustrates the constraints on growth of the HEFCE contract partially offset in postgraduate numbers:

| Undergraduate | 2009 | 2008 | Growth |
|---------------|--------|--------|--------|
| Home/EU | 14,978 | 15,293 | -2.1% |
| Overseas | 1,474 | 1,580 | -6.7% |
| Total | 16,452 | 16,873 | -2.5% |
| | | | |
| Postgraduate | | | |
| Home/EU | 3,006 | 2,955 | +1.7% |
| Overseas | 1,891 | 1,796 | +5.3% |
| Total | 4,897 | 4,751 | +3.1% |
| Total | 21,349 | 21,624 | -1.3% |

In the same period students studying for Middlesex degrees at our overseas campuses or with UK and overseas partners grew by 14% to 11,522.

Progression data continues to improve. Progression on full credit for first year undergraduates increased from 65% to 67%. Progression with full credit for all non finalists (2nd years and postgraduates) has also increased from 61% 2007/08 to 76% 2008/09.

Drop out rates as measured by HESA (% of students predicted not to complete a qualification after 15 years of study) have decreased from 33.9% in 2005/06 to 21.4% for 2007/08 intake.

The HESA non continuation statistics (first years who fail to return) shows a decrease from 11.2% in 2005/06 to 9.3% for 2007/08 data which is above the target of a 1% improvement each year.

The results of our quality audits (IQERs and Ofsted) were satisfactory/good as were the seven professional body re-accreditation visits.

The percentage of our undergraduates achieving first and 2:1s increased from 49% to 55% this year which is a larger improvement than the 2% target.

The difficult economic conditions have resulted in a decline in employment for Middlesex graduates of 9% but a corresponding increase in further study to 21% from 12% and a slight decline in unemployment to 8% from 9%. The dramatic increase in further study is accounted for largely by a marked increase of those in other undergraduate study in the arts and education category going on to further degree study specifically from the Academy of Contemporary Music.

As student achievement increases across the board, we also continue to celebrate individual student successes.

Second year photography student Asef Ali Mohammad demonstrated typical Middlesex entrepreneurial flair when he turned a brief for a course project into a journey which ended up on the pages of Newsweek in March this year. He spent nine days in Kabul gathering the portraits and views of more than 30 Afghan citizens on the US intervention in their country.

The performance of Middlesex sports teams improved this year, moving up two places in the British Universities and Colleges Sport (BUCS) table to 77th. Individual performances of note from our sports scholars were participation in the World University Games for Lutalo Mohammad (Tae Kwon Do) and Theo Spalding Mackintosh (Judo). Future Gold athlete Montell Douglass was selected for the World Athletics Championships and the Commonwealth Games in Delhi.

Middlesex University involvement in two National Challenge Trust schools has been formalised. The two schools are Chase High in Southend, Essex and Whitefield School in Barnet. Senior managers from the University are acting as both Trustees and members of the Board of Governors for both of these initiatives.

Research and business

Following the successful outcome of the 2008 Research Assessment Exercise (RAE), the University's quality related (QR), income increased from around £1m to £3.4m. This has enabled the University to invest to enhance research in strategically important areas, including business and management, law, biomedical science, geography and environmental science, social and health policy, computing science, art and design, and drama, dance and performing arts.

With the doubling of Higher Education Innovation Fund (HEIF) income, we have made similar investments to strengthen business and community interaction.

Our key objectives for 2009-10 were to:

- Invest to grow research strengths in selected areas
- Increase number of doctoral students
- Increase income from research and business related activities across all areas
- Begin preparations for the Research Excellence Framework

The University's performance on research and business continues to improve.

Research income for the year was £4.6m, an increase of 34% on 2008-09 performance. Income from Business and Community Interaction has exceeded £9m for the year, with income for consultancy and contract research at £6.6m, compared to £4.8m for 2008-09. We currently hold research and business contracts worth over £35m, a figure which has grown from £33m in 2008-09. These increases are in line with our Corporate Plan targets.

Following the excellent RAE results, we recruited over one hundred new doctoral students in 2009-10, taking our doctoral student numbers to over 700.

A number of new collaborative and business partnerships were established this year including the following examples.

Our research continues to have significant impact on society. In 2010, a Middlesex team from the Centre for Investigative and Diagnostic Oncology, led by world expert in biomedical science Professor Ray Iles, announced a major advancement in the treatment of bladder cancer. They have developed a vaccine approach

which could be the first of a whole new generation of cancer drugs. It could lead to far quicker treatment of aggressive cancers, with patients experiencing fewer of the side-effects which chemotherapy often causes.

Middlesex has developed a bespoke career development programme in partnership with the Halifax Community Bank. The University's pioneering work based learning framework is used to accredit the Halifax's in-house training programme, 'Journey in Practice' for their branch managers and local management team. This gives managers their licence to practice as a Halifax manager; they can then progress further onto a Middlesex award in Retail Banking Practice, growing their value to the Halifax.

Expansion of the business engagement work of the University's Social Enterprise Capacity Building Cluster, supported by a £1m Economic and Social Research Council grant, by means of new knowledge transfer partnerships, CASE awards and other forms of business outreach, assists third sector organisations in key areas of service delivery. The University is playing a major role in using business interaction methods to assist social enterprises with partners across the UK.



Resources

People

Overall staff FTE has increased by 180FTE as at 31 July 2010 compared to the prior year. The largest increase in staff numbers in this period have been amongst our academic staff at 116. Student growth during this period was 3.5%.

Middlesex University staff costs have grown in line with the above increase in FTEs and at £90m now represents approximately 52% of our total income, compared to 50% as at 31 July 2009.

These staff increases were as a result of the University's decision to improve staff to student ratios in certain areas and to invest further in key areas of income growth. Alongside this added investment the University has reviewed its academic, administrative and professional structures and streamlined them where it was deemed necessary and, or appropriate. The overall restructuring costs for this period were £0.5m.

The University has implemented Phase 1 of the National Framework Agreement (NFA) for Modernising Pay, following agreement by Executive and following trade union ballots. This was a move towards ensuring that the remuneration of work is based on the principle of equal pay for work of equal value; through a new grading system using job evaluation i.e. Higher Education Role Analysis (HERA) for all core job roles in the University (excluding senior managers and professors). The process involved assimilating all relevant staff, from an existing 89 point salary scale onto a single 51 point salary spine. It also introduced the harmonisation of working hours (defined working week) for manual staff in line with other staff and led to an overall increase in annual leave for all staff graded 1-9. The most significant increase in pay

was received by junior research staff, notably 67% and this represented the national trend for junior research roles.

The University and its unions agreed to accept the 2009 national pay award of 0.5% and this was implemented in January 2010. The University continues to work well with its recognised unions through its joint negotiating committee. The delivery of the Framework Agreement is being managed by a joint group through the Framework Implementation Steering Committee.

Our commitment to teaching, delivery and in enhancing the student experience has seen the introduction of a new post, namely the academic assistant whose role is to work closely with the academic in the learning environment and to provide additional support to the students. It is anticipated that this will also play a focal part in the University's employability agenda. The new role will be piloted in the forthcoming academic year.

The University continues to invest in Leadership Development; this year saw the launch of the Leadership Model and the inclusion of this in the subsequent redevelopment of the Senior Management Performance Review.

Dr Maureen Spencer has been appointed a Middlesex University Senior Teaching Fellow, along with Penny Kent, Marion Taylor and Trish Hafford-Letchfield appointed as Teaching Fellows.

Senior Teaching Fellow, Dr Barbara Workman has been awarded a National Teaching Fellowship by the Higher Education Academy. Only 50 National Teaching Fellowships are made each year and the competition is very fierce. This is a significant achievement for Barbara and the University is accordingly very proud of her achievement.

Over the last 12 months the University has invested additional resources into its Wellbeing Programme. The establishment of a Wellbeing Steering Group has helped to provide a strategic direction and coordination of a number of key projects: the Active Workplace Project (with support of the Department of Health) to increase physical activity among staff; improvement of the cycle to work initiatives (increased allowances and a new Bikers User Group); collaboration with the Students Union on Health Promotion (e.g. healthy eating and smoking cessation); improved first aid provision and stress risk assessment.

These changes and the improvement of absence management training have seen a decrease in average sickness levels per employee from 7.0 days in 2009 to 6.3 days in 2010.

Engagement with the community remains a strong aspect of diversity at Middlesex. Our student ambassadors provide an effective means of supporting community events such as 'Kids on Campus', aimed at raising awareness and aspirations of young learners with regards to higher education. A successful 'Researching Elders Conference' was held to discuss a wide range of issues affecting older people. The Rise Up scholarships continue to be an example of our encouragement of diversity in higher education to reward outstanding undergraduates who do not come from a background where higher education is the norm, or who have overcome personal difficulties to excel at university.

Estates and Facilities

The key aims of our estate development strategy can be summarised as 'fewer but better': to reduce the overall number of UK campuses and to improve the quality of those that remain.

- Our strategy of consolidating most of the University's London-based

teaching at Hendon continues with our £80m investment to create a new world class art, design and media facility, to open in 2011. The move of staff and students to Hendon will facilitate the closure and sale of the Cat Hill campus. Central to the design of the building is flexible exhibition and performance space for students, surrounded by studio and workshop space, media labs and a TV studio.

- Within the last year, further improvements to the campus environment include a significantly larger cafe in the Sir Raymond Rickett Quadrangle, landscaping of outdoor areas and a new print and copying facility for staff and students in partnership with CDS. The University has also opened new dedicated facilities for research and business seminars and lectures in The Barn, along with new office and meeting space in the Model Farmhouse.
- Major refurbishment work in the Sheppard Library is also planned, including the opening of a Waterstones bookshop.

The future of the Trent Park campus and the remaining programmes being run at that campus is currently under review. The University is also reviewing the future of its health and social science provision at the Archway campus, jointly owned with University College London (UCL), and our limited presence in four north London hospitals. The University is also reviewing a number of 'off-site' options in the Hendon area, also recognising that a number of Middlesex students are taught by partners in the UK, using their (non-Middlesex) estate.

As part of our campus consolidation space planning exercises have been undertaken on University sites to ascertain how we can make best use of the space available. This has included working with UCL at the Archway site and investigating how much accommodation the University



requires on the hospital sites. Overall space utilisation has improved to a level close to the sector median, but the university is still striving to make further improvements in this area.

The University has set up an environmental forum to engender more interest and support from staff and students on environmental initiatives. Improvements made during the year include lighting and replacement doors and the installation of voltage reduction equipment at Hendon which is expected to reduce our energy consumption by ten per cent. The University has also registered for the Government's 'Carbon Reduction Commitment' and is in the process of drafting a carbon management plan as well as completing energy surveys on our main campus at Hendon.

The University has also signed new contracts for a number of services, including a new waste management contract with more emphasis on the level of recycling. A major new contract for printing services was finalised during the year which includes requirements for reducing the volume of printed materials produced.

Information Technology

Information Technology continues to assist Middlesex University to achieve its goals and priorities as described in the University's Corporate Plan. The University has partnered with IBM to upgrade our infrastructure hardware and to introduce a new and innovative option for our Data Centre requirements. All server hardware is now monitored and managed 24 hours a day, 7 days a week. This major project was delivered on time

and to budget. Working with IBM has enabled us to out-task some routine operational activities, thus allowing our staff to provide more support for the business applications and deliver a better service for our users.

We have achieved a reduction in our carbon footprint through the deployment of modern, energy-saving virtualised servers across our entire University infrastructure, both on our campuses and in our off-campus Data Centres. We are now running fewer servers requiring less floor space and consuming less power. As part of this project the University has reduced its CO2 emission by an average of 350 tonnes per year (an overall reduction of 5.5%).

A geographically separate, off-campus disaster recovery data centre has been set up to support our agreed disaster recovery priorities. The data centre and disaster recovery centre are connected into the University's network, providing the flexibility to grow and shrink the equipment footprint as required. The systems have been set up to be resilient and flexible, providing high levels of availability as well as supporting remote but secure access.

As part of this project we have migrated all the business systems and activities onto this new infrastructure. In this move we have also upgraded a number of the systems including our student system, timetabling system, BACS and income management systems. Microsoft Exchange and File Storage were also upgraded and staff now have greater email and file storage capacity. The upgrade of email has also enhanced integration with mobile technology, allowing our staff to be more flexible in their working environment. The University website has been redesigned and re-launched using new software following significant research of how users interact with the website.

