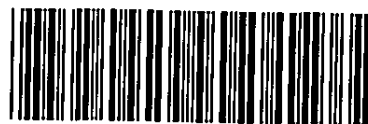


Report and Financial Statements

Year ended 31 July 2010

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Company Registration No. 986761

London South Bank University

Report and Financial Statements

31 July 2010

London South Bank University

Report and financial statements 2010

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London South Bank University

Report and financial statements 2010

Officers and professional advisers

Chancellor

01/08/09 – 31/12/09 Sir Trevor McDonald
01/01/10 onwards Vacant

Vice Chancellor

Professor Martin Earwicker

Pro Vice Chancellors

Dr Phil Cardew (Academic)
Ms Bev Jullien (External)

Executive Director of Finance

Mr Richard Flatman

Secretary and Clerk to the Board of Governors

Mr James Stevenson

Registered Office

103 Borough Road
London
SE1 0AA

Bankers

NatWest
City of London Office
1 Princes Street
London
EC2R 8PA

Solicitors

Martineau
1 Colmore Square
Birmingham
B4 6AA

Muckle
Time Central
32 Gallowgate
Newcastle-Upon-Tyne
NE1 4BF

Auditors

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

London South Bank University

Members of the Board of Governors

The following were Governors throughout the year ended 31 July 2010 except as noted

Mr David Longbottom (*Chair*)

Professor Martin Earwicker (*Vice Chancellor and Chief Executive*)

Ms Denise Bagley (resigned 31/03/2010)

Mr Steve Balmont

Mr Michael Bear (resigned 25/03/2010)

Ms Charlotte Brante

Mr Ken Dytor

Ms Helen George (resigned 31/07/2010)

Mr Nordin Jahar (resigned 31/07/2010)

Ms Dorothy Jones (resigned 31/07/2010)

Mr Alan Lee (resigned 31/07/2010)

Sir David Melville

Miss Anne Montgomery

The Reverend Dame Sarah Mullally

Mr Andrew Owen

Ms Diana Parker

Ms Maggie Semple OBE (appointed 01/10/2009)

Mr Jim Snath

Mr Chris Swinson OBE (appointed 12/01/2010)

Mr Hitesh Tailor (resigned 31/07/2010)

Changes in Governors since 31 July 2010

Mrs Janet Cattini (appointed 01/08/2010)

Mr Richard Kutı (appointed 01/08/2010)

Mr Peter Winbourne (appointed 01/08/2010)

Ms Maxine Room (appointed 30/09/2010)

Professor Munir Morad (appointed 03/11/2010)

London South Bank University

Operating and Financial Review

Our vision

"To be the most admired university in the UK for creating professional opportunity, and thus a source of pride for our students, our staff and the communities we serve "

Our mission

We are about creating opportunity for our students and equipping them to become highly successful in their chosen field. Our focus is on the professions. Widening participation is achieved by delivering success for our students. We can help create the best possible opportunities for our students to succeed.

"Creating professional opportunity for all who can benefit "

Our objectives

The University Corporate Plan, entitled 'Students first', contains ten key corporate objectives to be achieved over the period 2009-12

- Supporting students as customers
- An excellent teaching portfolio
- Relevant and applied research and enterprise
- A "can do" culture focused on delivery – no excuses – no blame
- Displaying real leadership, tackling difficult issues firmly but fairly and setting a personal example
- Academic staff, support staff and students all part of one team
- A new senior structure
- Simpler, faster decision making
- Helping our staff perform
- Maximising financial resilience

Significant progress has been made against these objectives as follows

- In response to student feedback, from the start of the 2010/11 academic year a new Registry function will work alongside relocated Student Advice services, to pull together existing student support into a 'one-stop' service model. The Board of Governors also approved a new Estates Strategy that will take this forward by delivering a new Student Centre, bringing together the Students' Union and student-facing support services into one location by 2013.
- We have empowered our staff to deliver cultural and organisational change by delegating authority to Heads of Department, and supporting them by investing in leadership development programmes. One of our most successful programmes this year has been the Student Shadowing Scheme, the first initiative of its kind in a UK university. The scheme offers a unique insight into the student experience, and has been shortlisted for a Times Higher Education award.
- We have been reviewing our management systems and processes to improve their effectiveness and ensure the University's financial sustainability in a challenging external environment.

Financial review of the year

The University generated a surplus of £6.3m (4.4% of income) compared with budget of £0.5m.

London South Bank University

Operating and Financial Review

Financial review of the year (continued)

The principal drivers behind the better than budgeted result were

- Increased NHS contract income
- Higher levels of home and EU tuition fees
- Strict control of all staff and operating expenditure, and
- The immediate impact of actions taken in year to hold back spending and drive improved efficiency to cope with current and future expected cuts

The higher level surplus was absolutely necessary given the new competitive landscape and the scale of the financial challenge ahead. The surplus of £6.3m is after accounting for exceptional costs, including the costs associated with organisational restructuring and the termination of leases on Pocock House and Erlang House (See Capital Projects section below)

Income grew from £137.1m in 2008/09 to £143.3m, an increase of 4.5%. The main driver of this increase is higher NHS contract income, which increased by £4.5m due to higher student numbers and a contract price increase of 6%. Home and EU tuition fees have also increased by £3.7m, due to an increase in student numbers and the realignment of fee levels on foundation degree courses.

These increases in tuition fee income have been offset by a £2.5m decrease in sport related grant income. This is a result of the cancellation of the Multiskill Community Sports Coaching Scheme (CSCS) funding by the Department of Culture, Media and Sport (DCMS), and a change to the way that Sport England pass funding to recipient organisations. Previously the University received the funding and passed it on to the recipient organisation, now the funding passes directly from Sport England to the recipient organisation. It is important to note that these reductions in income are matched by an equivalent decrease in costs as the University acted as an agent only for these funding streams.

Staff costs have been managed carefully during the period, with the University choosing not to award a pay increase for 2009/10. Excluding the impact of restructuring costs, core wages and salaries have grown by just 0.5%. Support staff pension costs have increased by £0.8m due to an increase in the LPFA current service cost.

A number of restructuring exercises are taking place across the University, and as a result staff costs for 2009/10 include redundancy costs of £1.1m.

Other operating costs fell by 5.1%. A significant part of this reduction is a result of the decrease in the disbursement of DCMS and Lottery funded grants corresponding to the reduction in income discussed above.

Interest payable increased from £4.7m to £5.9m, an increase of 25.3%. This was due to a £0.7m increase in the net pension finance charge, and an increase in loan interest payable of £0.5m. This increase is due to a full year's interest charge on a £21.8m loan facility drawn down in April 2009.

Furthermore, through the considerable efforts of all involved and as a result of our sustained focus on cost efficiency, we have been able to approve a budget for 2010/11 which will deliver a surplus of £5m, representing 3.6% of income. Whilst subject to further consideration pending detailed analysis of the outcome of the Comprehensive Spending Review, this level of surplus is considered essential on an ongoing basis to provide the funds we need to deliver the Estates strategy and invest for a sustainable future. We have already identified £6m of efficiency savings which have either been delivered or committed and factored into the budget for 2010/11.

In spite of the financial benefits that our recent actions have achieved, they are still not sufficient to mitigate the anticipated significant cuts in HEFCE funding for 2011/12 onward. We are continuing to work to find ways of increasing our income and getting more efficiency from our expenditure. We cannot be complacent and it is clear that much more needs to be done to ensure a sustainable future. The Secretary of State has made clear that the Government will "let universities fail" and they are following a clear policy of encouraging more commercial providers to compete with existing universities. We have to ensure that LSBU is robust against these challenges, which is why we are continually focused on meeting the objectives set out in the corporate plan.

Cash flows

The University generated a net cash inflow of £5.3m in the year. This includes cash inflow from operating activities of £17.1m and capital expenditure of £13.1m.

London South Bank University

Operating and Financial Review

Capital projects

Capital additions during the year totalled £13.1m. Of this, £8m related to the K2 building, which reached practical completion on 2 November 2009, and was first used on 23 November 2009. A further £1.5m related to the Centre for Renewable Energy in Buildings (CEREB). The remainder of the expenditure related to computer equipment, other equipment and minor building refurbishment projects.

CEREB, located on the roof of the K2 building, opened in June 2010. CEREB is a unique teaching, research and demonstration facility for low carbon technologies in the built environment, and was partly funded by the London Development Agency, HEFCE and M&E Sustainability. The total cost of CEREB was £1.8m, £1.5m of which was incurred in 2009/10.

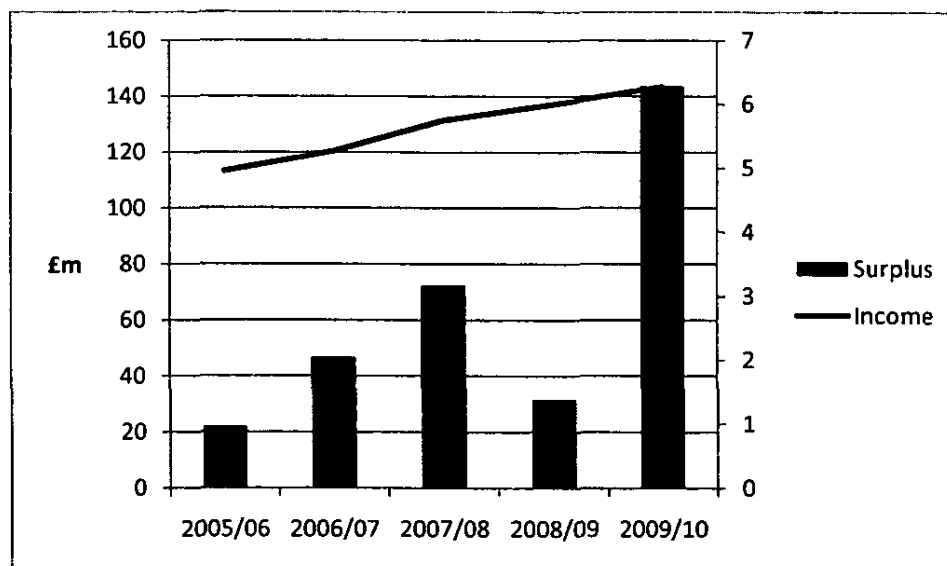
The University took advantage of a 5 year break window to settle the lease related to Pocock House. As a result, Pocock House was vacated in May 2010, with the occupants transferred to Eileen House. This will deliver significant cost savings over the next 5 years. There was a loss on disposal associated with the lease settlement of £0.8m. This related to building fit-out costs of £1.3m incurred in 2005 less depreciation to date of £0.5m. In addition, a compensation payment of £0.2m was made to the landlord of the building in relation to dilapidations.

The University vacated Erlang House, a short leasehold property, in January 2010 on expiry of the lease. The occupants of the building were transferred to the new K2 building.

