

FOR THE YEAR ENDED
31 JULY 2010

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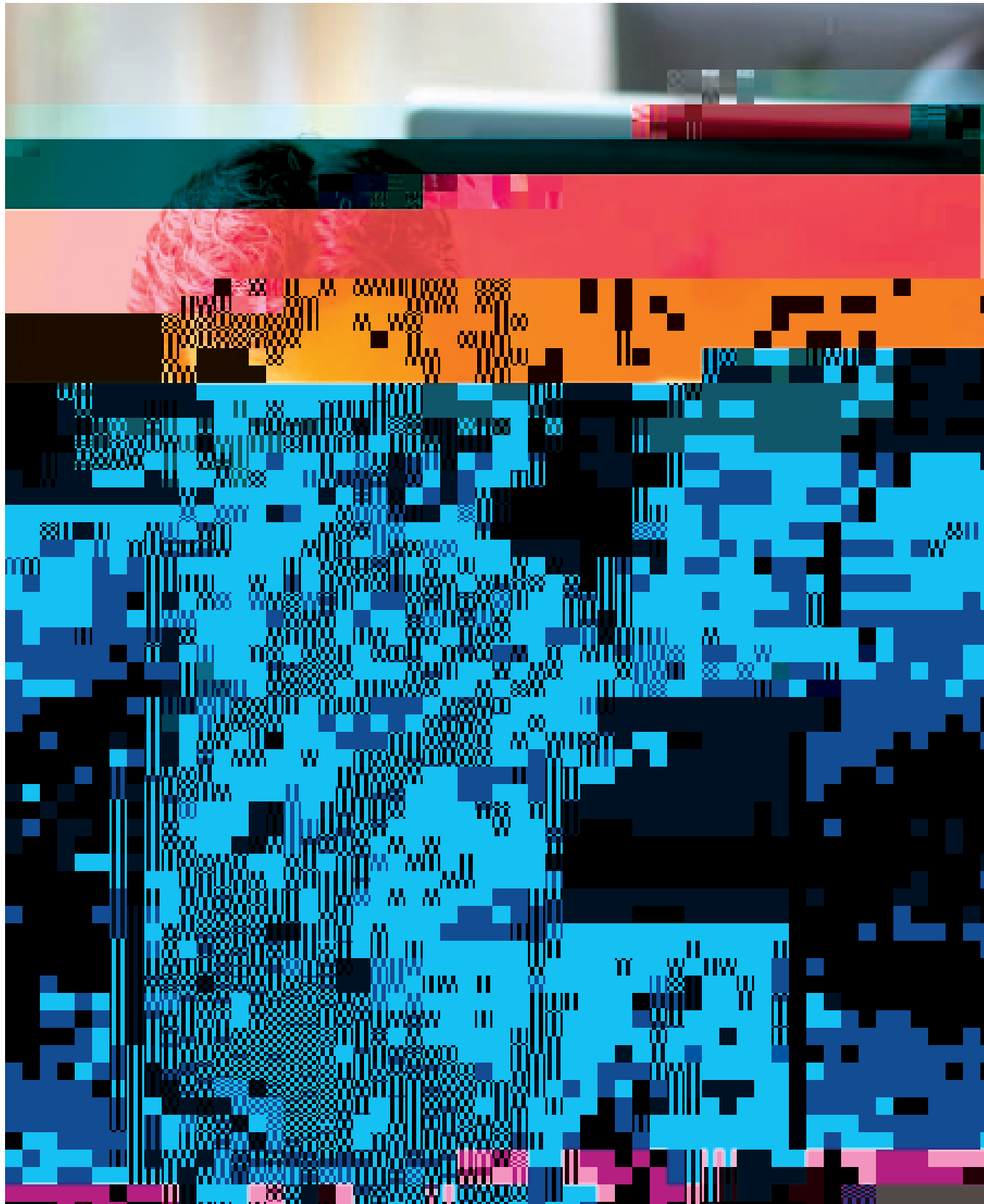
Financial Statements