Business process reviews have been undertaken in the admissions and timetabling areas. In admissions we continue to utilise off-shore resource, whilst in timetabling we continue to work with our long-term software provider to reengineer our processes to make maximum use of University planning information and targets.

Some 5,000 computers are used across the University (for both students and staff) and are replaced every three years to ensure that modern, up-to-date technology is in place for all our users. In order to support more flexible teaching and learning we have launched a laptop loan scheme for students to use anywhere on campus.



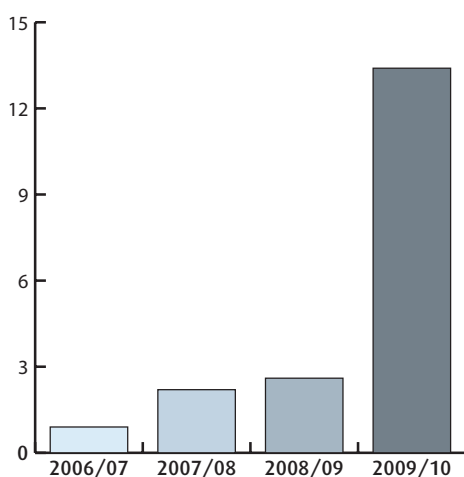
Financial Review

Results for the year

The University recorded a historic cost surplus of £13.4m, the fourth consecutive year of surpluses.

The operating surplus of £2.9m represented the fifth consecutive year of growth but remains under the target of 2% to 3% over the next five years.

Surplus £m



Total income for the year increased by 8.2% to £173.3m and total expenditure increased by 7.6% to £170.4m.

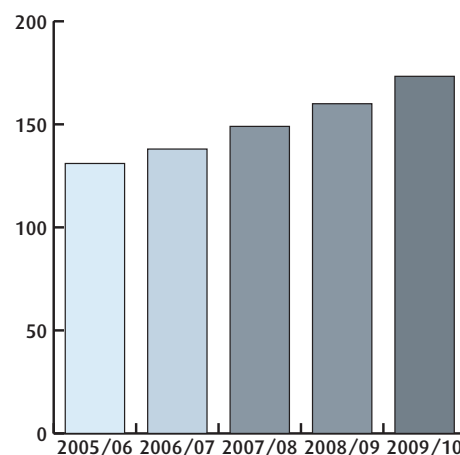
| | | |
|-------------------------------|-------|-------|
| | | |
| | | |
| Expenditure | 170.4 | 158.3 |
| | | |
| Surplus on property disposals | 10.0 | 0.0 |
| | | |
| Historic cost adjustment | 0.4 | 0.4 |
| | | |

As soon as it became clear that HEFCE grants were to be reduced in future years the decision was made to invest in areas for future income growth and also in productivity improvements. The budgeted surplus for the year of £4m would have been achieved without these targeted areas of investment.

Income Growth

Income grew by 8.2% and has now grown by 31% over the last five years.

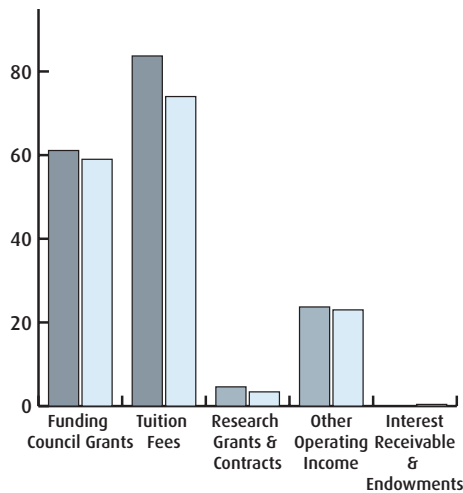
Total Income



Income growth was in all areas but tuition fee growth remained particularly strong. Overseas income grew (in line with budget) by 15% to £29.6m reflecting strong growth in South Asia. UK/EU fees exceeded expectations in growing by 18% to £36m reflecting improvements in retention, continued growth of collaborative activities and the success of the MODnet employer engagement programme.

Growth in grant income in the year was attributed to the increase in research and MODnet grants but HEFCE grant income now represents 31% of income against 41% 5 years ago. The effects of the forthcoming reduction in central government grants will therefore be marginally easier for the University to cope with.

Income by source



Expenditure

Expenditure increased by 7.6% over the year. Staff costs increased by 12% to £90m reflecting increases in staff FTE, particularly academic staff where numbers have grown by c. 10%. These staff increases were as a result of the University's decision to improve staff student ratios in certain areas and to invest further in key areas of income growth. Additional appointments in both academic and support staff have been made in MODnet and in research.

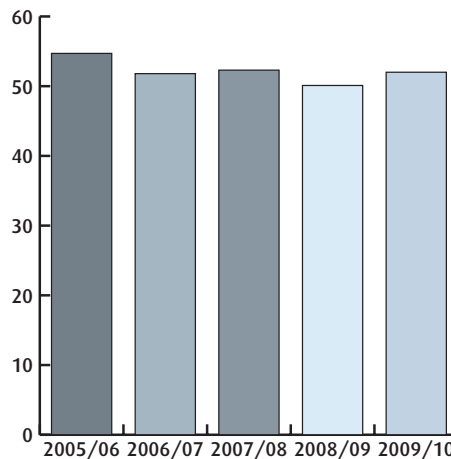
In addition cost increases were incurred as a result of the annual payrise (1.3% - 1.9%). Despite the in-year rise only being 0.5%, the impact of the prior year's 5% payrise in October 2008 had a residual impact on the year on year comparison. Furthermore, the cost of annual drift on the University's pay

spine is estimated at around 1.3%, and the University's contributions to the University Local Government Pension scheme increased by 0.8%, with a further increase of between 0.2% - 0.5% pension contributions on the new Single Pay spine salaries.

Staff costs represented 52% of total income but remains one of the lowest levels in the sector, reflecting the high level of outsourcing of support activities (including accommodation, security, cleaning, catering) and the efficiency of the existing operations

Nevertheless, the achievement of further efficiencies will be a crucial element in tackling the forthcoming central Government funding cuts and so we have set a long term target of reducing this percentage to 49%.

Staff costs as a percentage of total income



The increase in other expenses was only 0.9% but excluding last year's one off impairment charge the increase was 8.1%. This included a 46% increase in learning resources, a 24% increase in repairs and maintenance and a 25% increase in marketing, scholarships and bursaries. It is planned

that improved productivity measures will reduce non-staff expenses as a % of income by 0.5% per annum.

The total depreciation charge increased, reflecting the continued investment in teaching and research equipment.

Interest payable increased by £1.2m but this includes the FRS17 adjustment for interest payable on pensions liabilities. Excluding this element, and a one off adjustment in 2008/09, interest payable reduced marginally and remains well below the 3% target. The interest costs of the Phase 3 building are being capitalised, in line with accounting convention, during its development.

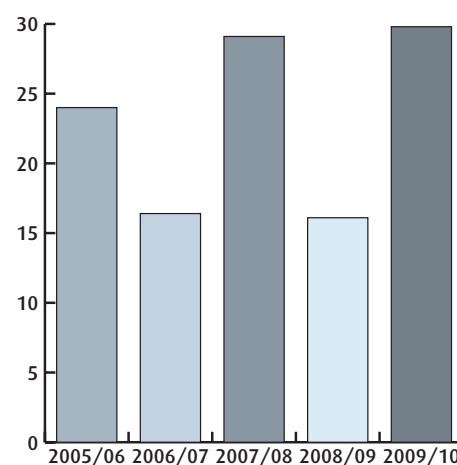
Balance Sheet

The University completed the 8th year of its Estates Development Strategy and invested a further £30m in infrastructure. It has now invested £155m over the last 8 years. The major investment during the year was on the new creative arts building at Hendon but other major projects are noted in Estates and Facilities (page 13).

The University plans to generate funds to expend on capital over and above the Estate Development Strategy. The target for 2009/10 was 5% of income and this was marginally exceeded.

The University has a £55m loan facility to provide the flexibility to manage the cost factors of this major investment. During the year the University received £13m in grants from HEFCE, £10m from completion of the sale of its old Enfield campus and drew down £19.5m of the new facility.

Capital spend £ms



Cash generated from operations was £7m, boosted by the surplus position. A large provision for the cost of the implementation of the National Framework Agreement was released in year. Creditors remained at similar levels (excluding the £10.5m deposit for the sale of our Enfield campus which had been held pending the final sale) and the increase in debtors was largely due to additional prepaid income with tuition fee debt falling. As noted above the capital expenditure programme was largely funded by grants and asset sales in year so the first draw down of the new facility with Lloyds resulted in cash balances increasing by £16m although the balance will decline in future years as the estate development strategy is completed.

Treasury Management

The University's cash levels fluctuate throughout the year due, in particular, to the timing of tuition fee receipts, capital expenditure programmes and property sales. The average monthly cash balance in the year was £16m with a range of £4m to £30m. All excess balances are invested with secure UK banks and building societies. The University uses Royal London Cash Management, cash managers who consistently out-perform the market, to manage its excess cash balances.

The long term policy is to always maintain cash levels at 2 months of expenditure (£27m for this year). However, during the period of development of Phase 3 this is balanced against the draw down of the new loan facility.

The University's loan profile is as follows. This excludes £12m shown in the accounts as long term creditor which relates to the lease premium received on Student Halls which is being amortised over the life of the lease (35 years).

| Total Debt £m | |
|-----------------------------|-------------|
| Barclays | 39.6 |
| Lloyds | 31.5 |
| British Linen Finance Lease | 1.4 |
| Total Borrowings | 72.5 |

Outlook

The University is planning to achieve a surplus in year of £3m, lower than previously anticipated because of the impact of previously announced cuts in grants. This surplus level, although lower than the long term target of 5% of income, will still enable the University to fund existing operations and to make a modest investment in its future. The phase 3 of the development of the flagship campus at Hendon will be largely completed during this coming financial year and this will be funded through the draw down of the remaining facility with Lloyds. It will be possible to fund capital expenditure on the existing estate and on replacement equipment and new investment at similar levels to prior years through the cash generated through operations.

The University's focus during the year beyond providing an outstanding student experience across the globe will be to seek to grow income in all areas, notably internationally, and to continue to strive to achieve improved productivity across all operations. International growth will be achieved in income from students studying at our London campuses, with our existing

and with new collaborative partners and with our international campuses.

Risk and uncertainties

The University has a well established set of procedures to assess and manage risks at both the corporate and departmental level.

The corporate risk register lists ten key risks facing the University at this time. The overriding risk is the uncertainty around future funding in the UK. Although the HEFCE grant now represents a lower proportion of the University's income than at any time since its inception, any impact on grant has a serious impact on the University given the low margin levels we operate within.

The University is seeking to mitigate this risk by further diversifying its income base and seeking productivity improvements across both academic delivery and support costs. It is also using detailed internal analyses of the relative contribution of all activities and benchmarking exercises with the sector to allocate resources, focus on relative financial performance and examine pricing where relevant.

The University is responding to the risks to its international base from the global economy and student visa issues by diversifying the income base both geographically and by type with growing contribution from international campuses and collaborative programmes (in turn highly diversified) adding to the strong recruitment of overseas students to the UK.

The University's Board of Governors Finance and General Purposes Committee reviews the key risks at each of its four meetings during the year so that appropriate mitigating actions can be taken.

Colin Hughes
Chair of the Board of Governors
22 November 2010

Public Benefit

Middlesex University makes a significant contribution through research, teaching and business and community interaction activities to the advancement of education as has been demonstrated in the other sections of this review.

As a charity we are committed to providing access to education for all and there is a wealth of activity at the University that supports these aims:

The University stepped in to replace reduced funding from Aim Higher to support the continuation of its award-winning mentoring scheme, MIDAS. The Middlesex scheme matches students with mentoring opportunities across the London region. Middlesex leads on working with those with disabilities and working with children and young adults from a care background. More than forty Middlesex students are currently part of the scheme, spending on average 5 hours a week on mentoring activities.

The University also runs the Student Associates placement scheme, including for early years, one of just five national pilot schemes. Seventy five current undergraduate students from several universities (including Middlesex) are in the programme, which is aimed at improving academic achievement for school students in low participation areas. The scheme also aims to encourage undergraduates to enter the teaching profession and is particularly aimed at addressing shortages in subject areas.

The University also offers a brokerage scheme for students, to help them find volunteering opportunities, focused over the next few years, on addressing mental health stigma, London 2012 sporting initiatives and international opportunities for volunteering – such as Project Gambia. This year, thirteen staff and students visited The Gambia providing coaching and support to local community football teams including a sports injury clinic and first aid training.