The first phase of an estates strategy, covering the period to 2013, was approved by the Board of Governors in July 2010. The total expected cost of this phase is £28m. There are three key elements to this phase, the creation of a new student centre, the refurbishment of the St Georges' Circus terraces and public house site, and investment to reduce the University's carbon footprint.

Financial trend analysis

1. Group income & surplus



Income has grown steadily over the period, with the main driver being the introduction of the higher standard tuition fee for full time home & EU students over the period 2006/09. This income growth trend has continued in 2009/10 as both NHS contract income and Home & EU tuition fee income have increased.

The surplus has also increased over the period, particularly in 2009/10. As discussed in the Financial review of the year section above, the significant financial challenges ahead were anticipated in the Corporate Plan. We have therefore been focused on income growth and delivering efficiency to the University's underlying cost base. This has

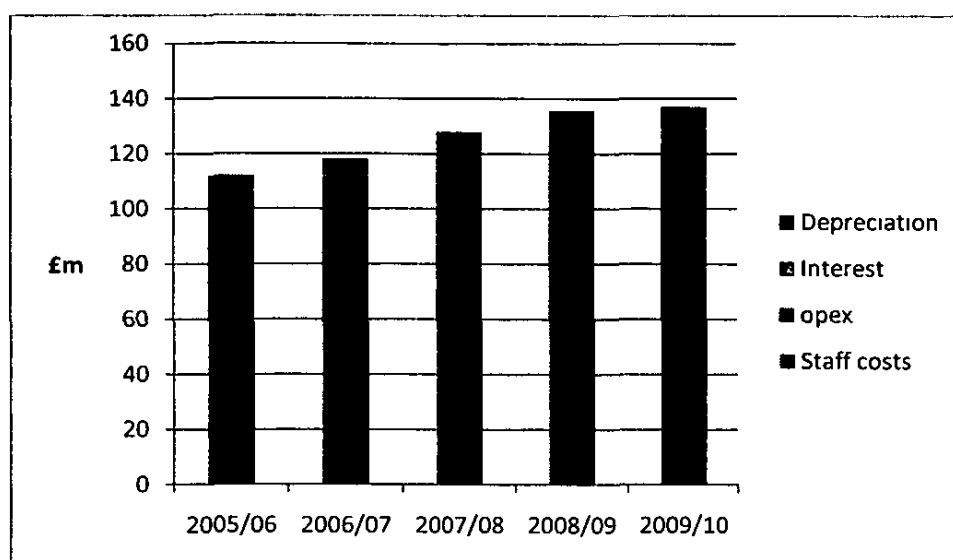
London South Bank University

Operating and Financial Review

Financial trend analysis (continued)

resulted in the performance noted above for 2009/10 and has also gone some way to helping position the University to better deal with the financial challenges ahead

2. Group expenditure



Staff costs

Staff costs, including restructuring costs, increased from £65.4m in 2005/06 to £76.4m in 2008/09. This increase was primarily due to the 2006-09 pay agreement negotiated by the University & Colleges Employment Association (UCEA), which resulted in pay increases of 15% for all staff. Pension costs for support staff also increased significantly over the period. Staff numbers were relatively stable over that period. The University did not award a pay increase in 2009/10, and therefore the rate of staff costs growth has slowed considerably.

Opex

Opex increased from 2006/07 to 2008/09 as a result of the introduction of student bursaries alongside higher tuition fees. In 2009/10 there was a reduction to opex as a result of the reduction in sport related expenditure discussed in the Financial review of the year above, but also due to tight cost control and savings made in a number of areas.

Interest

Interest payable has risen significantly over the period, mainly as a result of increases to the FRS17 pension interest charge, which has increased from £1.8m in 2005/06 to £3.7m in 2009/10. The forecast charge for 2010/11 is lower, £2.7m, as a result of a decrease in the discount rate, but in the long term the trend of rising costs is expected to continue.

Depreciation

Depreciation has increased over the period as a result of investment in the University's estate, particularly the K2 building which came into use in November 2009 and was therefore depreciated from then onwards. This increase is expected to continue over the coming years as a result of the £28m of capital expenditure scheduled for 2010/13.

London South Bank University

Operating and Financial Review

Pension liability

The pension liability with the London Pension Scheme Authority (LPFA) has decreased from £69.9m to £65.6m. There has been a one-off reduction to the liability of £7.3m as a result of the Government's announcement that it plans to increase future pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). It has been assumed that the current trend for CPI to increase at a lower rate than RPI will continue, and that as a result pensions will increase at a lower rate. FRS17 classifies this assumption change as a past service gain, and the £7.3m credit has been recognised in the STRGL.

Principal risks and uncertainties

At a corporate level, 14 key risks have been identified. These risks were identified and are managed through the University's risk management processes. The major external risks which the University has identified, and the steps being taken to mitigate those risks, are as follows:

- *Changes to funding and fees mechanisms increases brand competition* The changes to funding and fees as a result of the Comprehensive Spending Review and the recommendations of the Browne report will change the higher education landscape fundamentally. We are currently developing our response to these changes and our intended position in this new market.
- *Potential loss of NHS contract income* Although NHS London's Contract Performance Management for Education Commissioning Results for 2009/10 revealed LSBU as the best University in London for Adult Nursing, there is a significant risk that government plans to streamline the NHS will lead to a reduction in income to universities. Our current 5 year forecast financial scenario modelling has made allowances for potential reductions.
- *League table position damages University reputation* Our position in the league tables does not represent our true value as a university and we must ensure, for all the weaknesses in the process, that our position is correctly represented. Whilst the methodology of league table compilation works against LSBU, there are nevertheless areas around student progression, achievement and satisfaction that do need real improvement. The National Student Survey is giving us clear indicators over where we need to improve student perceptions.
- *Increasing pensions deficit* Our participation in the London Pension Fund Authority (LPFA) scheme for support staff has given rise to a large pension deficit on our balance sheet, and this deficit has grown significantly in recent years. Although there has been a reduction in the deficit from 2008/09 to 2009/10 as a result of the past service gain referred to in the Pension Liability paragraph above, the deficit is likely to continue to grow unless actively managed. We are currently reviewing our pension provision for support staff.

Going Concern

The Board of Governors are satisfied that it is appropriate to prepare the financial statements on a going concern basis. Financial performance in 2010/11 has been in line with our five year forecast to 2013/14, and no unexpected events have occurred.

London South Bank University

Operating and Financial Review

Key Performance Indicators (KPIs)

The following financial KPIs were used to measure performance in 2009/10

	KPI	Red	Amber	Green
	Student numbers and contracts			
1	Recruitment against HEFCE contract	Outside	N/A	Within
2	Recruitment against NHS contracts	Outside	N/A	Within
3	Income from international students	<£11m	£11m-£15m	>£15m
	Income			
4	Total income	< £141.2m	£141.2m-£148.3m	>£148.3m
5	Funding council grants	< £50.9m	£50.9m-£53m	> £53m
6	Research grants & contracts	< £5.6m	£5.6m-£6m	> £6m
7	Other operating income	< £15.3m	£15.3m-£16.1m	> £16.1m
8	Financial support from donors (3 year rolling average)	< £0.5m	£0.5m - 1m	> £1m
	Surplus			
9	Total surplus %	< 0.4%	0.4%-3%	> 3%
	Other financial indicators			
10	Cash Balance (£)	< £37.4m	£37.4m-£40.3m	> £40.3m
11	Reserves (£)	< £39.4m	£39.4m-£41.1m	> £41.1m
12	Gearing Ratio	> 0.97	0.78-0.97	<0.78

In addition, 19 Student Experience KPIs have been established to measure student satisfaction, student retention & progression, value-added and resource per student. These KPIs draw on data from the National Student Survey (NSS), the Destination of Leavers from Higher Education (DELHE) survey, together with internal data regarding completion, retention and participation.

	KPI	Red	Amber	Green
	Student satisfaction			
13	Overall Student Satisfaction – UG (NSS)	< 80%	80-89%	90%
14	Overall Student Satisfaction – PG (Internal Survey)	< 80%	80-89%	90%
15	Student satisfaction with teaching – UG (NSS)	< 80%	80-89%	90%
16	Student satisfaction with teaching – PG (Internal Survey)	< 80%	80-89%	90%
17	Student satisfaction with feedback – UG (NSS)	< 80%	80-89%	90%
18	Student satisfaction with feedback – PG (Internal Survey)	< 80%	80-89%	90%
19	Participation in NSS (%)	< 50%	50-69%	70%
20	Participation in internal PG satisfaction survey	< 50%	50-69%	70%
	Student Retention & Progression			
21	Non-continuation rate (HESA Benchmark)	>5% below benchmark		Top of competitor group
22	Level 1 Semester 1 Retention	< 70%	70-79%	80%
23	Participation in first semester assessments	< 70%	70-89%	90%
24	Semester 1 attendance records	< 70%	70-79%	80%
25	Year 1 Progression (%)	< 70%	70-79%	80%
26	Completion (%)	< 70%	70-79%	80%
	Value Added			
27	Employment of graduates (DELHE return)	75%		Top of competitor group
28	No. of students obtaining 1 st or Upper 2 nd class degrees	53%	54-59%	60%
	Resource Measures			
29	Spend per student (£)	£829		£1,000
30	Staff student ratio	27:1		21:1
31	% of estate (GIA) in condition A and B (non residential)	<56%	57-85%	>86%

London South Bank University

Operating and Financial Review

Performance against financial KPIs in 2009/10

	KPI	
	Student numbers and contracts	
1	Recruitment against HEFCE contract	91.5%
2	Recruitment against NHS contracts	91.5%
3	Income from international students	£11.2m
	Income	
4	Total income	£143.3m
5	Funding council grants	£51.9
6	Research grants & contracts	£0.1m
7	Other operating income	£1.3m
8	Financial support from donors (3 year rolling average)	£1.4m
	Surplus	
9	Total surplus %	6.4%
	Other financial indicators	
10	Cash Balance (£)	£43.8m
11	Reserves (£)	£52.4m
12	Gearing Ratio	0.57

Performance against student experience KPIs in 2009/10

	KPI	
	Student satisfaction	
13	Overall Student Satisfaction – UG (NSS)	80%
14	Overall Student Satisfaction – PG (Internal Survey)	79%
15	Student satisfaction with teaching – UG (NSS)	81%
16	Student satisfaction with teaching - PG (Internal Survey)	80%
17	Student satisfaction with feedback – UG (NSS)	85%
18	Student satisfaction with feedback – PG (Internal Survey)	82%
19	Participation in NSS (%)	60%
20	Participation in internal PG satisfaction survey	74%
	Student Retention & Progression	
21	Non-continuation rate (HESA Benchmark)	79%
22	Level 1 Semester 1 Retention	Data in development
23	Participation in first semester assessments	Data in development
24	Semester 1 attendance records	Data in development
25	Year 1 Progression (%)	81%
26	Completion (%)	79%
	Value Added	
27	Employment of graduates (DELHE return)	78%
28	No. of students obtaining 1 st or Upper 2 nd class degrees	59%
	Resource Measures	
29	Spend per student (£)	£885
30	Staff student ratio	23.4:1
31	% of estate (GIA) in condition A and B (non residential)	7%

London South Bank University

Operating and Financial Review

Public Benefit statement

From the foundation of the Borough Polytechnic Institute, in 1892, to the present day, London South Bank University has stayed close to its founding mission. Schedule A of the 'Scheme of the Charity Commissioners' for the Borough Road Polytechnic Institute, of 23rd June 1891 states that

'The object of the Institute is the promotion of industrial skill, general knowledge, health and well-being of young men and women belonging to the poorer classes '

Our current mission statement reflects that

'We are about creating opportunity for our students and equipping them to become highly successful in their chosen field. Our focus is on the professions. Widening participation is achieved by delivering success for our students. We can help create the best possible opportunities for our students to succeed '

We fulfil this mission by continuing to offer courses which are professional and vocational in their focus, and which are supported by a high level of accreditation from professional, statutory and regulatory bodies. Our student body is diverse, with over 70% black minority ethnic students, and reflects our outreach to the wider community, over 65% of our students are over 25 at the start of their course and we have a large number studying part-time whilst continuing to play an active role in their professions and local communities. We were ranked 29th in the 2011 Guardian 'Good Universities Guide' league table for the value which we add to our students.