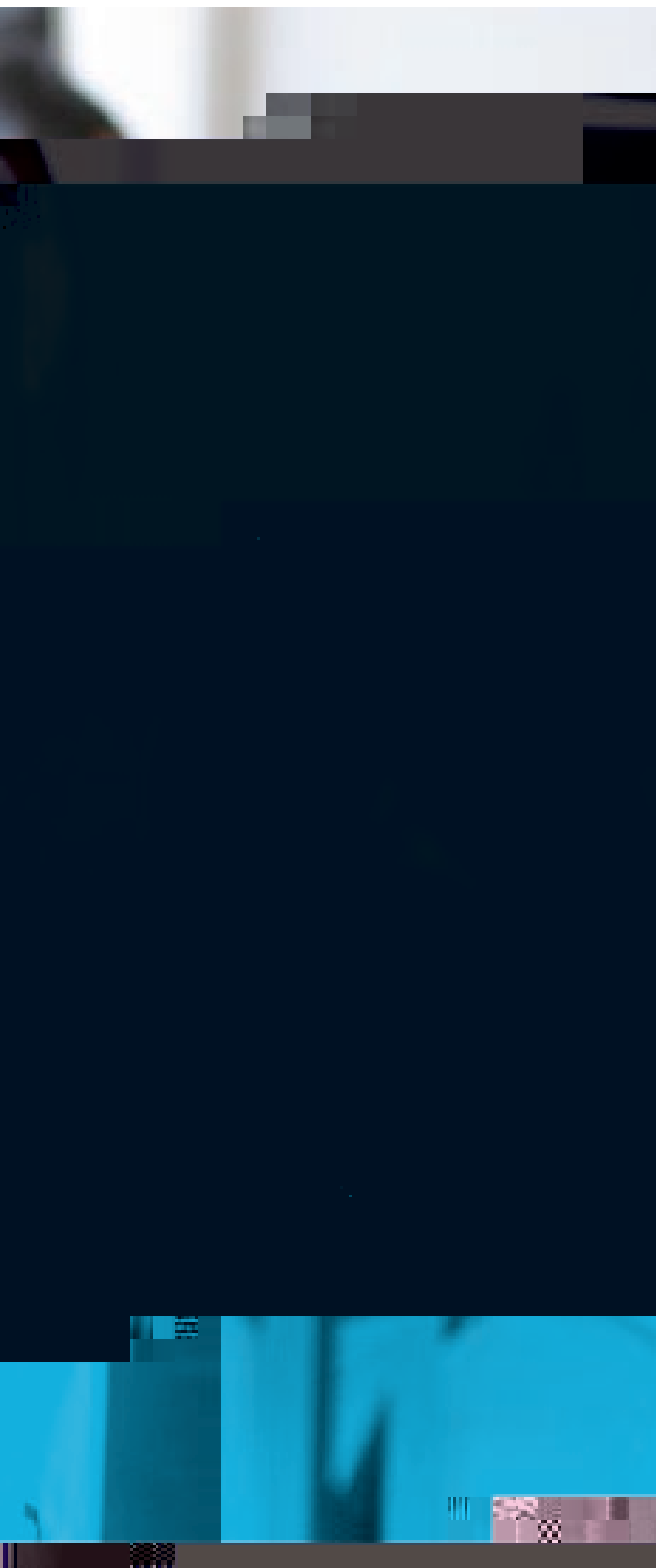
2009/10



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

Middlesex has two overseas campuses: Dubai and Mauritius.

Strategic Review

Our goal

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

Our purpose

Middlesex University is committed to:

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

Our approach

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

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

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

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

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

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

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

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

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

Key performance indicators

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

Sustaining academic quality:

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

Enhancing the student experience:

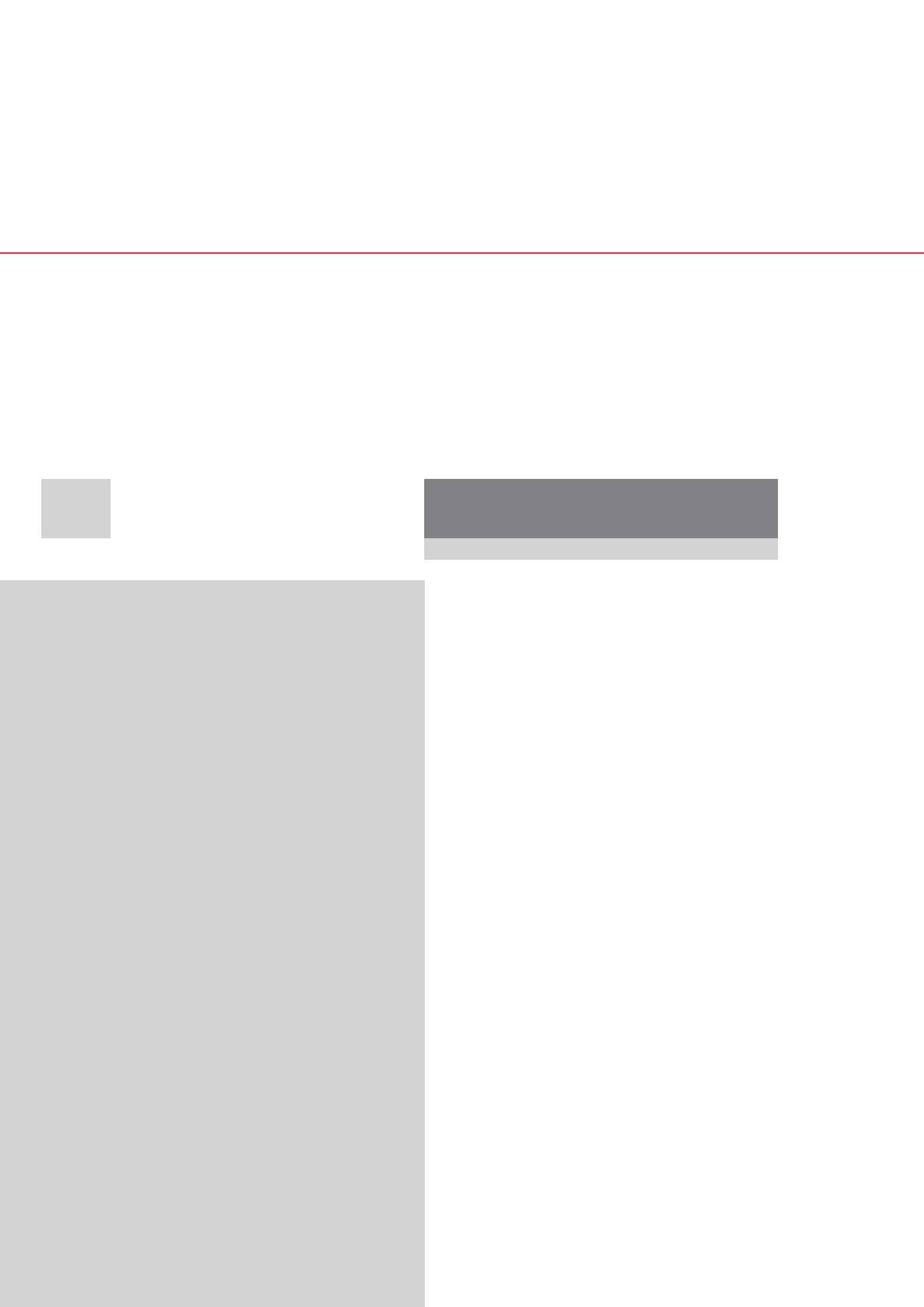
- Student survey ratings
- Proportion of good honours degrees
- Graduate employment

Growing international and other income:

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

Improved productivity and efficiency:

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



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

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

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

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

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

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

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

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

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

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

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

Research and business

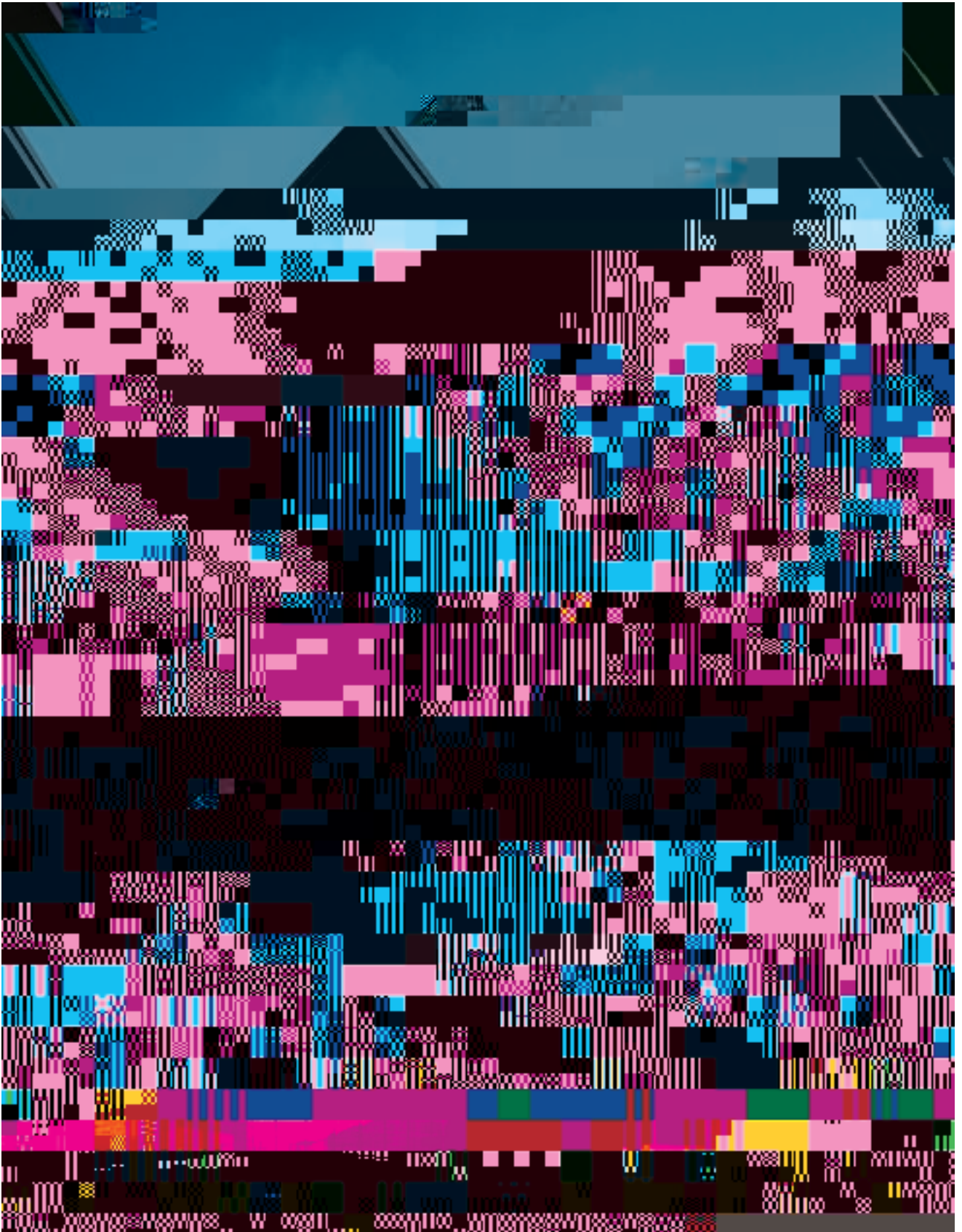
Following the successful outcome of the 2008 Research Assessment Exercise eiseedB8 005E1 Ogee