There were more than 500 volunteering opportunities over the last year for active students and graduates in sport and outreach activities. One such scheme, with Tottenham Hotspur FC, sees students and staff supporting their training and coaching activities with people with disabilities.

The University has considerably strengthened initiatives around its environmental protection and sustainability agenda during the year. Changing the behaviour of staff and students on campus will be a priority for the coming year – including increasing recycling, further reducing car journeys and reducing waste. The University's approach to construction and the environmental sustainability of our developments is central to our planning. The new Art, Design and Media Building, currently under construction, and previously the award-winning Hatchcroft building are exemplars of our commitment to implement sustainable technologies.

University experts continue to provide thought leadership in areas such as human rights and forensic psychological services, focused on the promotion of social justice and contributions to the development of public policy and services.

Middlesex continues to make a significant contribution to the arts, from supporting community art projects through to exhibiting student work publicly and freely off-campus. Public exhibitions and children's art clubs continue to be central to the mission of the University's Museum of Domestic Design and Architecture (MoDA) and the annual Middlesex Art and Design Degree Show was open free of charge to the public for five days at the Truman Brewery in Brick Lane in east London.

Corporate Social Responsibility

Middlesex University aims to embed corporate social responsibility (CSR) into everything we do. During 2009-10, we have developed a robust and comprehensive CSR policy, with a focus on the following four key areas:

- the workplace (university staff, students and our governance)
- the community (the people and places in which we operate)
- the marketplace (our suppliers, contractors and partners)
- the natural environment.

Exemplars of our commitment to CSR include:

- the determination to ensure that our new buildings meet the highest environmental sustainability standards, including high standards of thermal efficiency and recycling of heat and water
- support of a student-led environmental sustainability campaign
- a green transport policy, developed in consultation with staff, students and external stakeholders.



Membership of the Board of Governors

During the 2009-10 year and subsequently

| Name | Status | Committees Served | Dates |
|---|----------------------|---|---|
| Mrs L Cocking (Chair) | Independent Governor | Governance/ Nominations Senior Staff Conditions of Service Estate Development Strategy Task Group International Joint Task Group | From 24 March 2010 Retired from Board 21 June 2010 |
| Mr P Cheeseman | Independent Governor | Finance and General Purposes Governance/ Nominations Estate Development Strategy Task Group | 3 October 2005 - 22 July 2009 |
| Mr C Hughes | Independent Governor | Finance and General Purposes Governance/ Nominations | From June 2010 14 September 2009 - 21 June 2010 |
| Deputy Chair of the Board Chair of the Board | | | From 21 June 2010 |
| Mrs D Gray | Independent Governor | Finance and General Purposes Audit Senior Staff Conditions of Service | Until February 2010 From February 2010 |
| Mr S Hand | Independent Governor | Finance and General Purposes Estate Development Strategy Task Group | |
| Mr G Lambert | Independent Governor | Finance and General Purposes Governance/ Nominations International Joint Task Group | 24 March 2010 - 26 May 2010 |
| Ms J Mulroy | Independent Governor | Audit | |
| Mr A Parsons | Independent Governor | Audit | |
| Sir M Partridge | Independent Governor | Audit International Joint Task Group | From 24 March 2010 |
| Mr N Rashid | Independent Governor | Audit | Resigned from Board November 2009 |
| Alan Riddell | Independent Governor | Audit | |
| Dame J Ritterman (Deputy Chair) | Independent Governor | Audit | |
| Ms A Robinson | Independent Governor | Finance and General Purposes Governance/ Nominations Estate Development Strategy Task Group | |

| Name | Status | Committees Served | Dates |
|-------------------------------|------------------------|--|---|
| Ms L Spence | Independent Governor | Finance and General Purposes Senior Staff Conditions of Service | |
| Mrs S Truttero | Independent Governor | Audit | Resigned from Board November 2009 |
| Mr P Thomas (Deputy Chair) | Independent Governor | Finance and General Purposes | Joined the Board November 2009 |
| Cllr Mike Freer | Co-opted lay Governor | Audit | Resigned from Board November 2009 |
| Ms A Boden | Co-opted lay Governor | Audit International Joint Task Group | Joined the Board 21 June 2010 With effect from September 2010 |
| Mr B Desai | Co-opted lay Governor | International Joint Task Group | Joined the Board 21 June 2010 With effect from September 2010 |
| Mr A Doyle | Co-opted lay Governor | | Joined the Board 21 June 2010 |
| Mr N Rochez | Co-opted lay Governor | | Joined the Board 21 June 2010 |
| Professor M Driscoll | Vice-Chancellor | Finance and General Purposes Senior Staff Conditions of Service (Speaking observer) Audit (Speaking observer) Governance/ Nominations | |
| Dr Tracey Cockerton | Academic Board nominee | Governance/ Nominations | |
| Professor Alan Durant | Academic Board nominee | Finance and General Purposes (Speaking observer) | |
| Dr J Alleyne | Staff nominee | Finance and General Purposes | |
| Mrs J Compton-Bishop | Staff nominee | Governance/ Nominations | |
| Ms A Gajownik | Student nominee | Finance and General Purposes (Speaking observer) | 01/07/09 - 30/06/10 |
| Mr M Kumar | Student nominee | Finance and General Purposes (Speaking observer) | With effect from 01/07/10 |
| Mr R Singh | Student nominee | Governance/ Nominations | 01/07/09 - 30/06/10 |
| Mr R Radley | Student nominee | Governance/ Nominations | With effect from 01/07/10 |

Corporate Governance

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in section one of the Combined Code on Corporate Governance issued by the London Stock Exchange in 2006. Its purpose is to help the reader of the accounts understand how the principles have been applied.

The Board of Governors

The composition of the Board of Governors is set out on page 22 and 23. It is the Board of Governors' responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board of Governors is provided with regular and timely information on the overall financial performance of the University together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Board of Governors meets four times a year.

The Board of Governors conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board of Governors. The committee structure has been revised so that the committees are Finance and General Purposes Committee, a Governance Committee, a Senior Staff Conditions of Service Committee and an Audit Committee.

All governors are able to take independent professional advice in furtherance of their duties at the University's expense and have access to the Clerk to Board, who is responsible for ensuring that all applicable procedures and regulations are complied with. The appointment

and removal of the Clerk are matters for the Board of Governors as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad hoc basis.

The Board of Governors has a strong and independent non-executive element and no individual or group dominates its decision making process. The Board of Governors considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of Chair and Vice-Chair of the Board of Governors are separated from the role of the University's Chief Executive, the Vice-Chancellor.

Appointments to the Board of Governors

Any new appointments to the Board of Governors are a matter for the consideration of the Board of Governors as a whole. The Board of Governors has a nominations committee which is responsible for the selection and nomination of any new member for the Board of Governors' consideration. The Board of Governors is responsible for ensuring that appropriate training is provided as required. Members of the Board of Governors are appointed for a term of office not exceeding 3 years.

Finance and General Purposes Committee

The Finance & General Purposes Committee meets six times a year. Up to ten governors, who are not members of Audit Committee, serve on the committee with three student and staff governors attending as non-speaking observers. The Vice-Chancellor and all



members of the University's Executive team also attend all meetings.

Monitoring of the University's financial position, financial control systems and risk management is undertaken by the Finance & General Purposes Committee. The Committee examines annual estimates and accounts (including the accounting policies upon which they are based) and recommends their approval to the board of governors. It ensures that there is close alignment between the corporate plan, annual budgets and all major investment decisions.

Finance & General Purposes Committee considers any other matters relevant to the financial duties of the Board of Governors and makes recommendations accordingly. The Committee also ensures that the Board of Governors

has adequate information to enable it to discharge its financial responsibilities.

Consideration of the University's medium-term and strategic plans is also undertaken by the Finance and General Purposes Committee. It is responsible for ensuring that all the financial implications of such plans are taken into account before their approval by the Board of Governors.

In addition, it is responsible for considering the University's capital programme before it can be recommended to the Board of Governors for approval. Similarly, it considers and makes recommendations to the Board of Governors on the allocation of resources between academic and non-academic areas. All human resource, IT and Student Union matters are considered by this Committee on behalf of the board.

Audit Committee

The Audit Committee meets three times a year, with the University's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect the University's business and monitors adherence to the regulatory requirements. While senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee and at each meeting the Committee has the opportunity to meet the External Auditors on their own for independent discussions.

The University's internal auditors monitor the systems of internal control in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Board of Governors on the appointment of internal and external auditors and their remuneration for both audit and non-audit work.

Senior Staff Conditions of Service

The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Vice-Chancellor and other senior post holders. Details of remuneration for the year ended 31 July 2010 are set out in note 6 to the financial statements.

Internal Control

The University's Governing Body, the Board of Governors, is responsible for ensuring that the University maintains an effective system of internal control. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2010 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

The Board of Governors has delegated the day to day responsibility to the Vice-Chancellor, as Accounting Officer, for reviewing the adequacy of the system of internal financial control and making any appropriate amendments. He is also responsible for reporting to the Board of Governors any material weaknesses or breakdowns in internal financial control.

The following processes are in place to ensure the effectiveness of the University's internal control and risk management:

- The Board of Governors meets four times a year to consider the plans and strategic direction of the Institution. It is advised by its key committees, receiving regular reports from the Audit and Finance and General Purposes Committees and other reports from management as required. In addition the Board of Governors holds an away day each year to discuss in greater detail a key strand of the Corporate Plan. The assumptions and aims were reviewed against domestic demand,

international demand, funding and research and business development.

- The Finance and General Purposes Committee's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team.
- The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units.
- The senior management team and the Audit Committee also receive regular reports from internal audit which include recommendations for improvement. The Audit Committee's role in this area is to conduct a high level review of the arrangements for internal financial control.
- The Board of Governors' review of the effectiveness of the system of internal control is informed by the work of the internal auditors, Grant Thornton, who operate to the standards defined in the HEFCE code of audit practice.
- An organisation-wide risk register is maintained and is available on the University's intranet. The register is reviewed and updated regularly and management report on the actions taken to mitigate risks. The register and corporate plan are cross referenced to each other as an additional mechanism for the identification of risks. Departmental plans report on the local management of corporate risks, identify risks at an operational level and include plans for the mitigation of these risks.
- Monthly management accounts are presented to Finance and General Purposes Committee and the Board of Governors. The annual budget, financial forecasts, any Corporate Plan revisions and the annual monitoring statement are all presented for formal approval by both the committees.

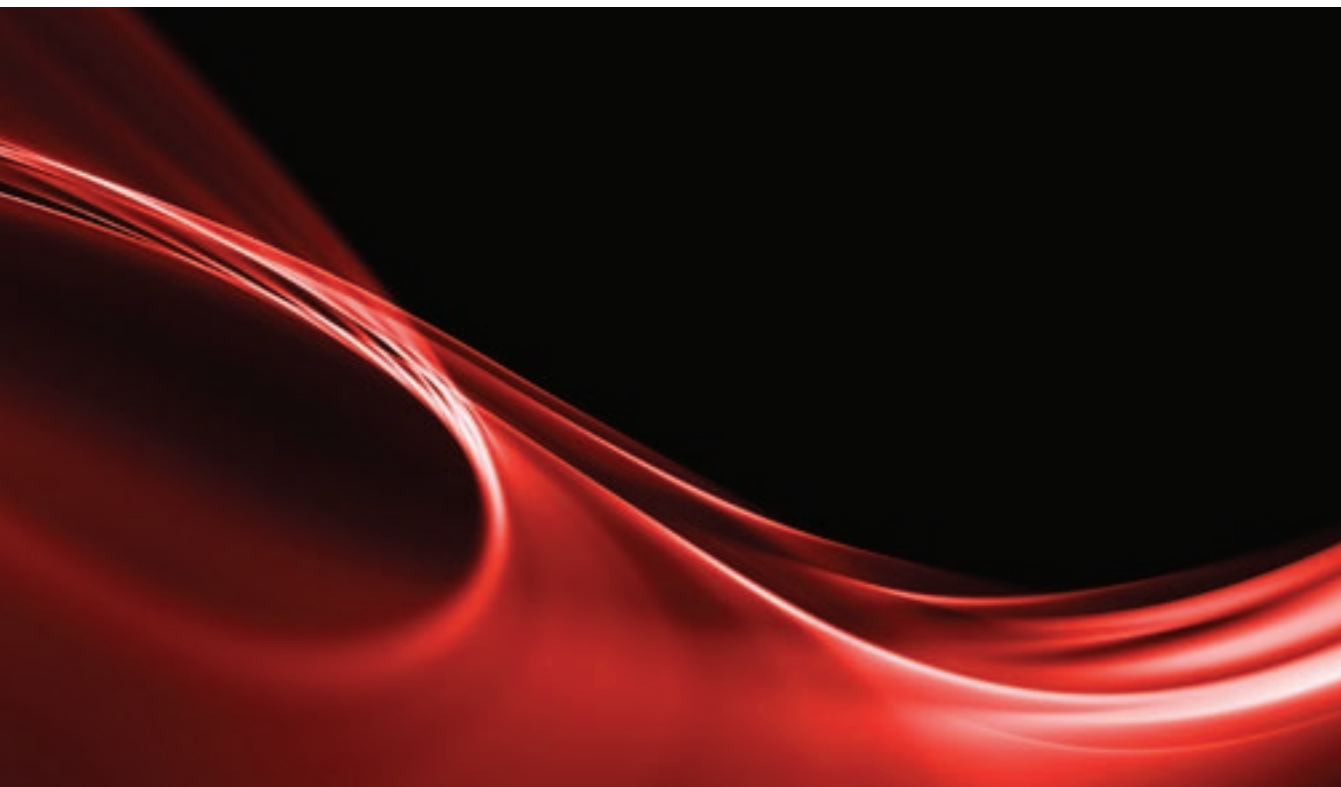
The Governing Body is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks; that it has been in place for the year ended 31 July 2010 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Governing Body and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education. The University also complies with the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales that was issued by the Committee of University Chairmen in November 2004.