We do not deliver our mission at the expense of the standards and quality of our courses. Our recent Institutional Audit from the Quality Assurance Agency for Higher Education (April 2010) expressed confidence in our management of the standards of our awards and confidence in our management of student learning opportunities, whilst highlighting our arrangements for postgraduate research students, and our feedback mechanisms to students, for particular mention. In an inspection of our initial teacher training provision by OfSTED (on behalf of the Training and Development Agency) all areas of provision achieved scores of either 1 or 2. Our provision within the Faculty of Health and Social Care (Nursing, Midwifery and Allied Health Professions) is consistently ranked by the NHS as amongst the best within London.

However, we are not content to reflect simply on our successes in promoting our mission, but are actively engaged in developing it and in reflecting upon the challenges which are presented by working within this part of the higher education community. We benchmark our non-regulated fees against similar institutions, and have opted to keep Foundation Degrees which are delivered by partner further education colleges at the lower of the regulated rates. We operate one of the most inclusive bursary systems within UK higher education, with bursaries made available to approximately 74% of full-time undergraduate students (based on the level of fee being paid and means-tested family income). Our fee structure for part-time students also reflects the bursary paid to full-time students, thus ensuring that they are not placed at a disadvantage as a result of their part-time study. We have been awarded the Frank Buttle Trust Quality Mark for our processes in support of care leavers, and we offer all care leavers a bursary of £500 at the beginning of each academic year, a dedicated link person to deal with their local authority, help accessing all the University's support services, support in finding accommodation appropriate to their needs and preferences, including year-round accommodation which is available outside of term time.

Our Corporate Plan 2009-12 is committed to putting 'students first' and we realise this aim through concentration on student needs, ensuring as wide as possible a forum for feedback and debate within the University. Our participation rates in the National Student Survey have risen since its first year of operation, and we achieved a response rate of 60% within the 2009 survey, which registered satisfaction rates of 80%, both overall and with the quality of our teaching, placing us second amongst post-1992 universities within London. We also operate internal satisfaction surveys for new entrants, second-year students, and postgraduate students, both taught and research.

In 2009, as part of the launch of our new Corporate Plan, we introduced a Student Shadowing Scheme, which has engaged over 60 senior staff within the University in engaging with a student over a sustained period, spending time with them in classes and within their general use of University facilities. This initiative has continued into 2010, and is actively engaging over 100 students in giving regular feedback on their experiences. One significant area of improvement noted in 2009, around enrolment, has already been addressed, with the University investing significantly in improving this process – changing the venue and introducing an on-line pre-enrolment process which has produced demonstrable benefits, with students now taking an average of 25 minutes to complete enrolment.

London South Bank University

Operating and Financial Review

Public Benefit statement (continued)

At the same time, we have considered the needs of our staff, who have not been overlooked in the development of our Corporate Plan. We have taken seriously potential skills gaps arising from the demographic of our staff profile, and developed a Succession Development Network, now entering its second year of operation, which provides support for individual members of staff whose particular talents have been applauded both within their own line management structures, and more widely, as making them likely future leaders. This initiative has been recognised by Times Higher Education (THE) in being shortlisted in the THE Awards 2010 within the category of 'Outstanding Contribution to Leadership Development'.

Our Board of Governors includes representatives from business, the local and regional community, other higher education and further education institutions, the charities sector and public office. The Board plays an active part in ensuring that the University remains true to the spirit of its foundation and that its academic character is secure. No member of the Board of Governors receives any honorarium or salary for their participation above travelling expenses.

Employment; Policy, Diversity and Training

During the year, the University continued to apply policies designed to enhance the opportunities for the employment, training and career development of all staff including those with disabilities.

We are committed to the promotion of equality, diversity and a supportive environment for all members of our community and aspire to be a truly inclusive organisation. To enable us to achieve this we have developed a wide ranging plan of action based on our Equality and Diversity Policy to strive to prevent and eliminate discrimination and to celebrate the diversity of our community.

Employee recruitment and grading processes, together with programmes for employee involvement, communication and training are all designed to promote equal opportunity to all irrespective of sex, race, religion, colour or sexual orientation.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. If existing employees become disabled, every effort is made to continue their employment with the University and arrange appropriate training. It is the University's policy that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The University places considerable value on the involvement of its employees and on good communication with them. Staff are informed through regular meetings, regular emails and information on the University website, open staff forums, staff newsletters, staff magazines and other means. Staff are encouraged to participate in formal and informal consultation, through membership of formal Committees and informal working groups.

Creditor payment policy

It is the University's policy to abide by terms of payment agreed with suppliers. Unless special terms apply, payment is made within 30 days of receipt of a valid invoice or after acceptance of the goods or services, whichever is the later.

Average creditor days during the year were 20 (2009: 22).

Accounting Policies

The University's financial statements have been prepared in accordance with the Statement of Principal Accounting Policies set out on pages 24 to 28. In accordance with Financial Reporting Standard 18, Accounting Policies, the University's Audit Committee has reviewed the Group's accounting policies and considers them to be the most appropriate to the University's operations.

Subsidiaries

South Bank University Enterprises Limited (SBUEL) provides consultancy and other services to a range of commercial organisations. SBUEL has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. A donation of £0.4m has been passed to the University this year (2009: £0.2m).

London South Bank University Students' Union (LSBUSU) provides facilities for students, principally shops, entertainments and bars. LSBUSU is partially funded by an annual grant from the University. LSBUSU is an unincorporated body whose existence is provided for in the Articles of Association of the University. LSBUSU has

London South Bank University

Operating and Financial Review

Subsidiaries (continued)

been consolidated as the University exercises ultimate control over its constitution. The day-to-day policy of LSBUSU is vested in the Students' Union Executive.

SBUEL and LSBUSU are fully consolidated into the Group accounts.

Constitution, Governance and Regulation

London South Bank University was incorporated on 12 August 1970. It is registered at Companies House under number 986761 and its registered address is 103 Borough Road, London SE1 0AA. London South Bank University is a company limited by guarantee and has no share capital.

The governing body of the University is responsible for the administration and management of the revenue and the property of the University. The University's corporate governance arrangements are described on pages 15 to 17 and the members of the board of Governors during the year ended 31 July 2010 are listed on page 2. The Governors are also directors for the purposes of the Companies Act.

The University is an exempt charity within the meaning of the Charities Act applying in England and Wales.

The University is regulated principally by HEFCE under a Financial Memorandum. The University complies with conditions of grant set out in funding agreements with the relevant grantor.

The University's principal officers and advisors are listed on page 1.

Disclosure of information to auditors

At the date of making this report each of the Governors, as set out on page 2, confirm the following:

- So far as each Governor is aware, there is no relevant information needed by the University's auditors in connection with preparing their report of which the University's auditors are unaware, and,
- Each Governor has taken all the steps that he/she ought to have taken as a Governor in order to make himself/herself aware of any relevant information needed by the University's auditors in connection with preparing their report and to establish that the University's auditors are aware of that information.

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors of the University will be proposed at the forthcoming Annual General Meeting.

Directors' Report

This Operating & Financial Review (OFR) also serves as the Directors' Report for the purposes of the Companies Act 2006.

Value of properties

Note 12 to the accounts shows that a number of properties are stated in the accounts at September 1994 valuation. The current market value of some of these properties is significantly higher than this valuation.

Approval

Approved by the Board of Governors and signed on behalf of the Board by



Mr David Longbottom
Chair of the Board of Governors
25 November 2010

London South Bank University

Responsibilities of the Board of Governors

In accordance with the University's Memorandum and Articles of Association approved by Privy Council, The Board of Governors is responsible for the administration and management of the affairs of the University and Group and is required to present audited financial statements for each financial year

The Board of Governors is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the University and the Group and to enable it to ensure that the financial statements are prepared in accordance with the University's Memorandum and Articles of Association, the HEFCE Accounts Direction, the Statement of Recommended Practice on Accounting for Further and Higher Education, other relevant accounting standards and comply with the Companies Act 2006. In addition, within the terms and conditions of a Financial Memorandum agreed between the HEFCE and the Board of Governors of the University, the Board of Governors, through its Accounting Officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and the Group and of the surplus or deficit and cash flows of the Group 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 a going concern basis unless it is inappropriate to presume that the University 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 Board of Governors has taken reasonable steps to

- Ensure that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe,
- Ensure that there are appropriate financial management controls in place to safeguard public funds and funds from other sources,
- Safeguard the assets of the University and the Group and prevent and detect fraud, and
- Secure the economical, efficient and effective management of the University and Group's resources and expenditure

Signed on behalf of the Board of Governors by



Mr David Longbottom
Chair

25 November 2010

London South Bank University

Statement on Internal Control

As the governing body of London South Bank University, we have responsibility for ensuring that there is a process for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives of the University, whilst safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the Memorandum and Articles of Association and the Financial Memorandum with HEFCE

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

The system of internal control is based on an ongoing 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

As the governing body, we have responsibility for reviewing the effectiveness of the system of internal control The following processes have been established

- We meet a minimum of four times a year to consider the plans and strategic direction of the institution,
- The approach to internal control is risk based, including a regular evaluation of the likelihood and impact of risks becoming a reality,
- The Audit Committee provide oversight of the risk management process and comments on its effectiveness,
- We receive periodic reports from the chair of the Audit Committee concerning internal control and we require regular reports from managers on internal control activities and the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects,
- The Audit Committee receives regular quarterly reports from management,
- Internal audit is outsourced to an external provider The Audit Committee receives regular reports from the internal auditor, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, together with recommendations for improvement,
- An organisation-wide register of key corporate risks is maintained, together with individual risk registers for each faculty and department Review procedures cover business, operational and compliance as well as financial risk,
- The internal audit programme has been aligned with the University's corporate risk register,
- The executive team meets regularly to consider risk issues Detailed reviews have been undertaken to assess the current exposure and keep up to date the record of key corporate risks facing the University,
- A network of risk champions exists to support risk management activity in all faculties and departments, Update training is provided as required to support delivery,
- Formal risk management and internal control procedures have been embedded within ongoing operations

Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in January 2006 The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement

Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports

London South Bank University

Corporate Governance Statement

The following statement is given to assist readers of the financial statements in obtaining an understanding of the governance procedures applied by the Board of Governors of London South Bank University

Summary of the University's structure of corporate governance

The University endeavours to conduct its business in accordance with the principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and within the guidance provided by the Committee of University Chairs (CUC) and its Guide for Members of Governing Bodies of Universities

The University's Board of Governors comprises independent, staff and student members appointed under the Memorandum and Articles of Association of the University, the majority of whom are non-executive. The roles of Chair and Vice Chair of the Board are separated from the role of the University's Chief Executive, the Vice Chancellor. A Statement of Primary Responsibilities of the Board of Governors has been agreed by the Board, and in accordance with CUC guidance it is included in this document and has been placed on the University website at www.lsbu.ac.uk/about/responsibilitiesGovernors.shtml. The Board of Governors is responsible for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from Executive Officers on the day-to-day operations of its business and of its subsidiary companies. The Academic Board is responsible for all the academic affairs, subject to the overall responsibilities of the Governing body for determining the educational character and mission of the institution.