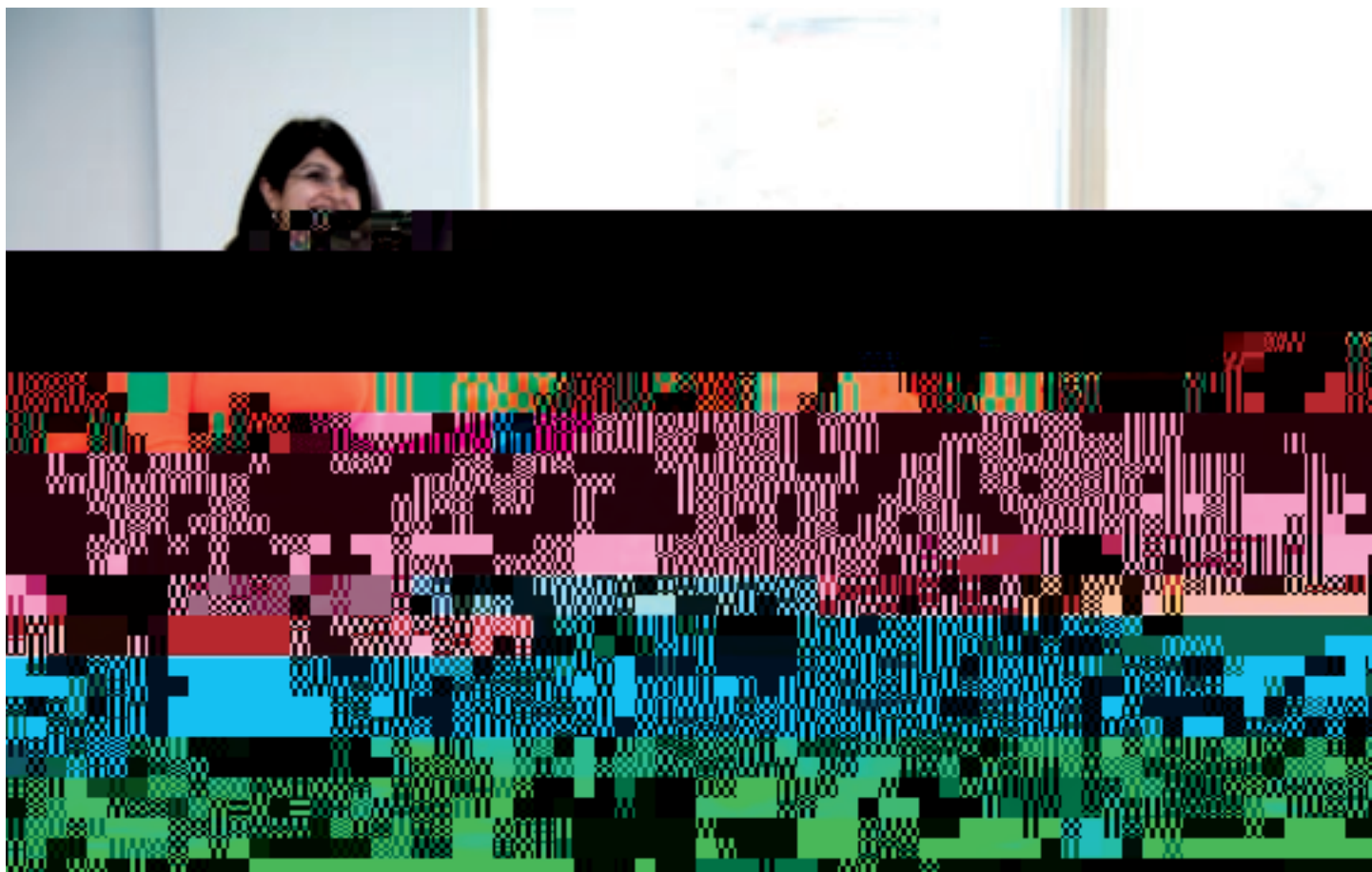
With the doubling of Higher Education Innovation Fund (HEIF) income, we have made similar investments to strengthen business and community interaction.