These processes enable the University to identify those elements of internal control which require further strengthening and these reviews have not identified any significant area of internal control weakness for the University.

Going Concern

After making appropriate enquiries, the Board of Governors considers that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Statement of the Responsibilities of the Board of Governors



In accordance with the University's Instrument and Articles of Government, the Board of Governors is responsible for the administration and management of the University's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University's Articles, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant UK accounting standards.

In addition, within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England (HEFCE)

and the Funding Agreement with the Training and Development Agency (TDA) and the University's Board of Governors, the Board of Governors - through its designated office holder - is required to prepare financial statements for each financial year which give a true and fair view of the University's state of affairs and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, the Board of Governors has ensured 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; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Institution will continue in operation. The Board of Governors is satisfied that it has adequate resources

to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Governing Body has taken reasonable steps to:

- ensure that funds from HEFCE, LSC and the TDA are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Councils and the Funding Agreement with the TDA, and any other conditions which the Funding Council or Agency may from time to time prescribe;
- 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, prevent and detect fraud, and ensure that risk management is in place;
- secure the economical, efficient and effective management of the University's resources and expenditure; and
- ensure that the University operates an effective health and safety policy.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance & General Purposes Committee; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Governors and whose head provides the Board of Governors with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

Independent Auditor's Report to the Board of Governors of Middlesex University

We have audited the financial statements of Middlesex University for the Year ended 31 July 2010 which comprise the Consolidated Income and Expenditure Account, the Balance Sheets for the Group and the University, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Note of Historical Costs Surpluses and Deficits, the Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of The Board of Governors and auditors

As described in the Statement of Board of Governors Responsibilities the University's Board is responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. We also report to you if, in our opinion, the information given in the Report of the Board of Governors is not consistent with the financial statements, the Board has not kept proper accounting records, if we have not received all the information

and explanations we require for our audit, or if information specified by law regarding the remuneration of the Board of Governors or other transactions is not disclosed.

We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We read the other information contained in the Report of the Board and consider whether it is consistent with the audited financial statements. The other information comprises only the Corporate Governance Statement, the Operating and Financial Review, and the Statement of the Responsibilities of the Board of Governors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the University's statutes and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the University's statutes or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of opinion

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

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

Opinion

In our opinion:
the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Group as at 31 July 2010 and of its surplus of income over expenditure for the year then ended;

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the University as at 31 July 2010 and of its surplus of income over expenditure for the year then ended;

the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions";

income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received; and

income has been applied in accordance with the University's statutes and where appropriate with the applicable Financial Memorandums with the Higher Education Funding Council for England.

BDO LLP
Chartered Accountants and
Registered Auditor
Epsom, Surrey

Date:

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Accounting Policies

A. Accounting Convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of inherited land, buildings and assets in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 and applicable UK accounting standards.

The financial statements consolidate the accounts of the University and its material subsidiary undertakings. Details of the subsidiary undertakings included are given at note 13. The subsidiary undertakings are consolidated on a line by line basis with intra-group transactions and balances eliminated on consolidation.

The University's business activities and future activities are set out in the Operating and Financial Review. After reviewing the University financial position, forecasts and financial facilities, the Board have a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the University has continued to adopt the going concern basis in preparing the annual report and accounts.

B. Recognition of Income

Income from Funding Council Recurrent Grants, Tuition Fees and Education Contracts is included in the period in which it is receivable. Income from Restricted Donations, Research Grants, Contracts and Other Services Rendered is included to the extent of the spend incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits is credited to the Income and Expenditure Account on a receivable basis. All income from endowments is credited to the income and expenditure account

on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to restricted endowments.

C. Foreign Currencies

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 either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

D. Investments

Investments are stated at cost less provision for impairment in value.

E. Tangible Fixed Assets

Freehold land and buildings, long leasehold and short leasehold premises are included at cost or valuation together with subsequent refurbishment expenditure, less amounts written off by way of depreciation. In the case of properties and assets inherited by the University under the Education Reform Act 1988, these are included at valuation at the time of inheritance. Freehold land is not depreciated. Finance costs that are directly attributable to the construction of land and buildings are capitalised as part of the costs of those assets. Equipment costing less than £30,000 is generally written off in the year of acquisition. Depreciation is provided on capitalised tangible fixed assets, other than freehold land, over the following periods:

| Buildings | |
|--|---------------|
| Freehold | 50 years |
| Minor improvements | 10 - 20 years |
| Equipment | |
| Computer hardware and software | 4 years |
| Other including fixtures and fittings. | 5 - 10 years |
| Motor cars | 3 years |

Assets in the course of construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to the end of the year. They are not depreciated until they are brought into use.

Following the implementation of Accounting Standard FRS15 'Tangible Fixed Assets' during the year ended 31 July 2000, the University adopted a policy of not revaluing fixed assets. The carrying amounts of tangible fixed assets previously revalued were retained at their book value.

Grants received to finance the acquisition of tangible fixed assets are treated as deferred capital grants and released to income on a straight line basis over the same period as the related asset is depreciated.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount may not be recoverable, whether through the economic benefits of use or through disposal. Where there is evidence of impairment, fixed assets are written down to the recoverable amount.

F. Intangible Fixed Assets

Intangible assets are included at cost and amortisation is calculated on a straight line basis to write off Intangible assets over their anticipated useful lives. Estimated useful lives are:

| | |
|------------|----------|
| Patents | 10 years |
| Trademarks | 10 years |

Amortisation is applied from the beginning of the financial year after which expenditure is incurred and provision is made for any impairment.

G. Endowment Assets

Endowment assets are stated at valuation.

H. Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

I. Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

J. Taxation

Middlesex University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the Institution is potentially exempt from taxation

in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

K. Pensions

The two principal pension schemes for the University's staff are the Teachers Pension Scheme (TPS) and the Local government Pension Scheme (LGPS). The schemes are defined benefit schemes which are independently administered. A small number of staff remain on other pension schemes.

Past service costs are recognised immediately in the Income and Expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest costs and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

On 22 June 2010 it was announced in the Chancellor's Emergency Budget that increases to public sector pensions will in future be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). These revised pension increases will be effective from 1 April 2011. It is expected that CPI will be significantly lower than RPI in future periods thus reducing the pension scheme liability. The credit arising from this change in assumptions in the LGPS has been recognised in the statement

of total recognised gains and losses for the year ended 31 July 2010.

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 liability. The carrying value of any resulting pension scheme asset is restricted to the extent that the University is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is net of any related deferred tax balance.

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 surplus and deficits in accordance with FRS17 "Retirement Benefits".

L. Repairs and Maintenance

The cost of maintenance is charged to the income and expenditure account as incurred.

M. Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event. It is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

N. Assets Identified For Disposal

Assets identified for disposal are stated at the lower of cost or net realisable value.



Consolidated Income and Expenditure Account for the year ended 31 July 2010

| | Notes | Year ended 31 July 2010 £000 | Year ended 31 July 2009 £000 |
|---|-------|------------------------------------|------------------------------------|
| Income | | | |
| Funding body grants | 1 | 61,193 | 59,317 |
| Tuition fees and education grants | 2 | 83,700 | 74,049 |
| Research grants and contracts | 3 | 4,582 | 3,412 |
| Other operating income | 4 | 23,719 | 23,063 |
| Endowment income and interest receivable | 5 | 122 | 361 |
| Total Income | | 173,316 | 160,202 |
| Expenditure | | | |
| Staff costs | 6 | 90,005 | 80,317 |
| Other operating expenses | 7 | 65,561 | 64,946 |
| Depreciation | 12 | 8,770 | 8,292 |
| Interest payable | 8 | 6,093 | 4,770 |
| Total Expenditure | | 170,429 | 158,325 |
| Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax | | 2,887 | 1,877 |
| Surplus on disposal of assets | | 95 | - |
| Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax | | 2,982 | 1,877 |
| Taxation | 10 | 2 | (246) |
| Minority interest | | (101) | - |
| Surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and tax | | 3,081 | 2,123 |
| Transfer from accumulated return within restricted endowments | | 636 | 164 |
| Surplus for the year retained within general reserves | | 3,717 | 2,287 |

All results are from continuing operations.

Consolidated statement of historical cost surpluses and deficits

for the year ended 31 July 2010

| | Notes | Year ended 31 July 2010 £000 | Year ended 31 July 2009 £000 |
|---|-------|------------------------------------|------------------------------------|
| Surplus on continuing operations before taxation | | 3,083 | 1,877 |
| Realisation of property revaluation gains | 22 | 9,917 | - |
| Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount | 22 | 429 | 429 |
| Historical cost surplus for the period before taxation | | 13,429 | 2,306 |
| Historical cost surplus for the period after taxation | | 13,427 | 2,552 |

The notes on pages 42 to 60 form part of these financial statements.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 July 2010

| | Notes | Year ended 31 July 2010 £000 | Year ended 31 July 2009 £000 |
|---|-------|------------------------------------|------------------------------------|
| Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax | | 3,081 | 2,123 |
| New endowments | 21 | 650 | 319 |
| Actuarial loss on local government pension scheme | 32 | (452) | (17,045) |
| Gain arising from change in local government pension scheme benefits | 32 | 6,801 | - |
| Foreign exchange translation differences on foreign currency net investment in subsidiaries | 23 | 44 | 127 |
| Total recognised gains/(losses) for the year | | 10,124 | (14,476) |
| Total gains/(losses) recognised since last financial year | | 10,124 | (14,476) |
| Reconciliation | | | |
| Opening reserves and endowments | | 7,884 | 22,360 |
| Total recognised gains/(losses) for the year | | 10,124 | (14,476) |
| Closing reserves and endowments | | 18,008 | 7,884 |

The notes on pages 42 to 60 form part of these financial statements.