The Board of Governors is scheduled to meet four times a year with additional special meetings called if required. In the year under review the Board met on four occasions. In addition the Board holds an annual Strategy Day, which the Executive and senior managers also attend. As well as considering strategic issues, the Day provides strategic input into the University's planning and budgeting process for the coming year.

The Board's Committees include a Policy and Resources Committee, a Nominations Committee, an Appointments Committee, a Remuneration Committee, a Human Resources Committee, a Property Committee and an Audit Committee. All of these Committees are formally constituted with appropriate terms of reference. The majority of each Committee's membership consists of independent Governors. All the Committees are chaired by an independent Governor. The Chairman of the Board also chairs the Nominations and Appointments Committees.

The Policy and Resources Committee advises the Board of Governors on the University's policies, its solvency and the use and safeguarding of its resources and assets, and recommends to the Board of Governors the University's annual revenue and capital budgets and monitors performance in relation to those budgets.

The Nominations Committee considers nominations for independent Governor vacancies in the Board of Governors' membership under the terms of the University's Memorandum and Articles of Association. Independent Governors are appointed for a term of four years. Renewal for an additional term can be considered, but is not automatic.

The Remuneration Committee determines the annual remuneration of senior post holders.

The Human Resources Committee is responsible for setting the framework for the determination and implementation of all policies and procedures relating to the employment of staff. It also sets the framework for collective salary and condition of service negotiations and advises the Vice Chancellor as HEFCE's Accounting Officer of best practice on human resource issues. The Committee considers financial matters related to employment. Staff and Student Governors are prohibited by the articles of association from serving on the Committee, but it has been agreed that, with the Chair's permission, the Staff Governors may choose one of their number to attend as an observer and to speak.

The Property Committee advises the Board of Governors on property and estates matters.

The Audit Committee is responsible for meeting, at least twice annually, with the external auditors and internal auditors of the University and reviewing their work. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's response and implementation plans. It provides oversight of the risk management process and receives regular risk reports from management. It also receives and considers reports from HEFCE as they affect the University's business and monitors adherence with the regulatory requirements. It reviews the University's annual financial statements together with the accounting policies. Whilst members of the Executive attend meetings of the Audit Committee, they are not members of the Committee. The Chairman of the Board is not a member of the Committee and does not attend its meetings.

London South Bank University

Corporate Governance Statement

As Chief Executive, the Vice Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and the shaping of the institutional ethos. The Pro Vice Chancellors and the senior administrative officers all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the Board of Governors.

The institution maintains a register of interests of the Board of Governors which may be consulted by arrangement with the Secretary and Clerk. The register is updated at least annually, and new Board members are required to complete a declaration on appointment. In accordance with the Companies Act 2006 Governors are asked at the opening of each Board meeting to declare whether they have any interests in matters on the agenda.

In accordance with the articles of government, James Stevenson was properly appointed as University Secretary and Clerk to the Board of Governors. In that capacity, he provided independent advice on matters of governance to all members of the governing body.

Board of Governors – Statement of Primary Responsibilities (approved by the Board at its meeting in July 2006)

- 1 To determine the educational character, mission and strategic vision of the institution, together with its long-term academic and business plans and to ensure that these meet the interests of stakeholders
- 2 To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate and personnel management of the institution, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution
- 3 To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest
- 4 To ensure processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions
- 5 To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself, and to carry out such reviews at appropriate intervals
- 6 To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life
- 7 To safeguard and promote the good name and values of the institution
- 8 To appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance
- 9 To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability
- 10 To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy
- 11 To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate
- 12 To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name
- 13 To make such provision as it thinks fit for the general welfare of students
- 14 To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution or its students
- 15 To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen

This Statement of Primary Responsibilities does not replace the provisions of the University's Articles of Association. If the two conflict the Articles shall prevail.

London South Bank University

Corporate Governance Statement

Key individuals

Chair of the Board of Governors

Mr David Longbottom

Vice Chair of the Board of Governors

The Reverend Dame Sarah Mullally *(from 01/08/10)*

Mr Hitesh Tailor *(until 31/07/10)*

Head of Institution (Vice Chancellor and Chief Executive)

Professor Martin Earwicker

Chair of Policy and Resources Committee

The Reverend Dame Sarah Mullally

Chair of Audit Committee

Mr Chris Swinson OBE *(from 01/08/10)*

Mr Hitesh Tailor *(until 31/07/10)*

Chair of Human Resources Committee

Anne Montgomery

Chair of Property Committee

Mr Ken Dytor

University Secretary and Clerk to the Board of Governors

Mr James Stevenson

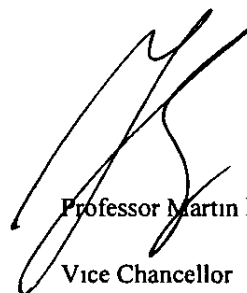
Key individuals can be contacted and copy documents can be obtained through the office of the University Secretary and Clerk to the Board of Governors, Mr James Stevenson, at London South Bank University, 103 Borough Road, London SE1 0AA

The Corporate Governance and Internal Control statements were approved by the Board of Governors on 25 November 2010 and were signed on its behalf by



Mr David Longbottom

Chair



Professor Martin Earwicker

Vice Chancellor

London South Bank University

Report of the independent auditors to the Board of Governors of London South Bank University (Company registration number 986761)

We have audited the group and university financial statements (the 'financial statements') of London South Bank University for the year ended 31 July 2010 which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the note of consolidated historical cost surplus, the consolidated and university balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Board of Governors, in accordance with the University's Memorandum and Articles of Association and Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University's Board of Governors and auditors

The Board of Governors' (who are also directors for the purposes of company law) responsibilities for preparing the Report and Financial Statements in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Responsibilities of the Board of Governors on page 13.

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

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice and 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, and have been prepared in accordance with the Companies Act 2006.

We also report to you whether income from funding councils, 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. In addition, we report to you whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England, the Training and Development Agency for Schools and the Skills Funding Agency.

We also report to you whether the information in the Operating and Financial Review is consistent with the financial statements.

In addition, we report to you if, in our opinion, the University has not kept adequate accounting records, if the University's financial statements are not in agreement with the accounting records and returns, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the financial statements and consider whether it is consistent with the audited financial statements. This information comprises only the Operating and Financial Review, the Statement on Internal Control and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to other information.

Basis of opinion

We conducted our audit in accordance with the 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 governing body in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and University's circumstances, consistently applied and adequately disclosed.

London South Bank University

Report of the independent auditors to the Board of Governors of London South Bank University (Company registration number 986761)

Basis of opinion (continued)

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 have 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 of the state of the Group's and the University's affairs as at 31 July 2010 and of the Group's surplus of income over expenditure for the year then ended
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice Accounting for Further and Higher Education
- the financial statements have been prepared in accordance with the Companies Act 2006
- The information given in the Operating and Financial Review is consistent with the financial statements for the year ended 31 July 2010
- in all material respects, income from the Funding Council, the Training and Development Agency for Schools and the Skills Funding Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2010 have been applied for the purposes for which they were received
- in all material respects, income during the year ended 31 July 2010 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the funding council, the funding agreement with the Training and Development Agency for Schools and the funding agreement with the Skills Funding Agency



Judith Newton

Senior Statutory Auditor

For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
25 November 2010

London South Bank University

Consolidated income and expenditure account Year ended 31 July 2010

		2010 £'000	2009 £'000
Income	Note		
Funding council grants	1	51,897	52,238
Academic fees and support grants	2	71,068	62,751
Research grants and contracts	3	5,006	5,056
Other operating income	4	14,985	16,251
Endowment income and interest receivable	5	346	832
Total income		143,302	137,128
Expenditure			
Staff costs	6	78,258	76,407
Depreciation	12	7,278	6,584
Other operating expenses	8	45,633	48,081
Interest payable	10	5,853	4,672
Total expenditure		137,022	135,744
Surplus for the year		6,280	1,384

All activities are in respect of continuing operations

London South Bank University

Consolidated statement of total recognised gains and losses Year ended 31 July 2010

		2010 £'000	2009 £'000
	Note		
Surplus for the year	22	6,280	1,384
Past service gain arising from change of inflation assumption for pension increases from RPI to CPI	22	7,315	-
Actuarial losses relating to pension scheme	19	(114)	(19,904)
Change in market value of endowment asset investments	26	65	(39)
Total recognised gains/(losses) relating to the financial year		<u>13,546</u>	<u>(18,559)</u>

Reconciliation

Opening reserves and endowments	39,438	57,997
Total recognised gains/(losses) for the year	<u>13,546</u>	<u>(18,559)</u>
Closing reserves and endowments	<u>52,984</u>	<u>39,438</u>

Note of consolidated historical cost surplus Year ended 31 July 2010

		2010 £'000	2009 £'000
Reported surplus for the year	22	6,280	1,384
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	21	<u>796</u>	<u>790</u>
Historical cost surplus for the year		<u>7,076</u>	<u>2,174</u>