Our key objectives for 2009-10 were to:

- Invest to grow research strengths in selected areas
- Increase number of doctoral students
- Increase income from research and business related

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

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

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

Information Technology

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

Financial Review

Results for

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

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The long term policy is to always maintain cash levels at 2 months of expenditure (£27m for this year). However, during the period of development 2d os

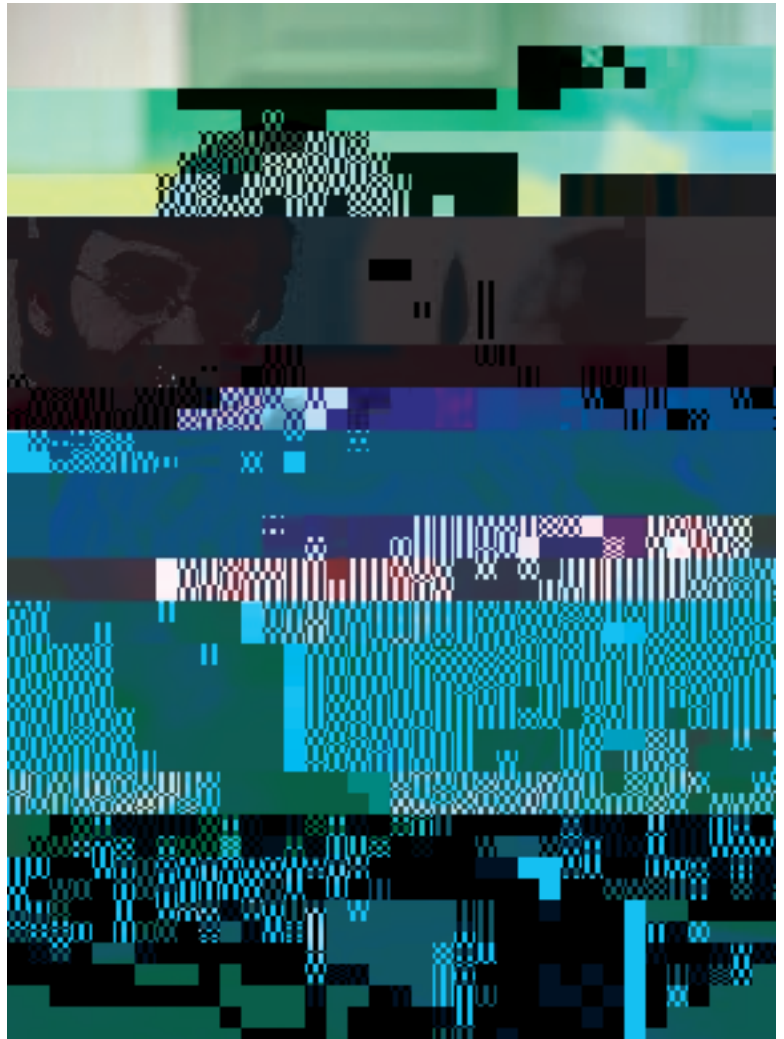
Corporate Social Responsibility

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

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

Exemplars of our commitment to CSR include:

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





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

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

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

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

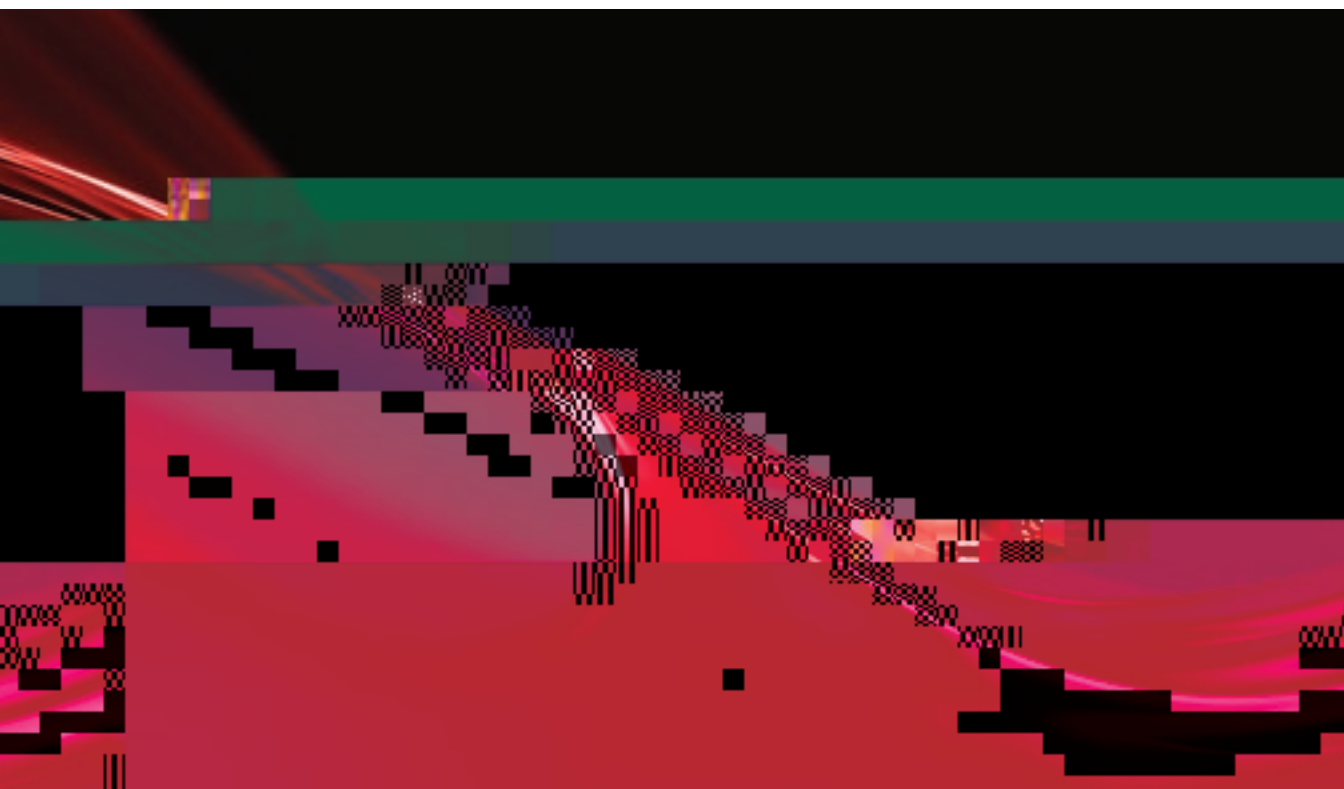
Consideration of the University's medium-term and strategic plans is also undertaken by the Finance and General Purposes Committee. It is responsible for ensuring that all the financial implications of such plans are taken into account before their approval by the Board of Governors.

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

international demand, funding and research and business development.

- The Finance and General Purposes Committee's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team.
- The senior management team receives r

Statement of the Responsibilities of the Board of Governors



In accordance with the University's
Instrument and Articles of
Government, the Board of Governors

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

The Governing Body has taken reasonable steps to:

- ensure that funds from HEFCE, LSC and the TDA are used only for the purposes for which they have been given and in accordance

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

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

Respective responsibilities of The Board of Governors and auditors

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

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

Accounting Policies

A. Accounting Convention

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

The financial statements consolidate the accounts of the University and its material subsidiary undertakings. Details of the subsidiary undertakings included are given at note 13.

The subsidiary undertakings are consolidated on a line by line basis with intra-group transactions and balances eliminated on consolidation.

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

B. Recognition of Income

Income from Funding Council Recurrent Grants, Tuition Fees and Education Contracts is included in the period in which the income is received.