Balance Sheets

as at 31 July 2010

| | Notes | Group 2010 £000 | University 2010 £000 | Restated Group 2009 £000 | Restated University 2009 £000 |
|--|-------|-----------------------|----------------------------|-----------------------------------|--|
| Fixed assets | | | | | |
| Tangible assets | 12 | 176,561 | 176,325 | 155,497 | 155,379 |
| Investments | 13 | 66 | 1,102 | 66 | 166 |
| | | <u>176,627</u> | <u>177,427</u> | <u>155,563</u> | <u>155,545</u> |
| Endowment assets | 21 | 769 | 769 | 755 | 755 |
| Current assets | | | | | |
| Stock | 14 | 310 | 8 | 478 | - |
| Fixed assets identified for disposal | | - | - | 20,723 | 20,723 |
| Debtors: amounts falling due within one year | 15 | 17,495 | 17,080 | 15,431 | 14,509 |
| Debtors: amounts falling due after more than one year | 15 | 1,808 | 1,808 | 1,871 | 1,871 |
| Cash at bank and in hand | 16 | 27,238 | 24,103 | 10,853 | 8,390 |
| | | <u>46,851</u> | <u>42,999</u> | <u>49,356</u> | <u>45,493</u> |
| Creditors: amounts falling due within one year | 17 | (35,171) | (32,991) | (45,098) | (43,177) |
| Net current assets | | <u>11,680</u> | <u>10,008</u> | <u>4,258</u> | <u>2,316</u> |
| Total assets less current liabilities | | 189,076 | 188,204 | 160,576 | 158,616 |
| Creditors: amounts falling due after more than one year | 18 | (84,541) | (84,541) | (66,784) | (66,784) |
| Provisions for liabilities and charges | 19 | (7,660) | (7,660) | (10,511) | (10,511) |
| NET ASSETS (excluding pensions liability) | | <u>96,875</u> | <u>96,003</u> | <u>83,281</u> | <u>81,321</u> |
| Net pensions liability | 32 | (45,360) | (45,360) | (51,488) | (51,488) |
| NET ASSETS (including pensions liability) | | <u>51,515</u> | <u>50,643</u> | <u>31,793</u> | <u>29,833</u> |
| Deferred capital grants | 20 | 33,608 | 33,608 | 23,909 | 23,909 |
| Endowments | 21 | 769 | 769 | 755 | 755 |
| Reserves | | | | | |
| Revaluation reserve | 22 | 27,163 | 27,163 | 37,509 | 37,509 |
| Income and expenditure account (including pension reserve) | 23 | (9,924) | (10,897) | (30,380) | (32,340) |
| | | <u>18,008</u> | <u>17,035</u> | <u>7,884</u> | <u>5,924</u> |
| Minority interest | | (101) | - | - | - |
| TOTAL FUNDS | | <u>51,515</u> | <u>50,643</u> | <u>31,793</u> | <u>29,833</u> |

The financial statements on pages 36-60 were approved and authorised for issue by the University Board on 22nd November 2010 and were signed on its behalf by: -

Colin Hughes
Chair of the Board of Governors

Professor Michael Driscoll
Vice-Chancellor

Melvyn Keen
Director of Finance

The notes on pages 42 to 60 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 July 2010

| | Notes | Year ended 31 July 2010 £000 | Year ended 31 July 2009 £000 |
|--|-------|------------------------------------|------------------------------------|
| Net Cash inflow from operating activities | 24 | 6,994 | 5,547 |
| Returns on investment and servicing of finance | 25 | (2,828) | (2,308) |
| Taxation | 10 | (2) | 246 |
| Capital expenditure | 27 | (5,954) | (4,826) |
| Cash outflow before management of liquid resources | | <u>(1,790)</u> | <u>(1,341)</u> |
| Financing | 26 | 18,189 | (1,649) |
| Increase/(decrease) in cash in the year | 28 | <u>16,399</u> | <u>(2,990)</u> |
| Reconciliation of net cash flow to movement in net funds/(debt) | | | |
| Increase/(decrease) in cash in the year | 28 | 16,399 | (2,990) |
| Loan repayment in the year | 26 | 1,145 | 1,087 |
| Cash inflow from new bank loan | 26 | (19,500) | - |
| Cash used to repay finance leases | 26 | 166 | 562 |
| Change in net debt | 28 | (1,790) | (1,341) |
| Net debt at 1 August | 28 | (44,118) | (42,777) |
| Net debt at 31 July | | <u>(45,908)</u> | <u>(44,118)</u> |

The notes on pages 40 to 60 form part of these financial statements.

Notes to the Accounts





Notes to the Accounts

| 1. Funding body grants | Year ended 31 July 2010 £000 | Year ended 31 July 2009 £000 |
|--|------------------------------------|------------------------------------|
| Recurrent grants | | |
| Higher Education Funding Council for England (HEFCE) | 46,291 | 47,083 |
| Training and Development Agency (TDA) | 3,627 | 3,440 |
| Specific grants | | |
| Higher Education Innovation Fund | 1,076 | 692 |
| Teaching Quality Enhancement | 4 | 746 |
| Aim Higher | 208 | 970 |
| Centres for Excellence in Teaching and Learning | 1,103 | 1,122 |
| Research grants | 3,397 | 1,945 |
| MODNet grants | 2,349 | 885 |
| Other grants | 143 | 206 |
| Deferred capital grants released in year | | |
| Buildings | 2,743 | 1,966 |
| Equipment | 252 | 262 |
| | 61,193 | 59,317 |
| 2. Tuition fees and education grants | | |
| | Year ended 31 July 2010 £000 | Year ended 31 July 2009 £000 |
| Full-time students charged home fees | 36,006 | 30,492 |
| Full-time students charged overseas fees | 29,565 | 25,667 |
| Part-time fees | 4,162 | 3,615 |
| Short course fees | 1,602 | 1,296 |
| NHS education contracts | 12,365 | 12,979 |
| | 83,700 | 74,049 |
| 3. Research grants and contracts | | |
| | Year ended 31 July 2010 £000 | Year ended 31 July 2009 £000 |
| Research Councils | 1,673 | 701 |
| UK based charities | 572 | 490 |
| UK central government | 744 | 722 |
| UK industrial | 115 | 44 |
| European Commission | 1,039 | 1,189 |
| EU other | 146 | 142 |
| Other sources | 293 | 124 |
| | 4,582 | 3,412 |

Notes to the Accounts

| 4. Other operating income | Year ended 31 July 2010 | Year ended 31 July 2009 |
|---------------------------------------|----------------------------|----------------------------|
| | £000 | £000 |
| Residences, catering and conferences | 5,165 | 4,941 |
| Other services rendered | 3,726 | 5,256 |
| Sports income | 380 | 311 |
| Childcare | 590 | 459 |
| Rent and room hire | 1,052 | 1,107 |
| Validation fees | 3,563 | 3,478 |
| Subsidiary companies trading income | 4,125 | 3,030 |
| Releases from deferred capital grants | 88 | 392 |
| Other income | 5,030 | 4,089 |
| | 23,719 | 23,063 |

| 5. Endowment income and interest receivable | Year ended 31 July 2010 | Year ended 31 July 2009 |
|---|----------------------------|----------------------------|
| | £000 | £000 |
| Income from endowments | 5 | 16 |
| Interest receivable | 117 | 345 |
| | 122 | 361 |

| 6. Staff | Year ended 31 July 2010 | Year ended 31 July 2009 |
|--|----------------------------|----------------------------|
| | Number | Number |
| The average monthly numbers of employees during the year were: | | |
| Academic | 771 | 733 |
| Administration and senior staff | 979 | 890 |
| Technical | 110 | 108 |
| Other (including Research) | 119 | 117 |
| | 1,979 | 1,848 |

| Staff costs for the above persons: | Year ended 31 July 2010 | Year ended 31 July 2009 |
|------------------------------------|----------------------------|----------------------------|
| | £000 | £000 |
| Wages and salaries | 73,909 | 66,100 |
| Social security costs | 6,249 | 5,643 |
| Other pension costs | 9,847 | 8,574 |
| | 90,005 | 80,317 |

| | Year ended 31 July 2010 | Year ended 31 July 2009 |
|---|----------------------------|----------------------------|
| | £000 | £000 |
| Employment costs for staff on permanent contracts | 75,065 | 68,929 |
| Employment costs for staff on temporary contracts | 14,533 | 10,930 |
| Enhanced Pensions provision charged | 407 | 458 |
| | 90,005 | 80,317 |

Severance costs of £538k were approved by the governing body in the year ended 31 July 2010 (2009: £47k).

Notes to the Accounts

6. Staff (continued)

The number of staff including senior post-holders and the Vice-Chancellor, who received emoluments in the following ranges was:

| | Year ended 31 July 2010 | Year ended 31 July 2009 |
|----------------------|------------------------------------|----------------------------|
| | Number | Number |
| £100,001 to £110,000 | 7 | 5 |
| £110,001 to £120,000 | 1 | - |
| £120,001 to £130,000 | - | 1 |
| £140,001 to £150,000 | 1 | 2 |
| £150,001 to £160,000 | 2 | 2 |
| £160,001 to £170,000 | 2 | 1 |
| £170,001 to £180,000 | 1 | - |
| £180,001 to £190,000 | - | 1 |
| £190,001 to £200,000 | 1 | - |
| £240,001 to £250,000 | - | 1 |
| £250,001 to £260,000 | 1 | - |
| | 16 | 13 |

The above senior post-holder emoluments are made up as follows:

| | Year ended 31 July 2010 | Year ended 31 July 2009 |
|-------------------------|------------------------------------|----------------------------|
| | £000 | £000 |
| Salaries | 1,866 | 1,433 |
| Benefits in kind | 79 | 69 |
| Pension contributions | 318 | 249 |
| Total emoluments | 2,263 | 1,751 |

Emoluments of the Vice-Chancellor

The above emoluments include amounts payable to the Vice-Chancellor (who is also the highest paid senior post-holder) of:

| | Year ended 31 July 2010 | Year ended 31 July 2009 |
|-------------------------|------------------------------------|----------------------------|
| | £000 | £000 |
| Salary | 211 | 201 |
| Benefits in kind | 18 | 17 |
| Pension contributions | 30 | 28 |
| Total emoluments | 259 | 246 |

The pension contributions for the Vice-Chancellor and senior post-holders are in respect of employer's contributions to either the Teachers Pension Scheme or the Local Government Pension Scheme and are paid at the same rate as for other employees.

Notes to the Accounts

| 7. Other operating expenses | Year ended 31 July 2010 | Year ended 31 July 2009 |
|---|----------------------------|----------------------------|
| | £000 | £000 |
| Consumables | 2,268 | 1,891 |
| Learning resources | 2,546 | 1,745 |
| Funds payable to other colleges | 6,721 | 8,980 |
| Auditors' remuneration | 290 | 340 |
| Catering and hospitality | 769 | 723 |
| Marketing related costs | 2,514 | 2,394 |
| Collaborative partners and advisors | 2,563 | 3,189 |
| External staffing and services | 1,519 | 1,042 |
| Staff development costs | 1,250 | 800 |
| Student recruitment, bursaries and scholarships | 12,804 | 10,246 |
| Subscriptions and memberships | 734 | 1,014 |
| Equipment and furniture (not capitalised) | 928 | 177 |
| IT expenditure and maintenance | 4,918 | 4,866 |
| IT operating leases | 1,026 | 911 |
| NHS service charge costs | 1,048 | 954 |
| Grants to Student Union | 680 | 539 |
| Transport, travel and subsistence | 2,595 | 2,470 |
| Insurance | 631 | 534 |
| Telephones and postage | 454 | 487 |
| Rent and rates | 2,888 | 2,776 |
| Repairs and general maintenance | 2,330 | 1,886 |
| Utilities | 2,101 | 1,995 |
| Other premises costs | 7,646 | 7,235 |
| Fixed asset impairment charge | - | 4,365 |
| Other expenditure | 4,338 | 3,387 |
| | 65,561 | 64,946 |

The University reimbursed nine of its members of the board of Governors for a total of £4,000 relating to travel expenditure incurred during the year.

| | 31 July 2010 | 31 July 2009 |
|---|--------------|--------------|
| | £000 | £000 |
| Other operating expenses include: | | |
| Auditors' remuneration fees payable in respect of: | | |
| Audit annual financial statements - BDO LLP* (2009: Deloitte LLP) | 127 | 160 |
| Audit annual financial statements - other auditors | 19 | 18 |
| Tax and other services from external auditors | 8 | 36 |
| Internal audit (Grant Thornton LLP) | 136 | 126 |

* includes £108,100, in respect of the University (2009: £106,090)

| 8. Interest Payable | Year ended 31 July 2010 | Year ended 31 July 2009 |
|---|----------------------------|----------------------------|
| | £000 | £000 |
| On pension liabilities | 3,143 | 2,101 |
| Other loans not wholly repayable within five years | 2,850 | 2,896 |
| Bank overdrafts | 11 | 28 |
| Finance leases | 84 | (259) |
| Other | 5 | 4 |
| Total | 6,093 | 4,770 |
| Reconciliation of interest payable: | £000 | £000 |
| Total interest payable | 6,185 | 4,770 |
| Less amount capitalised (Note 12) | (92) | - |
| Interest payable included with Income and Expenditure account | 6,093 | 4,770 |

Notes to the Accounts

9. Analysis of expenditure by activity

| | Staff Costs | Depreciation | Other operating activities | Interest payable | Total |
|--------------------------------------|---------------|--------------|----------------------------|------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Academic departments | 54,763 | 1,603 | 14,325 | - | 70,691 |
| Academic services | 19,239 | 2,896 | 18,091 | - | 40,226 |
| Research grants and contracts | 1,369 | - | 3,213 | - | 4,582 |
| Residences, catering & conferences | 109 | 317 | 4,993 | 84 | 5,503 |
| Premises | 4,683 | 1,535 | 11,001 | 2,850 | 20,069 |
| Administration and central services* | 8,161 | 2,390 | 9,773 | - | 20,324 |
| Other expenditure | 1,681 | 29 | 4,165 | 3,159 | 9,034 |
| Total operating expenditure | 90,005 | 8,770 | 65,561 | 6,093 | 170,429 |

The depreciation charge has been funded by:

| | |
|--|--------------|
| Revaluation reserve release (Note 22) | 429 |
| Deferred capital grant release (Note 20) | 3,083 |
| General income | 5,258 |
| | <u>8,770</u> |

*Administration and central services expenditure includes expenditure incurred on student and staff facilities and amenities, and general educational expenditure.