London South Bank University

Balance sheets As at 31 July 2010

		Consolidated 2010 £'000	2009 £'000	University 2010 £'000	2009 £'000
	Note				
Fixed assets					
Tangible assets	12	165,443	160,824	165,410	160,782
Investments	13	38	38	38	38
		<u>165,481</u>	<u>160,862</u>	<u>165,448</u>	<u>160,820</u>
Endowment assets	26	616	551	616	551
Current assets					
Stocks		50	49	46	43
Debtors	14	7,298	6,530	7,671	6,827
Cash at bank and in hand		<u>43,764</u>	<u>38,472</u>	<u>42,935</u>	<u>37,938</u>
		<u>51,112</u>	<u>45,051</u>	<u>50,652</u>	<u>44,808</u>
Creditors: amounts falling due within one year	15	<u>(30,857)</u>	<u>(30,022)</u>	<u>(30,350)</u>	<u>(29,730)</u>
Net current assets		<u>20,255</u>	<u>15,029</u>	<u>20,302</u>	<u>15,078</u>
Total assets less current liabilities		<u>186,352</u>	<u>176,442</u>	<u>186,366</u>	<u>176,449</u>
Creditors: amounts falling due after more than one year	16	<u>(36,146)</u>	<u>(38,833)</u>	<u>(36,146)</u>	<u>(38,833)</u>
Provisions for liabilities	18	<u>(918)</u>	<u>(1,124)</u>	<u>(918)</u>	<u>(1,124)</u>
Pension liability	19	<u>(65,619)</u>	<u>(69,885)</u>	<u>(65,619)</u>	<u>(69,885)</u>
Net assets		<u>83,669</u>	<u>66,600</u>	<u>83,683</u>	<u>66,607</u>
Deferred capital grants	20	30,685	27,162	30,685	27,162
Endowments					
Expendable	26	295	268	295	268
Permanent	26	<u>321</u>	<u>283</u>	<u>321</u>	<u>283</u>
		<u>616</u>	<u>551</u>	<u>616</u>	<u>551</u>
Capital and reserves					
Capital reserves	21	32,580	33,376	32,580	33,376
Income & expenditure account excluding pension reserve	22	85,407	75,396	85,421	75,403
Pension reserve	22	<u>(65,619)</u>	<u>(69,885)</u>	<u>(65,619)</u>	<u>(69,885)</u>
Income and expenditure account including pension reserve		<u>19,788</u>	<u>5,511</u>	<u>19,802</u>	<u>5,518</u>
Total		<u>83,669</u>	<u>66,600</u>	<u>83,683</u>	<u>66,607</u>

These financial statements were approved by the Board of Governors on 25 November 2010 and were signed and authorised on their behalf by

D. A. Longbottom

Mr David Longbottom

Chair

Professor Martin Earwicker
Vice Chancellor

London South Bank University

Consolidated Cash flow statement Year ended 31 July 2010

	Note	2010 £'000	2009 £'000
Net cash inflow from operating activities	29	17,085	10,429
Returns on investments and servicing of finance	30	(1,710)	(763)
Capital expenditure and financial investment	31	(13,129)	(27,173)
Acquisitions and disposals	32	-	96
Net cash inflow/(outflow) before financing		2,246	(17,411)
Financing	33	3,046	25,652
Increase in cash	34	5,292	8,241
Reconciliation of net cash flow to movement in net funds			
Increase in cash	34	5,292	8,241
Net decrease/(increase) in debt	35	2,491	(20,208)
Change in net funds		7,783	(11,967)
Net (debt)/funds at 1 August	34	(3,437)	8,530
Net funds/(debt) at 31 July	34	4,346	(3,437)

London South Bank University

Principal Accounting Policies Year ended 31 July 2010

The following principal accounting policies have been applied consistently in both the current and prior year in dealing with items which are considered material in relation to the Group's financial statements

Basis of preparation

The financial statements are prepared under the historical cost convention, modified by the inclusion of certain properties at valuation and the revaluation of endowment assets, in accordance with the Companies Act 2006 and with the Statement of Recommended Practice (SORP) for Further and Higher Education 2007, and in accordance with applicable accounting standards and HEFCE's Accounts Direction

The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in operation. The Board is satisfied that the Group 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

Consolidation of accounts

The consolidated financial statements incorporate the financial statements of the University, its subsidiary undertaking South Bank University Enterprises Limited (SBUEL) and those of London South Bank University Students Union (LSBUSU). LSBUSU is an unincorporated body whose existence is provided for in the Articles of Association of the University. Its financial statements for the year ended 31 July 2010 have been consolidated with those of London South Bank University, as the University exercises ultimate control over its constitution. The day-to-day policy of LSBUSU is vested in the Student Union Executive.

Consolidation of subsidiaries is based on the equity method

Income recognition

Recurrent funding council block grants are accounted for in the period to which they relate

Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for as gross expenditure and not deducted from income.

Income from research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year. Contributions towards overhead costs are aligned with expenditure and recognised based on expenditure to date.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Donations with restrictions are recognised when relevant conditions have been met, in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments, other donations are recognised by inclusion as other income in the income and expenditure account.

Income from the sale of goods and services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Endowment and investment income 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 endowments, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

London South Bank University

Principal Accounting Policies Year ended 31 July 2010

Income recognition (continued)

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses, a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus

Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the statement of total recognised gains and losses

Tangible fixed assets

Upon implementation of FRS 15 'Tangible Fixed Assets', the University opted to include assets in its books at historical cost/revalued cost at the date of introduction of the FRS. No regular revaluation of assets is undertaken by the University

Freehold land and buildings, long leasehold and short leasehold premises are included in the accounts at cost or valuation together with subsequent refurbishment expenditure, less amounts written off by way of depreciation. Freehold land is not depreciated. Finance costs that are directly attributable to the construction of land and buildings are not capitalised

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

Equipment costing less than £10,000 per individual item or group of items is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows

Freehold buildings	2% per annum
Long leaseholds	Period of lease
Short leaseholds	Period of lease
Building improvements	6-7% per annum
Equipment, furniture and motor vehicles	20% per annum

At each financial year end the carrying amounts of tangible assets are reviewed to determine whether there is any indication that those assets have suffered a diminution in value. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value and its value in use, is estimated in order to determine the extent of the impairment loss

Investments

Investments in subsidiaries and associated undertakings are shown in the University's balance sheet at cost less any provision for impairment in their value

Endowment Asset Investments are included in the balance sheet at market value

Stocks

Stocks are valued at the lower of cost and net realisable value

Pension costs

The University contributes to the Teachers' Pensions Scheme (England and Wales), the London Pension Fund Authority Pension Fund (LPFAPF) and the Universities Superannuation Scheme (USS). These schemes are administered by Teachers' Pensions (on behalf of the Department for Children, Schools and Families), the London

London South Bank University

Principal Accounting Policies Year ended 31 July 2010

Pension costs (continued)

Pension Fund Authority and USS Ltd respectively and are all of the defined benefit type. The costs in relation to these schemes are accounted for in accordance with FRS 17 (Retirement benefits).

Where the University is unable to identify its share of the underlying assets and liabilities in a scheme on a reasonable and consistent basis, it accounts as if the scheme were a defined contribution scheme, so that the cost is equal to the total of contributions payable in the year.

For other defined benefit schemes, the assets of each scheme are measured at fair value, and the liabilities are measured on an actuarial basis using the projected unit method and discounted at an appropriate rate of return. The University's share of the surplus or deficit of the scheme is recognised as an asset or liability on the balance sheet. The current service cost, being the actuarially determined present value of the pension benefits earned by employees in the current period, and the past service cost are included within staff costs. Endowment and investment income includes the net of the expected return on assets, being the actuarial forecast of total return on the assets of the scheme, and the interest cost being the notional interest cost arising from unwinding the discount on the scheme liabilities. All changes in the pension surplus or deficit due to changes in actuarial assumptions or differences between actuarial forecasts and the actual out-turn are reported in the statement of total recognised gains and losses.

Taxation status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993, as amended by the 2006 Act, and as such is a 'charitable company' within the meaning of Section 467 of the Corporation Tax Act (CTA) 2010. Accordingly the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 478 of the CTA 2010 and Section 256C of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University 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.

The University's subsidiary company SBUEL is subject to corporation tax and is therefore required to account for deferred tax.

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

Agency arrangements

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

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Finance leases, which substantially transfer all the benefits and risks of ownership of an asset to the institution, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance lease are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

London South Bank University

Principal Accounting Policies Year ended 31 July 2010

Maintenance

Maintenance expenditure is charged to the consolidated income and expenditure account in the period in which it is incurred

Refurbishment expenditure on a property is deemed to be of a capital nature if it either enhances the property's operational capabilities, or if it significantly upgrades the mechanical or electrical infrastructure of that property. To the extent that the expenditure is of a capital nature, it is capitalised, and written off over its useful economic life. Refurbishment expenditure that does not meet either of these criteria is treated as maintenance expenditure.

Reserves

Designated reserves represent retained reserves generated by activities not funded by the HEFCE. Any surplus or deficit for the year is transferred from the income and expenditure reserve to designated reserves.

Where fixed assets were revalued prior to the implementation of FRS 15, the profit or loss on revaluation was credited or debited to the capital reserve. Where depreciation on the revalued amount exceeds the corresponding depreciation based on historical cost, the excess is transferred annually from the capital reserve to the income and expenditure reserve.

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within twenty-four hours without penalty.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rates 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.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation, a possible rather than a probable outflow of economic benefits, the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are disclosed by way of a note, where there is probable, rather than a present asset arising from a past event.

Accounting for charitable donations

Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment funds

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

London South Bank University

Principal Accounting Policies Year ended 31 July 2010

Accounting for charitable donations (continued)

- 1 Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution. These are shown as unrestricted permanent endowments in the balance sheet.
- 2 Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income. These are shown as restricted expendable endowments in the balance sheet if the donation is to be retained for more than 2 years, and as deferred income within creditors due within 1 year if the donation is to be fully expended within 2 years.
- 3 Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective. These are shown as restricted permanent endowments in the balance sheet.

Total return on investment for permanent endowments

Total return is the whole of the investment return received by the institution on the permanent endowment funds regardless of how it has arisen.

The total return, less any part of the return which has previously been applied for the purposes of the institution, remains in the unapplied total return fund. This fund remains part of the permanent endowment until such time as a transfer is made to the income and expenditure account.

Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

Gifts in kind, including donated tangible fixed assets

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

London South Bank University

Notes to the accounts Year ended 31 July 2010

1. Funding council grants

	2010	2009
	£'000	£'000
HEFCE		
Recurrent grant	46,794	47,099
Specific grants	381	771
Pension liabilities	239	244
Other funding bodies		
Skills Funding Agency (SFA) grant	367	478
Training and Development Agency for Schools (TDA) grant	2,102	1,937
Deferred capital grants released (note 20)	2,014	1,709
	<u>51,897</u>	<u>52,238</u>

2. Academic fees and support grants

	2010	2009
	£'000	£'000
Full-time home and EU students	23,699	20,042
Full-time international students	10,429	10,309
Part-time students	7,287	7,808
Other courses	1,885	1,349
Strategic Health Authority education contracts	27,768	23,243
	<u>71,068</u>	<u>62,751</u>

3. Research grants and contracts

	2010	2009
	£'000	£'000
Research councils	1,681	931
UK based charities	225	167
European Commission	277	623
Other grants and contracts	1,289	2,074
Knowledge Transfer Partnerships	1,534	1,261
	<u>5,006</u>	<u>5,056</u>

4 Other operating income

	2010	2009
	£'000	£'000
Residence and catering income	7,933	7,485
Other income	7,052	8,766
	<u>14,985</u>	<u>16,251</u>

Other income includes £140,000 (2009 £131,000) of grant funding received from the Big Lottery Fund

London South Bank University

Notes to the accounts Year ended 31 July 2010

5. Endowment income and investment income

	2010 £'000	2009 £'000
Income from permanent endowments	10	10
Income from expendable endowments	10	10
Interest receivable	326	812
	<u>346</u>	<u>832</u>

6. Staff - consolidated

Average staff numbers by major category

	2010 No.	2009 No.
Academic Staff	744	754
Part Time Teaching Staff	273	293
Student support staff	587	583
Other support staff	305	314
	<u>1,909</u>	<u>1,944</u>

Costs

	2010 £'000	2009 £'000
Wages and salaries	64,185	63,260
Social security costs	5,374	5,302
Employers' pension contributions	8,699	7,845
	<u>78,258</u>	<u>76,407</u>

Staff costs for the year include costs arising from compulsory redundancies of £1.1m (2009 £0.45m)

London South Bank University

Notes to the accounts Year ended 31 July 2010

7. Remuneration of Board of Governors and Higher-Paid employees

A. Governors

The University's governors do not receive remuneration from the University in their capacity as governors. The figures below therefore relate entirely to staff governors and to sums received by them in their capacity as employees of the University.

	2010 £'000	2009 £'000
Salaries	418	469
Pension contributions	61	68
	<u>479</u>	<u>537</u>

B. Higher Paid Employees

Certain employees received remuneration (excluding pension contributions) in excess of £100,000 during the year. All of these employees accrued benefits under defined benefit schemes during the year. These employees are grouped as follows:

	2010 No.	2009 No.
£100,000 to £109,999	5	4
£110,000 to £119,999	-	2
£120,000 to £129,999	1	-
£130,000 to £139,999	-	1
£150,000 to £159,999	1	-
£170,000 to £179,999	-	1
£180,000 to £189,999	2	-
£190,000 to £199,999	-	1
	<u>9</u>	<u>9</u>

C. Remuneration of the Vice Chancellor

	2010 £'000	2009 £'000
Salary and taxable benefits	202	240
Performance related incentive payments	-	13
	<u>202</u>	<u>253</u>
Pension scheme contributions	28	33
	<u>230</u>	<u>286</u>

Remuneration of the Vice Chancellor (excluding pension contributions) includes payments of £186,250 to the current Vice Chancellor Professor Martin Earwicker, and payments to former Vice Chancellor Sir Deian Hopkin of £15,333.

The Vice Chancellor is the highest paid Governor.

London South Bank University

Notes to the accounts Year ended 31 July 2010

	2010 £'000	2009 £'000
8. Other operating expenses		
Academic	16,014	16,571
Academic support	4,482	4,250
Other support	4,348	4,484
Premises	15,354	13,594
Residence and catering	3,241	3,424
Other expenses	2,194	5,758
	<u>45,633</u>	<u>48,081</u>

	2010 £'000	2009 £'000
Group other operating expenses are stated after charging		
Auditors' remuneration		
<i>External audit</i>		
Grant Thornton UK LLP*	43	41
Crowe Clark Whitehill	8	8
<i>Internal audit**</i>		
RSM Tenon	61	62
<i>Other services**</i>		
Grant Thornton UK LLP	2	5
Reeves & Neylan	4	9
Rentals under operating leases		
Plant and machinery	397	429
Other assets	1,673	1,873
Depreciation		
Equipment***	2,364	1,997
Freehold land & buildings	3,231	2,748
Long leasehold land & buildings	1,474	1,518
Short leasehold land & buildings	190	321
Loss on disposal of fixed assets	<u>1,232</u>	<u>-</u>

* Includes £38,775 attributable to the University (2009 £37,813)

** All attributable to the University

*** Includes £713,907 attributable to assets held under finance leases

9. Taxation

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances and trading losses as there is insufficient evidence that the asset will be recovered

The amount of the asset not recognised is £30,336 (2009 £32,447) The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset

London South Bank University

Notes to the accounts Year ended 31 July 2010

10. Interest payable

	2010 £'000	2009 £'000
Loans repayable within 5 years	237	245
Loans not wholly repayable within five years	1,664	1,212
Unwinding of discount in respect of pension liability less expected return on pension assets (see note 19)	3,797	3,077
Finance leases	155	138
	<u>5,853</u>	<u>4,672</u>

11. Surplus of parent company

The income and expenditure account of the parent company (London South Bank University) has not been presented as part of these accounts. This dispensation is allowed under section 408 of the Companies Act 2006.

The surplus, after depreciation of assets at valuation, of London South Bank University was £6.3m (2009 £1.2m).

London South Bank University

Notes to the accounts Year ended 31 July 2010

12. Tangible fixed assets

(a) Consolidated

	Equipment, Furniture and Motor Vehicles £'000	Freehold £'000	Land and buildings		Assets in Course of Construction £'000	Total £'000
			Long Leasehold £'000	Short Leasehold £'000		
Cost or Valuation						
At 1 August 2009	23,133	99,913	48,603	2,259	47,208	221,116
Additions	3,205	367	-	-	9,557	13,129
Disposals	(969)	(306)	(1,322)	(812)	(22)	(3,431)
Transfers	1,492	55,251	-	-	(56,743)	-
At 31 July 2010	26,861	155,225	47,281	1,447	-	230,814
Depreciation						
At 1 August 2009	(15,604)	(23,841)	(19,188)	(1,659)	-	(60,292)
Charge for the year	(2,363)	(3,251)	(1,474)	(190)	-	(7,278)
Disposals	940	22	489	748	-	2,199
At 31 July 2010	(17,027)	(27,070)	(20,173)	(1,101)	-	(65,371)
Net book value						
At 31 July 2010	9,834	128,155	27,108	346	-	165,443
At 31 July 2009	7,529	76,072	29,415	600	47,208	160,824

If the land and buildings detailed above had not been revalued, tangible fixed assets would have been included in these financial statements at 31 July 2010 at the following amounts

	Equipment, Furniture and Motor Vehicles £'000	Freehold £'000	Land and buildings		Assets in Course of Construction £'000	Total £'000
			Long Leasehold £'000	Short Leasehold £'000		
Cost	26,861	131,570	24,854	1,447	-	184,732
Depreciation	(17,027)	(16,945)	(12,252)	(1,101)	-	(47,325)
Net book value	9,834	114,625	12,602	346	-	137,407

London South Bank University

Notes to the accounts Year ended 31 July 2010

12. Tangible fixed assets (continued)

(b) University

	Equipment, Furniture and Motor Vehicles £'000	Freehold £'000	Land and buildings Long Leasehold £'000	Short Leasehold £'000	Assets in Course of Construction £'000	Total £'000
Cost or Valuation						
At 1 August 2009	22,878	99,913	48,603	2,259	47,208	220,861
Additions	3,197	367	-	-	9,557	13,121
Disposal	(951)	(306)	(1,322)	(812)	(22)	(3,413)
Transfers	1,492	55,251	-	-	(56,743)	-
At 31 July 2010	26,616	155,225	47,281	1,447	-	230,569
Depreciation						
At 1 August 2009	(15,391)	(23,841)	(19,188)	(1,659)	-	(60,079)
Charge for the year	(2,344)	(3,251)	(1,474)	(190)	-	(7,259)
Disposals	920	22	489	748	-	2,179
At 31 July 2010	(16,815)	(27,070)	(20,173)	(1,101)	-	(65,159)
Net book value						
At 31 July 2010	9,801	128,155	27,108	346	-	165,410
At 31 July 2009	7,487	76,072	29,415	600	47,208	160,782

If the land and buildings detailed above had not been revalued, tangible fixed assets would have been included in these financial statements at 31 July 2010 at the following amounts

	Equipment, Furniture and Motor Vehicles £'000	Freehold £'000	Land and buildings Long Leasehold £'000	Short Leasehold £'000	Assets in Course of Construction £'000	Total £'000
Cost	26,616	131,570	24,854	1,447	-	184,487
Depreciation	(16,815)	(16,945)	(12,252)	(1,101)	-	(47,113)
Net book value	9,801	114,625	12,602	346	-	137,374

London South Bank University

Notes to the accounts

Year ended 31 July 2010

12. Tangible fixed assets (continued)

Land and buildings were valued in September 1994 by Drivers Jonas, Chartered Surveyors. Properties were valued at their open market value for existing use, and where this was not practical, the depreciated replacement cost was used.

All properties, other than those detailed below, are included at 1 August 1994 prices less subsequent depreciation in accordance with the Drivers Jonas valuation report of September 1994.

Freehold Land and Buildings

- The K2 building is stated at cost of £45.9m. The land at the site of the K2 building is stated at valuation of £4.3m. This valuation was carried out in October 2007 by Wilks, Head & Eve LLP, Chartered Surveyors.
- The Keyworth Centre is stated at cost of £25.8m.
- The David Bomberg House hall of residence is stated at cost of £11.6m.
- The Learning Resource Centre is stated at cost of £4.7m.
- The St George's Circus and Chapel sites are stated at a cost of £4m, represented by stabilisation works of £2.9m to the listed terraces at St George's Circus, land of £0.7m and £0.4m of sundry capital costs. This is subsequent to impairment of £2.7m of pre-construction costs related to the aborted redevelopment of the Chapel site.
- The Technopark building is stated at purchase cost of £3.6m.
- Phase 2 of the Dante Road hall of residence is stated at cost of £2.1m.

Long leasehold Land and Buildings

- The New Kent Road hall of residence was originally held under a finance lease. It is included in these accounts at the capital cost of the original lease charges payable, the agreed amount of which was £1.1m. The finance lease was settled before the expiry of its term. Although this property is treated as a long leasehold property the University also owns the freehold of this property, which has a nominal value.
- Phase 1 and phase 3 of the Dante Road hall of residence are included in these accounts under long leasehold land and buildings at capital costs of £3.5m and £2m respectively.
- McLaren House, a 620-bed hall of residence, is stated at cost of £16.3m. It was originally held under a finance lease however the lease was settled before the expiry of its term. Although this property is treated as a long leasehold property, the University also holds the underlying freehold, which has a nominal value.

Included in long leasehold land and buildings is £0.7m (2009: £0.7m) of capitalised interest. This interest was capitalised in 1996 in connection with the construction of McLaren House.

Short leasehold buildings

- Eileen House is stated at £1.4m, which is the cost incurred on converting this building to its current use.