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

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

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

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

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

F. Intangible Fixed Assets

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

Patents	10 years
Trademarks	10 years

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

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

K. Pensions

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

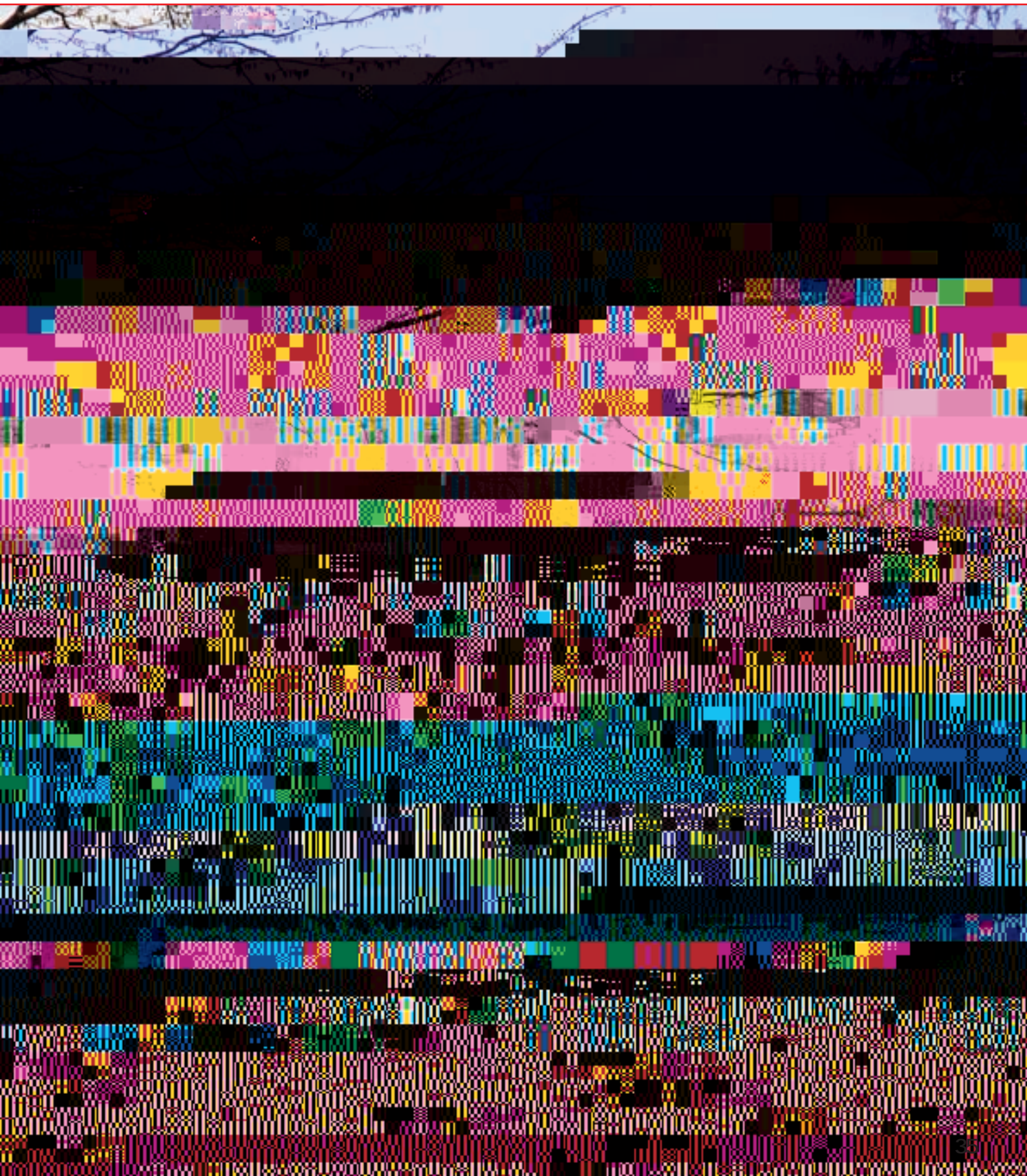
Past service costs are recognised immediately in the Income and Expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest costs and the expected return on assets are shown as a net amount of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

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

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

The difference between the fair value of the assets held in the University's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the University's balance sheet as a pension scheme liability. The carrying value of any resulting pension scheme asset is restricted to the extent that the University is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is net of any related deferred tax balance.

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Consolidated Statement of Total Recognised Gains and Losses