10. Taxation

| | Year ended 31 July 2010 | Year ended 31 July 2009 |
|--|----------------------------|----------------------------|
| | £000 | £000 |
| UK corporation tax receivable on the profits of the University's subsidiary companies. | 2 | (246) |
| | <u>2</u> | <u>(246)</u> |

11. Surplus on continuing operations

The surplus on continuing operations for the year is made up as follows:

| | Year ended 31 July 2010 | Year ended 31 July 2009 |
|--|----------------------------|----------------------------|
| | £000 | £000 |
| University's surplus for the year | 2,505 | 2,298 |
| Deficits generated by subsidiary undertakings | (148) | (11) |
| Impairment of investment in subsidiary undertaking (Note 13) | 1,360 | - |
| Total consolidated surplus | <u>3,717</u> | <u>2,287</u> |

Notes to the Accounts

12. Tangible fixed assets

| University | Freehold Land | Freehold and Leasehold Buildings | Fixtures, Fittings and Equipment | Assets under construction | Total |
|---------------------------------------|---------------|----------------------------------|----------------------------------|---------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | |
| At 1 August 2009 | 22,073 | 142,285 | 60,913 | 9,418 | 234,689 |
| Additions | 7,288 | 1,942 | 5,215 | 15,167 | 29,612 |
| Transfers between accounts | - | 1,794 | 1,317 | (3,111) | - |
| Disposals | - | (5,538) | (41,718) | - | (47,256) |
| At 31 July 2010 | 29,361 | 140,483 | 25,727 | 21,474 | 217,045 |
| Depreciation | | | | | |
| At 1 August 2009 | - | 29,214 | 50,096 | - | 79,310 |
| Charge for year | - | 3,571 | 5,095 | - | 8,666 |
| Eliminated in respect of disposals | - | (5,538) | (41,718) | - | (47,256) |
| At 31 July 2010 | - | 27,247 | 13,473 | - | 40,720 |
| Net book value at 31 July 2010 | 29,361 | 113,236 | 12,254 | 21,474 | 176,325 |
| Net book value at 1 August 2009 | 22,073 | 113,071 | 10,817 | 9,418 | 155,379 |
| Inherited | 14,550 | 12,613 | - | - | 27,163 |
| Financed by capital grant | - | 17,875 | 2,942 | 12,791 | 33,608 |
| Other | 14,811 | 82,748 | 9,312 | 8,683 | 115,554 |
| Net book value at 31 July 2010 | 29,361 | 113,236 | 12,254 | 21,474 | 176,325 |

| Group | Freehold Land | Freehold and Leasehold Buildings | Fixtures, Fittings and Equipment | Assets under construction | Total |
|---------------------------------------|---------------|----------------------------------|----------------------------------|---------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | |
| At 1 August 2009 | 22,073 | 143,875 | 62,490 | 9,418 | 237,856 |
| Additions | 7,288 | 1,942 | 5,438 | 15,167 | 29,835 |
| Transfers between accounts | - | 1,794 | 1,317 | (3,111) | - |
| Disposals | - | (5,538) | (41,722) | - | (47,260) |
| At 31 July 2010 | 29,361 | 142,073 | 27,523 | 21,474 | 220,431 |
| Depreciation | | | | | |
| At 1 August 2009 | - | 30,804 | 51,555 | - | 82,359 |
| Charge for year | - | 3,571 | 5,199 | - | 8,770 |
| Eliminated in respect of disposals | - | (5,538) | (41,721) | - | (47,259) |
| At 31 July 2010 | - | 28,837 | 15,033 | - | 43,870 |
| Net book value at 31 July 2010 | 29,361 | 113,236 | 12,490 | 21,474 | 176,561 |
| Net book value at 1 August 2009 | 22,073 | 113,071 | 10,935 | 9,418 | 155,497 |
| Inherited | 14,550 | 12,613 | - | - | 27,163 |
| Financed by capital grant | - | 17,875 | 2,942 | 12,791 | 33,608 |
| Other | 14,811 | 82,748 | 9,548 | 8,683 | 115,790 |
| Net book value at 31 July 2010 | 29,361 | 113,236 | 12,490 | 21,474 | 176,561 |

The net book value of tangible fixed assets includes £1,841k (2009: £1,893k) in respect of assets held under finance leases.

Depreciation charged for the year on these assets amounted to £52k (2009: £52k).

Disposals represent the write off of historical tangible fixed assets that are fully depreciated. The gross cost of these assets amounted to £47,256k.

Assets under construction includes £92k (2009: £Nil) in respect of capitalised interest.

The University holds Garden Sculpture assets at its Trent Park campus at £Nil cost. Based upon an independent valuation for insurance purposes the Sculptures had a replacement value of £2,058m as at 18 June 2002.

Notes to the Accounts

13. Investments of the University

| | Group Year ended 31 July 2010 £000 | University Year ended 31 July 2010 £000 | Group Year ended 31 July 2009 £000 | University Year ended 31 July 2009 £000 |
|--|---|--|---|--|
|--|---|--|---|--|

Investments in Subsidiary undertakings:-

| | | | | |
|----------------------------|---|-------|---|----|
| Teaching Resources Ltd. | - | 1,000 | - | - |
| MU Press Ltd. | - | - | - | 60 |
| Other subsidiary companies | - | 36 | - | 40 |

Other Investments:-

| | | | | |
|------------------------------|-----------|--------------|-----------|------------|
| CVCP Properties plc | 36 | 36 | 36 | 36 |
| Argentium International Ltd. | 30 | 30 | 30 | 30 |
| | 66 | 1,102 | 66 | 166 |

| Principal trading subsidiary | Parent interest in ordinary shares voting rights | Principal activity | Country of incorporation |
|--|--|---|--------------------------|
| MU Ventures Ltd. | 100% | Consultancy Services | England and Wales |
| Teaching Resources Ltd. | 100% | Supply of science and technology products | England and Wales |
| MU Sales Ltd. | 100% | Intellectual property devt., acquisition and licensing. | England and Wales |
| MU Licences Ltd. | 100% | Licensing of intellectual property. | England and Wales |
| MU Press Ltd. | 100% | Supply of learning materials and book publishing | England and Wales |
| Middlesex Services (Cyprus) Ltd. | 100% | Student recruitment | Cyprus |
| Middlesex Services Ltd. (Hong Kong) | 100% | Student recruitment | Hong Kong |
| Middlesex Uni (SEA) SDN BHD | 100% | Student recruitment | Malaysia |
| Middlesex Educational Services (Mauritius) Ltd | 100% | Student recruitment | Mauritius |
| Middlesex International (Dubai) FZ-LLC | 100% | Student recruitment | Dubai/UAE |

MU Ventures Ltd is 100% owned by Middlesex University. MU Sales Ltd is owned 50% by MU Ventures Ltd and 50% by Middlesex University. MU Licences Ltd is 100% owned by MU Sales Ltd.

Investments are stated at cost, with the exception of MU Ventures Ltd, MU Sales Ltd, MU Press Ltd and Teaching Resources Ltd.

During the year the University converted the loan it had made to Teaching Resources Ltd into share capital and invested in additional share capital bringing its total investment to £2.36m. The investment was made after considering the long term business of Teaching Resources Ltd; however at the year end Teaching Resources Ltd has net assets of a lower amount and to be prudent the University has written down its investment to £1m.

The University is also holding a provision against three of its subsidiary companies, MU Ventures (£2.0m), MU Sales Ltd (£2.0m), MU Press Ltd (£60k).

Middlesex International JSS (Mauritius) Ltd is 51% owned by Middlesex International (Dubai) FZ LLC and 49% by JSS Academy Limited.

14. Stock

| | Group Year ended 31 July 2010 £000 | University Year ended 31 July 2010 £000 | Group Year ended 31 July 2009 £000 | University Year ended 31 July 2009 £000 |
|---|---|--|---|--|
| Finished goods | 300 | - | 384 | - |
| Work-in-progress - research and consultancy | 10 | 8 | 94 | - |
| | 310 | 8 | 478 | - |

Notes to the Accounts

15. Debtors

| | Group Year ended 31 July 2010 £000 | University Year ended 31 July 2010 £000 | Group Year ended 31 July 2009 £000 | University Year ended 31 July 2009 £000 |
|--|---|--|---|--|
| Amounts falling due within one year: | | | | |
| Trade debtors | 2,470 | 1,985 | 1,612 | 1,101 |
| Tuition Fees | 4,791 | 4,791 | 5,457 | 5,457 |
| Other debtors | 4,954 | 4,420 | 4,204 | 3,783 |
| Amounts owed by subsidiary undertakings | - | 820 | - | 191 |
| Prepayments and accrued income | 5,280 | 5,064 | 4,158 | 3,977 |
| | 17,495 | 17,080 | 15,431 | 14,509 |
| Amounts falling due after more than one year: | | | | |
| Prepayments | 1,808 | 1,808 | 1,871 | 1,871 |
| | 19,303 | 18,888 | 17,302 | 16,380 |

16. Cash at bank and in hand

Cash at bank and in hand includes £992k (2009: £1,334k) in respect of monies held on behalf of third parties.

17. Creditors: amounts falling due within one year

| | Group Year ended 31 July 2010 £000 | University Year ended 31 July 2010 £000 | Group Year ended 31 July 2009 £000 | University Year ended 31 July 2009 £000 |
|---|---|--|---|--|
| Bank loans and overdrafts | 1,207 | 1,207 | 1,145 | 1,145 |
| Other loans | 40 | 40 | - | - |
| Obligations under finance leases | 182 | 182 | 166 | 166 |
| Payments received on account | 2,926 | 2,926 | 3,191 | 3,191 |
| Trade creditors | 12,783 | 11,460 | 11,089 | 10,139 |
| Amounts owed to subsidiary undertakings | - | 12 | - | - |
| Other taxation and social security | 2,822 | 2,766 | 2,371 | 2,351 |
| Accruals and deferred income | 15,211 | 14,398 | 27,136 | 26,185 |
| | 35,171 | 32,991 | 45,098 | 43,177 |

Notes to the Accounts

18. Creditors: amounts falling due after more than one year

| Group and University | Finance | Mortgages | Other | Total |
|--|--------------|---------------|---------------|---------------|
| | Leases | | | |
| | £000 | £000 | £000 | £000 |
| Long term creditor as at 1 August 2009 | 1,646 | 52,768 | 12,370 | 66,784 |
| Add back: transfer to short term creditors | 166 | 1,145 | 664 | 1,975 |
| Additions during the year | - | 19,500 | 10 | 19,510 |
| Capital repaid in year | (166) | (1,145) | (364) | (1,675) |
| Creditor outstanding at 31 July 2010 | 1,646 | 72,268 | 12,680 | 86,594 |
| Transfer: to short term creditors | (182) | (1,207) | (664) | (2,053) |
| Long term creditor as at 31 July 2010 | 1,464 | 71,061 | 12,016 | 84,541 |

Analysis of long term creditor

| | Group | University | Group | University |
|----------------------------|---------------|---------------|---------------|---------------|
| | Year ended | Year ended | Year ended | Year ended |
| | 31 July 2010 | 31 July 2010 | 31 July 2009 | 31 July 2009 |
| | £000 | £000 | £000 | £000 |
| Due: | | | | |
| Between one and two years | 1,937 | 1,937 | 2,123 | 2,123 |
| Between two and five years | 7,836 | 7,836 | 6,796 | 6,796 |
| In five years or more | 73,304 | 73,304 | 56,219 | 56,219 |
| Finance leases | 1,464 | 1,464 | 1,646 | 1,646 |
| Total long term debt | 84,541 | 84,541 | 66,784 | 66,784 |