London South Bank University

Notes to the accounts Year ended 31 July 2010

12. Tangible fixed assets (continued)

Assets held under Finance Leases

Consolidated and University equipment, furniture and motor vehicles include assets held under finance leases as follows

	2010 £000	2009 £000
Cost	2,333	2,576
Accumulated depreciation	(586)	(731)
Net book value	1,747	1,845
Depreciation charge for the year	571	495

13. Investments

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
CVCP Properties plc	38	38	38	38

Details of the companies, all incorporated in England and Wales, in which London South Bank University holds directly or indirectly more than 20% of the nominal value of any class of share capital are as follows

South Bank University Enterprises Limited

The University holds 100% of the £1 ordinary shares of South Bank University Enterprises Limited (SBUEL), which was formed in order to take over the commercial aspects of the University's activities. These shares have been held since 5 February 1988.

London Knowledge Innovation Centre Limited

SBUEL holds 50% of the issued £1 shares of London Knowledge Innovation Centre Limited (LKIC), a company formed to provide serviced office space and other services to start-up companies. The share of the net assets and profit/(loss) of LKIC have not been included in the consolidated accounts as they are immaterial. The profit/(loss) and net assets of LKIC were both £nil for the period ended 31 July 2010 (2009 £nil).

Other investments

All other investments represent less than 20% of the issued share capital in each case and are therefore not individually disclosed.

14. Debtors

	Consolidated		University	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade debtors	4,038	3,778	3,917	3,736
Amounts owed by group undertakings	-	-	807	460
Other debtors	383	250	180	142
Prepayments & accrued income	2,877	2,502	2,767	2,489
	7,298	6,530	7,671	6,827

London South Bank University

Notes to the accounts Year ended 31 July 2010

15. Creditors: amounts falling due within one year

	Consolidated		University	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank and other loans	2,535	2,522	2,535	2,522
Obligations under finance leases	804	621	804	621
Trade creditors	852	1,515	794	1,479
Other creditors	2,022	2,281	2,009	2,271
Social security and other taxation payable	1,763	1,753	1,753	1,753
Accruals and deferred income	22,881	21,330	22,455	21,084
	<u>30,857</u>	<u>30,022</u>	<u>30,350</u>	<u>29,730</u>

16. Creditors: Amounts falling due after more than one year

	Consolidated and University	
	2010	2009
	£'000	£'000
Bank and other loans	35,203	37,608
Obligations under finance leases	943	1,225
	<u>36,146</u>	<u>38,833</u>

17. Borrowings

	Consolidated and University	
	2010	2009
	£'000	£'000
Bank loans and finance leases are repayable as follows		
Due in less than one year (note 15)	<u>3,339</u>	<u>3,143</u>
Due between one and two years	3,244	3,210
Due between two and five years	4,729	6,287
Due after five years	<u>28,173</u>	<u>29,336</u>
Total due after one year (note 16)	<u>36,146</u>	<u>38,833</u>
Total	<u>39,485</u>	<u>41,976</u>

London South Bank University

Notes to the accounts Year ended 31 July 2010

17. Borrowings (continued)

Details of bank loans

- The loan from Allied Irish Bank (GB) in respect of the Dante Road hall of residence is repayable over 26.5 years to 2027. The amount outstanding at 31 July 2010 was £6.509 million (2009 £6.887 million). The loan bears interest at a rate of 6.67% per annum. The loan is secured on the property to which it relates.
- There is a loan facility from Barclays Bank of £37 million, secured on David Bomberg House and McLaren House halls of residences. Within the facility, the following balances are outstanding at 31 July 2010:
 - An amount of £6.684 million in respect of David Bomberg House was outstanding at 31 July 2010 (2009 £6.995 million). This borrowing is repayable over 25 years to 2032 and bears interest at a fixed rate of 5.67% per annum.
 - An amount of £3.250 million (2009 £4.550 million) was outstanding in respect of McLaren House. This borrowing is repayable within 4 years to 2013 and bears interest at a fixed rate of 5.98% per annum.
 - A further £21.83 million of the Barclays facility was drawn down to finance the K2 building. Of this amount, £21.165 million was outstanding at 31 July 2010 as follows: £5m (2009 £5m) is interest-only and bears interest at a fixed rate of 5.25% per annum, £9.706m (2009 £9.942m) is repayable over 23.25 years to 2032 and bears interest at a fixed rate of 5.54% per annum, and £6.459m (2009 £6.756m) is repayable over 23 years to 2032 and bears interest at a variable rate of 0.225% above LIBOR per annum.

18. Provisions for liabilities

Consolidated and University

	2010 £'000	2009 £'000
Other provisions	918	1,124
Analysis of provision for liabilities		£'000
Balance at 1 August 2009		1,124
Increase		918
Provision utilised in year		(754)
Provision released in year		(370)
Balance at 31 July 2010		918

Provisions of £918k have been made in respect of funding for the 2009/10 academic year to be clawed back. This consists of £460k payable to HEFCE in respect of employer co-funded places, £385k payable to HEFCE as a result of the audit of HESES09 data, £22k payable to the Training Development Agency for Schools (TDA) and £51k payable to the Skills Funding Agency (SFA). In all cases, payment will be made in the year ended 31 July 2011 via a reduction in funding for the 2010/11 academic year.

London South Bank University

Notes to the accounts Year ended 31 July 2010

19. Pension liability

Consolidated and University

The pension liability has been measured in accordance with the requirements of FRS17 and relates to the London Pension Fund Authority pension scheme (LPFA)

	2010 £'000	2009 £'000
Balance at 1 August	69,885	48,111
Current service cost	3,820	3,027
Past service gain	(7,315)	-
Settlements and curtailments	-	117
Contributions	(4,682)	(4,351)
Other finance cost (note 24)	3,797	3,077
Actuarial loss recognised in STRGL (note 24)	114	19,904
Balance at 31 July	65,619	69,885

20. Deferred capital grants

Consolidated and University

	Land and buildings £'000	Equipment £'000	Total £'000
Balance at 1 August 2009	22,725	4,437	27,162
Release to income and expenditure account (note 1)	(1,171)	(843)	(2,014)
Grants received	4,992	545	5,537
Balance at 31 July 2010	26,546	4,139	30,685

21. Capital reserves

Consolidated and University

	2010 £'000	2009 £'000
Balance at 1 August	33,376	34,166
Transfer to income & expenditure reserves being depreciation on revalued assets (note 22)	(796)	(790)
Balance at 31 July	32,580	33,376

London South Bank University

Notes to the accounts Year ended 31 July 2010

22. Income and expenditure account	Consolidated	University
	2010	2010
Reserve	£'000	£'000
Balance at 1 August 2009	75,396	75,403
Surplus for the year	6,280	6,287
Transfer from revaluation reserve (note 21)	796	796
Net FRS17 pension costs transferred to pension reserve	2,935	2,935
	<hr/>	<hr/>
Balance at 31 July 2010	85,407	85,421
	<hr/>	<hr/>
Pension reserve		
Balance at 1 August 2009	(69,885)	(69,885)
Past service gain arising from change of inflation assumption for pension increases from RPI to CPI	7,315	7,315
Actuarial loss	(114)	(114)
Net FRS17 pension costs transferred from income and expenditure reserve	(2,935)	(2,935)
	<hr/>	<hr/>
Balance at 31 July 2010	(65,619)	(65,619)
	<hr/>	<hr/>

23. Designated reserves

The income and expenditure account of the Group also includes £0.6 million (2009 £0.6 million) of reserves which, in accordance with the constitution of London South Bank University Students' Union (LSBUSU), are not distributable

24. Pension arrangements

The University participates in the Teachers Pension Scheme (TPS) and the Universities Superannuation Scheme Limited (USS) for academic employees and the London Pension Fund Authority (LPFA) Pension Fund for non-academic employees

London South Bank University Students' Union (LSBUSU) participates in the Student Union Superannuation Scheme

A The Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pension Scheme Regulations 1997, as amended. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers or lecturers and from 1 January 2007 automatic too for teachers or lecturers in part-time employment following appointment or change of contract. Teachers and lecturers are able to opt out of the TPS.

Contributions are paid by the University and charged to the Income and Expenditure account at a current rate of 14.1% (2009 14.1%) of salaries.

London South Bank University

Notes to the accounts Year ended 31 July 2010

24. Pension arrangements (continued)

Not less than every four years, with a supporting interim valuation in between, the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The GA'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 £166,500m. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240m.

The financial assumptions in the GA report were as follows:

Investment returns per annum	6.5%
Salary scale increases per annum	5.0%
Price increases per annum	3.5%
Real earnings growth	1.5%

The University's contribution to the TPS for 2010 was £4,197,432 (2009: £4,184,875).

From 1 January 2007, and as a part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution rate is 19.75% plus a supplementary contribution rate of 0.75%, a total contribution rate of 20.5%. This translates into an employee contribution rate of 6.4% and an employer contribution rate of 14.1%.

Under the definitions set out in FRS17 'Retirement Benefits', the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme.

B The Universities Superannuation Scheme

The Universities Superannuation Scheme is a defined benefit scheme which is externally funded.

The assets of the fund are held in a separate trustee-administered fund.

Contributions are paid by the University and charged to the Income and Expenditure account at a current rate of 16% (2009: 14%) of salaries.

A full triennial valuation was carried out by the scheme's actuary Mercer Human Resource Consulting Limited as at 31 March 2005. The valuation revealed that the value of the assets was £21,740 million and the value of the liabilities was £28,308 million leaving a deficit of £6,568 million. The assets were therefore sufficient to cover 77% of the benefits accrued to members.

The financial assumptions of that valuation are as follows:

Investment returns per annum – past service	4.5%
Investment returns per annum – future service	6.2%
Salary scale increases per annum	3.9%
Price increases per annum	2.9%
Pension increases	2.9%

The University's contribution to the USS for 2010 was £323,308 (2009: £284,771). This was a 14% rise.

London South Bank University

Notes to the accounts Year ended 31 July 2010

24. Pension arrangements (continued)

Under the definitions set out in FRS17 'Retirement Benefits', the USS scheme is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme.

C The London Pension Fund

The London Pension Fund Authority (LPFA) provides members with benefits related to pay and service at rates which are defined under the Local Government Pensions Scheme Regulations 1997. To finance these benefits assets are accumulated in the Fund and held separately from the assets of the University.

A full triennial valuation was carried out by the scheme's actuary Hymans Robertson as at 31 March 2007. The results showed the market value of the Fund's assets attributable to the University as £64.45m. The actuarial value of those assets represented 78.2% of the value of the benefits that have accrued to the University's pensioners, deferred pensioners and current members based upon past service but allowing for assumed pay increases and pension increases.