Loans with fixed interest rates have their rate renewed at a fixed future date or at the end of the loan. The loans are secured against the properties to which they relate.

| Property name: | Interest rate | Interest | Expiry | Amount |
|--|---------------|----------|--------|----------------|
| | % | rate | date | outstanding at |
| | | | | 31 July 2010 |
| | | | | £000s |
| Hendon Campus | 5.29000 | fixed | 2030 | 40,768 |
| Cat Hill, Trent Park and (part of) Hendon Campus | 6.59500 | fixed | 2037 | 12,000 |
| | 2.30393 | fixed | 2037 | 19,500 |

Finance lease obligations

| Obligations under finance leases fall due as follows: | Group | University | Group | University |
|---|--------------|--------------|--------------|--------------|
| | Year ended | Year ended | Year ended | Year ended |
| | 31 July 2010 | 31 July 2010 | 31 July 2009 | 31 July 2009 |
| | £000 | £000 | £000 | £000 |
| Within one year | 182 | 182 | 166 | 166 |
| Between one and two years | 200 | 200 | 182 | 182 |
| Between two and five years | 460 | 460 | 661 | 661 |
| In five years or more | 803 | 803 | 803 | 803 |
| Total | 1,645 | 1,645 | 1,812 | 1,812 |

Notes to the Accounts

19. Provisions for liabilities and charges

| University | Enhanced | Other | Total |
|---|------------------------------|--------------------|--------------|
| | Pension Provision £000 | Provisions £000 | £000 |
| At 1 August 2009 | 7,533 | 2,978 | 10,511 |
| Utilised during the year | (552) | (2,978) | (3,530) |
| Charged to income and expenditure account | 407 | 272 | 679 |
| At 31 July 2010 | 7,388 | 272 | 7,660 |

20. Deferred capital grants

| Group and University | Funding Councils | Other grants & benefactions | Total |
|---|------------------|-----------------------------|---------------|
| | £000 | £000 | £000 |
| At 1 August 2009: | | | |
| Land and buildings | 20,696 | 2,340 | 23,036 |
| Equipment | 873 | - | 873 |
| | 21,569 | 2,340 | 23,909 |
| Cash received: | | | |
| Land and buildings | 12,714 | - | 12,714 |
| Equipment | 68 | - | 68 |
| | 12,782 | - | 12,782 |
| Released to income and expenditure account: | | | |
| Land and buildings | (2,743) | (88) | (2,831) |
| Equipment | (252) | - | (252) |
| | (2,995) | (88) | (3,083) |
| At 31 July 2010: | | | |
| Land and buildings | 30,667 | 2,252 | 32,919 |
| Equipment | 689 | - | 689 |
| Total | 31,356 | 2,252 | 33,608 |

All deferred capital grants relate to the University.

21. Endowments

| Group and University | 2010 | 2010 | 2010 | 2009 |
|--|------------|--------------------------|-------------------------|------------|
| | Total | Restricted Expendable | Restricted Permanent | Total |
| | £000 | £000 | £000 | £000 |
| Capital value | 728 | 316 | 412 | 565 |
| Accumulated Income | 27 | 8 | 19 | 35 |
| At 1 August | 755 | 324 | 431 | 600 |
| Net Additions/(disposals) | 650 | 650 | - | 319 |
| Income for the year | 5 | 2 | 3 | 16 |
| Expenditure for the year | (641) | (625) | (16) | (180) |
| At 31 July | 769 | 351 | 418 | 755 |
| Capital value | 748 | 336 | 412 | 728 |
| Accumulated Income | 21 | 15 | 6 | 27 |
| At 1 August | 769 | 351 | 418 | 755 |
| Represented by: | | | | |
| Cash balances | 769 | 351 | 418 | 755 |
| Representing: | | | | |
| Alumni and development project funds | 8 | 8 | - | 6 |
| Prize, Scholarship and Bursaries funds | 524 | 106 | 418 | 551 |
| Other funds including cancer research | 237 | 237 | - | 198 |

Notes to the Accounts

| 22. Revaluation reserve | Group and University | |
|--------------------------------------|----------------------|---------------|
| | 2010 | 2009 |
| | £000 | £000 |
| Opening balance at 1 August | 37,509 | 37,938 |
| Disposal of pre-incorporation assets | (12,570) | - |
| Cumulative depreciation on disposals | 2,653 | - |
| Release on Disposal | (9,917) | - |
| Released in year | (429) | (429) |
| Closing balance at 31 July | 27,163 | 37,509 |

23. Income and expenditure account

| | Group | University | Group | University |
|---|----------------|-----------------|-----------------|-----------------|
| | Year ended | Year ended | Year ended | Year ended |
| | 31 July 2010 | 31 July 2010 | 31 July 2009 | 31 July 2009 |
| | £000 | £000 | £000 | £000 |
| Opening balance at 1 August | (30,380) | (32,340) | (16,178) | (17,860) |
| Surplus after depreciation of assets at valuation and taxation | 3,717 | 2,505 | 2,287 | 2,298 |
| Actuarial gain/(loss) on pension scheme | 6,349 | 6,349 | (17,045) | (17,045) |
| Transfer of pension reserve* | - | - | - | (162) |
| Foreign exchange translation differences on foreign currency net investment in subsidiaries | 44 | - | 127 | - |
| Release of intercompany loan provisions | - | 2,243 | - | - |
| Release from revaluation reserve | 10,346 | 10,346 | 429 | 429 |
| Closing balance at 31 July | (9,924) | (10,897) | (30,380) | (32,340) |

* The University consolidated the Local Government Pension (LGPS) defined benefit pension scheme (Note 32) it ran for its own staff, and those employed by the University's subsidiary undertakings, into a single multi-employer scheme. As a consequence, the University has taken on the pension liabilities previously recorded in its subsidiary companies. Those companies pay the same rate of contribution, but are no longer able to separately identify their assets and liabilities.

Note 23 has been restated for the year ended 31 July 2009 to exclude Garden Sculpture asset values previously reported as Heritage Assets. This has decreased the opening balance at 1 August 2009 by £2,497k.

The University holds Garden Sculpture assets at its Trent Park campus at £Nil cost. Based upon an independent valuation for insurance purposes the Sculptures had a replacement value of £2,058m as at 18 June 2002.

Notes to the Accounts

24. Reconciliation of consolidated operating surplus/(deficit)

| to net cash inflow from operating activities | Year ended 31 July 2010 £000 | Year ended 31 July 2009 £000 |
|--|------------------------------------|------------------------------------|
| Surplus on continuing operations after depreciation of fixed assets at valuation and disposal of assets but before tax | 2,982 | 1,877 |
| Depreciation (note 12) | 8,770 | 8,292 |
| Deferred capital grants released to income (note 20) | (3,083) | (2,620) |
| Loss on disposal of tangible fixed assets (note 12) | - | 4,364 |
| Pension cost less contributions paid (note 32) | (2,922) | (2,991) |
| Interest receivable (note 5) | (122) | (361) |
| Interest payable (note 8) | 6,093 | 4,770 |
| Exchange rate changes | 45 | 110 |
| Decrease/(increase) in stocks and work-in-progress (note 14) | 168 | (39) |
| Increase in debtors (note 15) | (2,001) | (372) |
| Decrease in creditors (notes 17 and 18) | (85) | (7,464) |
| Decrease in provisions (note 19) | (2,851) | (19) |
| Net cash inflow from operating activities | 6,994 | 5,547 |

Notes 24 and 27 have been reanalysed for the year end 31 July 2009 to reflect the advance receipts from Enfield campus property sales of £10,551k within receipts from sale of tangible fixed assets, and new endowments received to capital expenditure and financial investment.

25. Returns on investment and servicing of finance

| | Year ended 31 July 2010 £000 | Year ended 31 July 2009 £000 |
|---|------------------------------------|------------------------------------|
| Income from endowments and interest received | 122 | 361 |
| Interest paid | (2,866) | (2,928) |
| Interest element of finance lease rental payment | (84) | 259 |
| Net cash (outflow) from returns on investment and servicing of finance | (2,828) | (2,308) |

26. Financing

| | Year ended 31 July 2010 £000 | Year ended 31 July 2009 £000 |
|---|------------------------------------|------------------------------------|
| Debt due beyond a year: | £000 | £000 |
| Finance lease repayments | (166) | (562) |
| Loan repayment in the year | (1,145) | (1,087) |
| Loans drawn down in year | 19,500 | - |
| Net cash inflow/(outflow) from financing | 18,189 | (1,649) |

Notes to the Accounts

27. Capital expenditure and financial investment

| | Year ended 31 July 2010 | Year ended 31 July 2009 |
|--|----------------------------|----------------------------|
| | £000 | £000 |
| Payments to acquire tangible fixed assets | (29,835) | (16,069) |
| Receipts from sale of tangible fixed assets | 10,449 | 10,561 |
| New endowments received | 650 | 319 |
| Deferred capital grants received | 12,782 | 363 |
| Net cash (outflow) from capital expenditure | (5,954) | (4,826) |

28. Analysis of changes in net debt

| | At 1 August 2009 | Cashflows | At 31 July 2010 |
|---------------------------|---------------------|----------------|--------------------|
| | £000 | £000 | £000 |
| Cash in hand, and at bank | 10,853 | 16,385 | 27,238 |
| Endowment cash | 755 | 14 | 769 |
| Cash | 11,608 | 16,399 | 28,007 |
| Mortgages and loans | (53,913) | (18,355) | (72,268) |
| Finance leases | (1,813) | 166 | (1,647) |
| Borrowings | (55,726) | (18,189) | (73,915) |
| Net debt | (44,118) | (1,790) | (45,908) |

29. Capital commitments

| | Year ended 31 July 2010 | Year ended 31 July 2009 |
|--|----------------------------|----------------------------|
| | £000 | £000 |
| Commitments contracted for at 31 July | 3,287 | 4,284 |
| Authorised (but not contracted for) at 31 July | 52,539 | 77,589 |
| | 55,826 | 81,873 |

30. Financial commitments

| | Year ended 31 July 2010 | Year ended 31 July 2009 |
|--|----------------------------|----------------------------|
| | £000 | £000 |
| Operating lease commitments, equipment: | | |
| Expiring within one year | 743 | 787 |
| Expiring within two and five years | 243 | 500 |
| | 986 | 1,287 |

31. Professional Advisors

| | |
|--------------------|--|
| BDO LLP | Emerald House, East Street, Epsom, Surrey KT17 1HS |
| Collyer Bristow | 4 Bedford Row, London WC1R 4DF |
| Eversheds | Franciscan House, 51 Princes Street, Ipswich IP1 1UR |
| Grant Thornton LLP | 30 Finsbury Square, London EC2R 2YU |
| KPMG LLP | Cornwall Street, Birmingham B3 2DL |
| Nabarro Nathanson | Lacon House, Theobald's Road, London WC1X 8RW |

32. Pension schemes

The University's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) for academic staff and the Local Government Pension Scheme (LGPS) for all other staff. The schemes are defined benefit schemes providing benefits based on a final pensionable salary. The pension service costs and contributions for the year for the University and its subsidiaries in respect of these two schemes was £9,331k (2009: £8,033k)

Teachers' Pension Scheme

Under the definitions set out in Financial Reporting Standard (FRS) 17 - Retirement benefits, the Teacher's pension scheme (TPS) is a multi-employer pension scheme. As the TPS is underwritten by central government and the University has no future obligation to make contributions to the scheme, this is effectively a defined contribution scheme in so far as it affects the University. As a result, contributions to this scheme are accounted for as if the scheme was a defined contribution scheme.

The University has set out below the information available on the Scheme and the implications for the University in terms of the anticipated contribution rates.

The employers' contribution rates for the University's academic staff were 14.1% of pensionable salaries from 1 August 2009 to 31 July 2010.

The Teachers' Pension Scheme is a statutory, contributory, unfunded, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. Contributions are credited to the Exchequer on a "pay as you go" basis under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2008, and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution has been assessed at 19.75%, plus a supplementary contribution rate of 0.75% (to balance assets and liabilities as required by the regulations within 15 years); a Standard Contribution Rate (SCR) of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement has also introduced, effective for the first time from the 2008 valuation, a 14% cap on employer contributions payable.

The 2006 interim actuarial review, published in June 2007, did not recommend any changes to the SCR and concluded, as at 31 March 2006, and using the above assumptions, that the Scheme's total liabilities amounted to £176,600 million.

A copy of the Government Actuary's 2004 valuation report and 2006 interim valuation report can be found on the TeacherNet website at www.teachernet.gov.uk/pensions.

Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a funded defined benefit scheme, with assets held in separate trustee administered funds. It is administered locally by the London Borough of Barnet and is a multi-employer scheme. The total contribution made for the year ended 31 July 2010 was £9,548k (2009: £8,627k) of which employers contributions totalled £7,611k (2009: £6,853k) and employees contributions totalled £1,938k (£2009: £1,774k).

For the period from 1 April 2009 to 31 March 2010 the employer contribution rate was 27.7%. The rate increased to 28.6% from 1 April 2010 for the period to 31 March 2011, and the indicative rate from 1 April 2011 will be disclosed in the next full actuarial valuation of the Fund for the period to 31 March 2010. The employer contributions expected to be paid into the scheme during the year ended 31 July 2011 is £8,255k.

Notes to the Accounts

32. Pension schemes (cont'd)

Financial Reporting Standard (FRS) 17 - Retirement benefits

The following information is based upon a full actuarial valuation of the Fund at 31 March 2007 updated to 31 July 2010 by a qualified independent actuary. The major assumptions used by the actuary were:

Financial assumptions:

| | At 31 July 2010 | At 31 July 2009 |
|-------------------------------|--------------------|--------------------|
| Inflation (RPI increases) | 3.2% | 3.6% |
| Inflation (CPI increases) | 2.7% | - |
| Rate of increase in salaries | 4.7% | 5.1% |
| Rate of increase for pensions | 2.7% | 3.6% |
| Discount rate for liabilities | 5.4% | 6.0% |

Mortality assumptions:

The post retirement mortality tables adopted are the PA92 series projected to calendar year 2017 for current pensioners and 2033 for non-pensioners.

| | | At 31 July 2010 | At 31 July 2009 |
|-------------------------------------|---------|--------------------|--------------------|
| Life expectancy from age 65 (years) | | | |
| Retiring today | Males | 19.60 | 19.60 |
| | Females | 22.50 | 22.50 |
| Retiring in 20 years | Males | 20.70 | 20.70 |
| | Females | 23.60 | 23.60 |

The University's share of assets in the scheme and the expected rates of return are set out below:

| Asset class: | 31 July 2010 | 31 July 2010 | 31 July 2009 | 31 July 2009 | 31 July 2008 | 31 July 2008 |
|--------------|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|
| | Fair value £000 | Expected return % pa | Fair value £000 | Expected return % pa | Fair value £000 | Expected return % pa |
| Equities | 62,866 | 7.4 | 54,456 | 6.6 | 48,825 | 7.8 |
| Other bonds | 8,705 | 5.4 | 5,378 | 6.0 | 13,058 | 5.7 |
| Gilts* | 8,705 | 4.3 | 10,430 | 4.5 | - | 0.0 |
| Property | 3,869 | 4.1 | 3,059 | 4.5 | 4,668 | 5.7 |
| Cash | 12,573 | 3.0 | 8,726 | 3.0 | 10,531 | 4.8 |
| Total | 96,718 | 6.2 | 82,049 | 5.8 | 77,082 | 6.9 |

* previously, Gilts and Other bonds were shown as Bonds

Analysis of the amount shown in the balance sheet

| | At 31 July 2010 | At 31 July 2009 |
|---------------------------------------|--------------------|--------------------|
| | £000 | £000 |
| Middlesex University: | | |
| Estimated asset share | 96,718 | 82,049 |
| Present value of scheme liabilities | 141,582 | 132,945 |
| Present value of unfunded liabilities | 496 | 592 |
| Net pension deficit | (45,360) | (51,488) |

Notes to the Accounts

32. Pension schemes (cont'd)

Analysis of the amount charged to staff costs within operating surplus:

| | At 31 July 2010 | | At 31 July 2009 | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| | £000 | % of Staff Cost | £000 | % of Staff Cost |
| Current service cost | 4,671 | 5.2% | 3,746 | 4.7% |
| Curtailments and settlements | 16 | 0.0% | 116 | 0.1% |
| Total Operating charge | 4,687 | 5.2% | 3,862 | 4.8% |

Analysis of the amount charged to interest payable:

| | At 31 July 2010 | | At 31 July 2009 | |
|--|-----------------|-----------------|-----------------|-----------------|
| | £000 | % of Staff Cost | £000 | % of Staff Cost |
| Expected return on pension scheme assets | 4,919 | 5.5% | 5,465 | 6.8% |
| Interest on pension scheme liabilities | (8,062) | (9.0%) | (7,566) | (9.4%) |
| Net charge | (3,143) | (3.5%) | (2,101) | (2.6%) |

Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL):

| | At 31 July 2010 | At 31 July 2009 |
|---|--------------------|--------------------|
| | £000 | £000 |
| Actual return less expected return on pension scheme assets | 5,111 | (4,638) |
| Experience gains arising on the scheme liabilities | 78 | - |
| Gain arising from change in pension scheme benefits* | 6,801 | - |
| Changes in financial and demographic assumptions underlying the present value of scheme liabilities | (5,641) | (12,407) |
| Actuarial gain/(loss) recognised in STRGL | 6,349 | (17,045) |

* On 22 June 2010 it was announced in the Chancellor's Emergency Budget that increases to public sector pensions will in future be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). These revised pension increases will be effective from 1 April 2011. It is expected that CPI will be significantly lower than RPI in future periods, thus reducing the pension scheme liability. This change in assumption has resulted in a credit of £6,801k which has been recognised in the STRGL for the year ended 31 July 2010.

Movement in deficit during the year

| | At 31 July 2010 | At 31 July 2009 |
|---|--------------------|--------------------|
| | £000 | £000 |
| Deficit at the beginning of year | (51,488) | (35,333) |
| Movement in the period: | | |
| Current service cost | (4,671) | (3,746) |
| Past service cost | (2) | - |
| Employer contribution | 7,572 | 6,816 |
| Contributions in respect of unfunded benefits | 39 | 37 |
| Impact of settlements and curtailments | (16) | (116) |
| Net return on assets | (3,143) | (2,101) |
| Actuarial gains/(losses) | 6,349 | (17,045) |
| Deficit at the end of year | (45,360) | (51,488) |

Notes to the Accounts

32. Pension schemes (cont'd)

| Movement in present value of the scheme liabilities | At 31 July 2010 £000 | At 31 July 2009 £000 |
|--|-------------------------------------|----------------------------|
| Opening present value of the defined benefit obligation | 133,537 | 112,415 |
| Movement in the period: | | |
| Current service cost | 4,671 | 3,746 |
| Interest cost | 8,062 | 7,566 |
| Actuarial (losses)/gains | (1,238) | 12,407 |
| Gains on curtailments | 16 | 116 |
| Estimated benefits paid (net of transfers in) | (4,870) | (4,450) |
| Past service cost/(gain) | 2 | - |
| Contributions by Scheme participants | 1,937 | 1,774 |
| Unfunded pension payments | (39) | (37) |
| Closing present value of the defined benefit obligation | 142,078 | 133,537 |

| Movement in the fair value of the scheme assets | At 31 July 2010 £000 | At 31 July 2009 £000 |
|--|-------------------------------------|----------------------------|
| Opening fair value of scheme assets | 82,049 | 77,082 |
| Movement in the period: | | |
| Expected return on scheme assets | 4,919 | 5,465 |
| Actuarial gain/(loss) | 5,111 | (4,638) |
| Employer contribution including unfunded benefits | 7,611 | 6,853 |
| Contributions by Scheme participants | 1,937 | 1,774 |
| Estimated benefits paid including unfunded benefits | (4,909) | (4,487) |
| Fair value of scheme assets at end of period | 96,718 | 82,049 |

Amounts for the current and previous four periods are as follows:

| | Year ended 31 July 2010 £000 | Year ended 31 July 2009 £000 | Year ended 31 July 2008 £000 | Year ended 31 July 2007 £000 | Year ended 31 July 2006 £000 |
|---|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Defined benefit obligation | (142,078) | (133,537) | (112,415) | 111,860 | (107,286) |
| Scheme assets | 96,718 | 82,049 | 77,082 | 79,385 | 65,513 |
| Surplus/(deficit) | (45,360) | (51,488) | (35,333) | (32,475) | (41,773) |
| Experience adjustment on scheme liabilities | 78 | - | 2,344 | 9 | 26 |
| % of scheme liabilities | 0.1% | 0.0% | 2.1% | (0.0%) | 0.0% |
| Experience adjustment on scheme assets | 5,111 | (4,638) | (12,639) | 4,051 | 2,605 |
| % of scheme assets | 5.3% | (5.7%) | (16.4%) | 5.1% | 4.0% |
| Cummulative actuarial gain/(loss) | (19,427) | (18,975) | (1,930) | 1,440 | (8,303) |

Notes to the Accounts

33. Related party transactions

Due to the nature of the University's operations and the composition of the board of governors (being drawn from public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. A register of interests is maintained for members of the board of governors and senior management, and no related party transactions of a material nature were reported during the year.

34. HEFCE - Access and hardship funds

| | At 31 July 2010 £000 | At 31 July 2009 £000 |
|------------------------------------|----------------------------|----------------------------|
| Balance brought forward | (24) | - |
| Funding Council grants | 550 | 605 |
| | <u>526</u> | <u>605</u> |
| Disbursed to Students | (560) | (629) |
| Balance carried forward at 31 July | <u>(34)</u> | <u>(24)</u> |

35. TDA - Teacher Training Bursaries

| | At 31 July 2010 £000 | At 31 July 2009 £000 |
|--|----------------------------|----------------------------|
| Balance brought forward | 131 | 182 |
| Training and Development Agency grant received | 2,376 | 2,112 |
| Disbursed to Students | (2,612) | (2,163) |
| Balance carried forward at 31 July | <u>(105)</u> | <u>131</u> |

36. TDA - Teacher Programmes

| | At 31 July 2010 £000 | At 31 July 2009 £000 |
|--|----------------------------|----------------------------|
| Balance brought forward | 902 | 802 |
| Training and Development Agency grant received | 3,078 | 3,297 |
| Other external income received | 2 | 8 |
| Disbursed to Students | (3,111) | (3,205) |
| Balance carried forward at 31 July | <u>871</u> | <u>902</u> |

This note covers activity for the TDA funded Graduate Teacher Programme (GTP), Registered Teacher Programme (RTP) and the Overseas Trained Teacher Programme (OTTP).

Notes to the Accounts

37. TDA - SKA Hardship Funding

| | At 31 July 2010 £000 | At 31 July 2009 £000 |
|--|----------------------------|----------------------------|
| Balance brought forward | - | - |
| Training and Development Agency grant received | 16 | - |
| Disbursed to Students | (13) | - |
| Balance carried forward at 31 July | <u>3</u> | <u>-</u> |

38. TDA - Black and Minority Ethnic Recruitment and Retention

| | At 31 July 2010 £000 | At 31 July 2009 £000 |
|--|----------------------------|----------------------------|
| Balance brought forward | 14 | 9 |
| Training and Development Agency grant received | 6 | 8 |
| Disbursed to Students | (20) | (3) |
| Balance carried forward at 31 July | <u>-</u> | <u>14</u> |

Funding body hardship funds, bursaries and other student payments, as detailed in notes 34 to 38 are available solely for students and student support; the University acts only as a paying agent. All of the funding and related disbursements are therefore excluded from the income and expenditure account and shown within trade creditors.

39 Million+

| | At 31 July 2010 £000 | At 31 July 2009 £000 |
|---|----------------------------|----------------------------|
| Balance brought forward | 313 | 214 |
| Subscriptions from member universities received | 468 | 510 |
| Campaign expenses | (524) | (411) |
| Balance carried forward at 31 July | <u>257</u> | <u>313</u> |

The University acts as a paying agent for Million+ .

All of the funding and related disbursements are therefore excluded from the income and expenditure account, and shown within trade creditors.

Contact Us

+44(0)20 8411 5555

enquiries@mdx.ac.uk

www.mdx.ac.uk

The background of the page features a dynamic, abstract design of flowing, glowing red and white lines that create a sense of movement and depth against a solid black background. The lines are smooth and curved, resembling liquid or light trails.