Pension costs under FRS17

For accounting purposes the scheme's assets are measured at market value and liabilities are valued using the projected unit method and discounted using the gross redemption yield for corporate AA rated bonds. The valuation uses market-based assumptions and asset valuations, and represents a current valuation. It does not impact on the contribution rates set by the trustees of the scheme. The principal assumptions used by the actuary were:

	31 July 2010 % per annum	31 July 2009 % per annum	31 July 2008 % per annum
Salary increases	4.7	5.1	5.3
Pension and price increases	2.7	3.6	3.8
Discount rate	5.4	6.0	6.7

Employees retiring on or after 6 April 2006 are permitted to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

On the advice of our actuaries we have assumed that 25% of future retirements take up this option. In calculating the scheme assets and liabilities, the fund's actuaries had to make a number of assumptions about events, and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

Life expectancy

Life expectancy for all members is based on the PMA/PFA92 tables incorporating medium cohort and based on year of birth. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	Males Years	Females Years
Current pensioners	21.9	24.8
Future pensioners	23.1	25.9

London South Bank University

Notes to the accounts Year ended 31 July 2010

24. Pension arrangements (continued)

Fund assets

The expected return on fund assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 August 2009 for the year to 31 July 2010). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields. The employer assets in the scheme and the expected rates of return are as follows:

	Expected rate of return at 31 July 2010	Fair value as at 31 July 2010 £'000	Expected rate of return at 31 July 2009	Fair value as at 31 July 2009 £'000
Equities	7.3%	48,597	7.5%	41,668
Target return portfolio	4.5%	8,452	6.2%	6,293
Alternative assets	6.3%	10,565	6.7%	8,981
Cash	3.0%	1,409	3.0%	4,155
Other bonds	5.4%	1,409	-	-
Total fair value of assets	6.7%	70,432	6.9%	61,097

Net pension liability

The following amounts at 31 July related to London South Bank University measured in accordance with the requirements of FRS17:

	2010 £'000	2009 £'000
Fair value of Employer Assets	70,432	61,097
Present value of funded obligations	(123,986)	(115,512)
Net underfunding in funded plans	(53,554)	(54,415)
Present value of unfunded obligations	(12,065)	(15,470)
Net Pension Liability	(65,619)	(69,885)

The movement for the year in the net pension liability is shown in note 19.

Analysis of the amount included in staff costs for the year

	2010 £'000	2009 £'000
Current service cost	3,820	3,027
Curtailments and settlements	-	117
Enhancements to former employees*	239	244
Total operating charge	4,059	3,388

*recoverable in full from HEFCE (note 1)

London South Bank University

Notes to the accounts Year ended 31 July 2010

24. Pension arrangements (continued)

Analysis of the amount included in interest payable for the year	2010 £'000	2009 £'000
Expected return on pension scheme assets	(4,320)	(4,600)
Interest on pension scheme liabilities	8,117	7,677
Net charge	3,797	3,077

Analysis of the amount recognised in STRGL	2010 £'000	2009 £'000
Actual return less expected return on pension scheme assets	1,996	(8,626)
Changes in assumptions underlying the present value of scheme liabilities	(2,110)	(11,278)
Actuarial loss recognised in STRGL	(114)	(19,904)

Analysis of movement in the present value of scheme liabilities	2010 £'000	2009 £'000
At 1 August	130,982	111,016
Current service cost	3,820	3,027
Interest cost	8,117	7,677
Changes in assumptions underlying the present value of scheme liabilities	2,110	11,278
Losses on curtailments	-	117
Benefits paid	(2,232)	(2,613)
Past service gain	(7,315)	-
Contributions by scheme participants	1,399	1,316
Unfunded pension payments	(830)	(836)
At 31 July	136,051	130,982

Analysis of movement in the market value of scheme assets	2010 £'000	2009 £'000
At 1 August	61,097	62,905
Expected return on scheme assets	4,320	4,600
Actuarial losses	1,996	(8,626)
Contributions by employer	3,852	3,515
Contributions by scheme participants	1,399	1,316
Benefits paid	(2,232)	(2,613)
At 31 July	70,432	61,097

Contributions payable in 2010/11 will be at 20.8% of pensionable salary

London South Bank University

Notes to the accounts Year ended 31 July 2010

24. Pension arrangements (continued)

Experience gains & losses in year	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Difference between the actual and expected return on pension scheme assets	1,996	(8,626)	(9,852)	3,244	2,354
Value of assets	70,432	61,097	62,905	66,799	58,146
Percentage of scheme assets	2.8%	(14.1)%	(15.7)%	4.9%	4.0%
Experience gains and losses arising on scheme liabilities	-	-	668	(503)	(3,296)
Present value of liabilities	(136,051)	(130,982)	(111,016)	(110,028)	(101,935)
Percentage of the present value of scheme liabilities	-	-	0.6%	(0.5)%	(3.2)%
Total amount recognised in STRGL	(114)	(19,904)	(2,833)	2,075	(830)
Present value of liabilities	(136,051)	(130,982)	(111,016)	(110,028)	(101,935)
Percentage of the present value of scheme liabilities	-	(15.2)%	(2.6)%	1.9%	(0.8)%

D Student Union Superannuation Scheme

The Student Union Superannuation Scheme (SUSS) is a defined benefit scheme whose membership consists of employees of students' unions and related bodies throughout the country. Benefits in respect of service up to 30 September 2003 accrued on a final salary basis with benefits in respect of service from 1 October 2003 onwards accruing on a Career Average Related Earnings (CARE) basis. The scheme operates as a pooled arrangement, with contributions paid at a centrally agreed rate.

Contributions are paid by London South Bank University Students Union (LSBUSU) at a current rate of 8% of salaries. Additionally, a fixed contribution of £583 per month was introduced in October 2007.

A valuation carried out on 1 October 2007 showed that the market value of the scheme's assets was £56.318 million with these assets representing 69% of the value of the benefits that had accrued to members after allowing for expected future increases in earnings. The deficit on an ongoing basis amounts to £24.901 million.

The assumptions which have the most significant effect upon the results of this valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

The following assumptions applied:

- The investment return would be 7.3% per annum before retirement and 5.3% per annum after retirement.
- Salaries would increase at 5.2% per annum, equivalent to 2% per annum above inflation. Pensions accruing on the CARE basis would revalue at 3.2% per annum.

LSBUSU's contribution to the SUSS for 2010 was £32,365 (2009 £31,207).

Under the definitions set out in FRS17 'Retirement Benefits', the SUSS scheme is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme.

London South Bank University

Notes to the accounts Year ended 31 July 2010

25. Related party disclosures

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is possible 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 member of the Board of Governors is also a director of EdExcel. During the year, the University paid £46,724 (2009 £47,987) to EdExcel in respect of BTEC registration fees.

26. Endowments – Consolidated & University

	Unrestricted Permanent £'000	Restricted Expendable £'000	2010 Total £'000	2009 Total £'000
Balance at 1 August 2009	283	268	551	590
Investment income	10	10	20	20
Expenditure	(10)	(10)	(20)	(20)
Increase/(Decrease) in market value of investments	38	27	65	(39)
Balance at 31 July 2010	321	295	616	551

27. Operating lease commitments

At 31 July 2010 the University and the Group were committed to making the following annual payments in respect of operating leases on land and buildings:

	2010 £'000	2009 £'000
Expiring within one year	-	630
Expiring between two and five years	612	617
Expiring in over five years	51	346
	663	1,593

28. Capital commitments and contingent liabilities

Capital commitments:

Consolidated and University

Commitments contracted at 31 July

2010 £'000	2009 £'000
-	6,873

London South Bank University

Notes to the accounts Year ended 31 July 2010

29. Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2010 £'000	2009 £'000
Surplus after depreciation of assets at valuation	6,280	1,384
Depreciation (note 12)	7,278	6,584
Loss/impairment on disposal of fixed assets	1,232	895
Investment income	(346)	(832)
Interest payable (note 10)	5,853	4,672
(Increase)/decrease in stocks	(1)	61
Increase in debtors	(768)	(79)
Increase in creditors	639	280
Decrease in provisions	(1,068)	(827)
Deferred capital grants released to income (note 20)	(2,014)	(1,709)
Net cash inflow from operating activities	17,085	10,429

30. Returns on investments and servicing of finance

	2010 £'000	2009 £'000
Income from endowments (note 5)	20	20
Interest received (note 5)	326	812
Interest paid (note 10)	(2,056)	(1,595)
Net cash outflow from returns on investments and servicing of finance	(1,710)	(763)

31. Capital expenditure and financial investment

	2010 £'000	2009 £'000
Payments to acquire tangible fixed assets	(13,129)	(27,173))

32. Acquisitions and disposals

	2010 £'000	2009 £'000
Acquisition of investment	-	96

London South Bank University

Notes to the accounts Year ended 31 July 2010

33. Financing

	2010 £'000	2009 £'000
Capital element of bank loan repayments	(2,522)	(2,120)
Capital element of finance lease repayments	(714)	(495)
Capital grants received in year	5,537	5,444
Finance lease repaid	(1,440)	-
New finance lease	2,055	993
New bank loans	130	21,830
Net cash inflow from financing	3,046	25,652

34. Analysis of changes in net funds

	At 1 August 2009 £'000	Cash flow £'000	At 31 July 2010 £'000
Cash at bank and in hand	38,472	5,292	43,764
Endowment asset investments	67	-	67
	38,539	5,292	43,831
Debt due within one year (note 15)	(3,143)	(196)	(3,339)
Debt due after more than one year (note 16)	(38,833)	2,687	(36,146)
Net (debt)/funds	(3,437)	7,783	4,346

35. Analysis of changes in financing during the year

	Bank and other loans	
	2010 £'000	2009 £'000
Balance at 1 August	41,976	21,768
Capital repayments	(3,236)	(2,615)
New borrowing	745	22,823
Balance at 31 July	39,485	41,976

London South Bank University

Notes to the accounts Year ended 31 July 2010

36. Access & Hardship funds

	2010 £'000	2009 £'000
Balance at 1 August	313	376
HEFCE grant	569	669
LSC grant	31	43
Interest earned (net of hardship fund audit fee)	1	5
Distributed to students	(602)	(780)
Balance at 31 July	312	313

Access and Hardship funds are paid to universities by HEFCE and LSC to provide financial assistance to students whose access to further or higher education might be inhibited by financial considerations or who, for whatever reason, including physical or other disabilities, face financial difficulties

The grant from HEFCE and LSC grant is available solely for students. The University acts only as a paying agent. The grant and related disbursements are therefore excluded from the Income and Expenditure account and grants not disbursed are shown within other creditors

37. Teacher Training Bursaries

	2010 £'000	2009 £'000
Balance at 1 August	(128)	77
Funding council grant (Net)	1,212	649
Disbursed to students	(1,069)	(854)
Balance at 31 July	15	(128)

Teacher Training Bursary funds are paid to universities by the Training and Development Agency for Schools (TDA) to provide financial support to students studying for a postgraduate qualification which leads to Qualified Teacher Status (QTS)

The grant from the TDA is available solely for students. The University acts only as a paying agent. The grant and related disbursements are therefore excluded from the Income and Expenditure account and grants not disbursed are shown within other creditors

38. Black & Minority Ethnic Recruitment & Retention (BME)

	2010 £'000	2009 £'000
Balance at 1 August	-	9
Funding council grant	11	8
Distributed	(16)	(17)
Balance at 31 July	(5)	-

BME funds are paid to universities by the TDA to increase the recruitment and retention of teacher trainees from minority ethnic backgrounds



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