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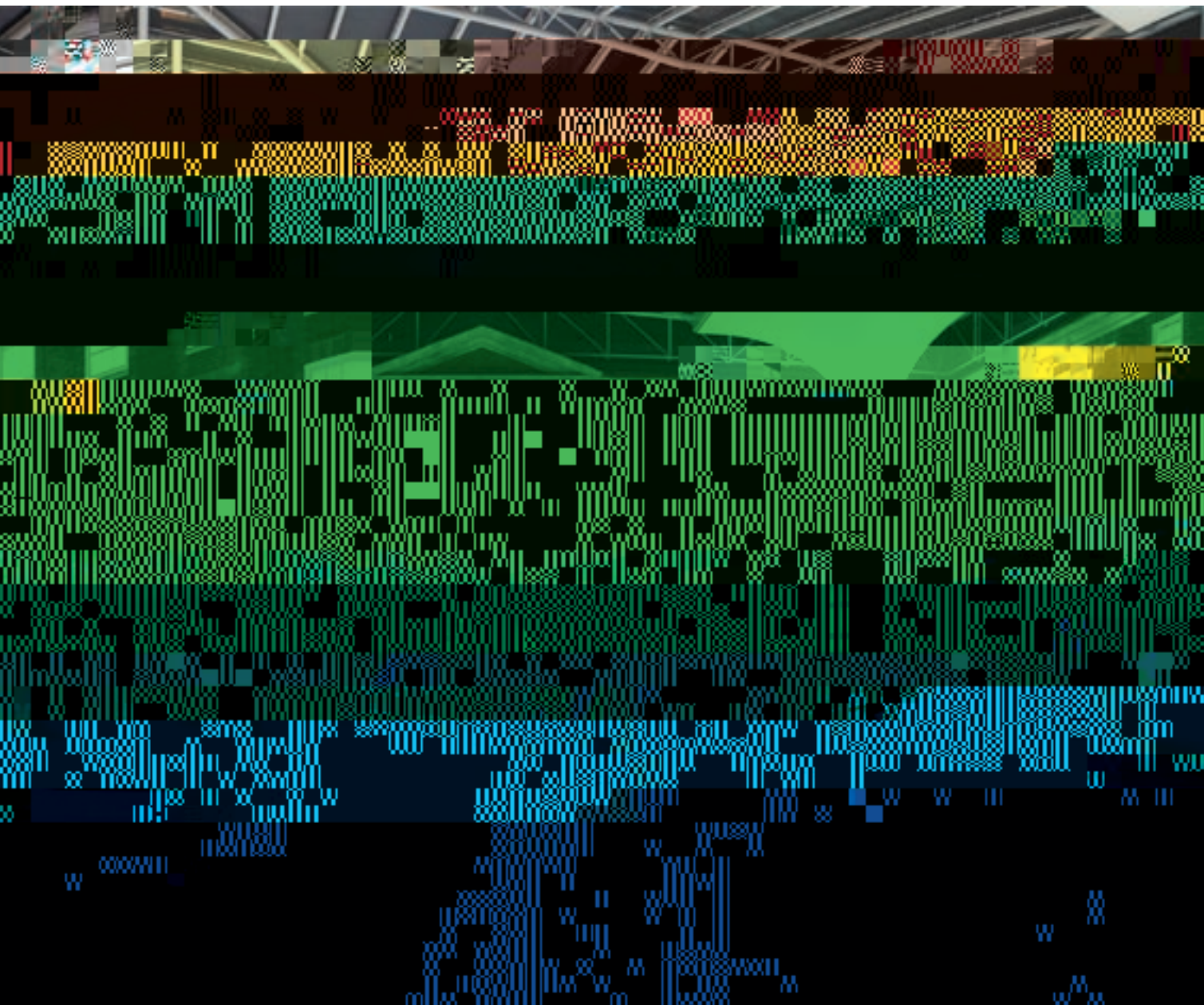
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Consolidated Cash Flow Statement

for the year ended 31 July 2010

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



Notes to the Accounts

1. Funding body grants	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Recurrent grants		
Higher Education Funding Council for England (HEFCE)	46,291	47,083
Training and Development Agency (TDA)	3,627	3,440
Specific grants		
Higher Education Innovation Fund	1,076	692
Teaching Quality Enhancement	4	746
Aim Higher	208	970
Centres for Excellence in Teaching and Learning	1,103	1,122
Research grants	3,397	1,945
MODNet grants	2,349	885
Other grants	143	206
Deferred capital grants released in year		
Buildings	2,743	1,966
Equipment	252	262
	61,193	59,317
2. Tuition fees and education grants	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Full-time students charged home fees	36,006	30,492
Full-time students charged overseas fees	29,565	25,667
Part-time fees	4,162	3,615
Short course fees	1,602	1,296
NHS education contracts	12,365	12,979
	83,700	74,049
3. Research grants and contracts	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Research Councils	1,673	701
UK based charities	572	490
UK central government	744	94,159,317

Notes to the Accounts

7. Other operating expenses	Year ended	Year ended
	31 July 2010	31 July 2009
	£000	£000
Consumables	2,268	1,891
Learning resources	2,546	1,745
Funds payable to other colleges	6,721	8,980
Auditors' remuneration	290	340
Catering and hospitality	769	723
Marketing related costs	2,514	2,394
Collaborative partners and advisors	2,563	3,189
External staffing and services	1,519	1,042
Staff development costs	1,250	800
Student recruitment, bursaries and scholarships	12,804	10,246
Subscriptions and memberships	734	1,014
Equipment and furniture (not capitalised)	928	177
IT expenditure and maintenance	4,918	4,866
IT operating leases	1,026	911
NHS service charge costs	1,048	954
Grants to Student Union	680	539
Transport, travel and subsistence	2,595	2,470
Insurance	631	534
Telephones and postage	454	487
Rent and rates	2,888	2,776
Repairs and general maintenance	2,330	1,886
Utilities	2,101	1,995
Other premises costs	7,646	7,235
Fixed asset impairment charge	12,264	14,286

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Notes to the Accounts

15. Debtors

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

16. Cash at bank and in hand

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

17. Creditors: amounts falling due within one year

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

Notes to the Accounts

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

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

Analysis of long term creditor

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

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

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

Finance lease obligations

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

Notes to the Accounts

19. Provisions for liabilities and charges

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

20. Deferred capital grants

Group and University	Funding Councils £000	Other grants & benefactions £000
At 1 August 2009:		
Land and buildings	20,696	2,340
Equipment	873	-
	<hr/> 21,569	<hr/> 2,340
Cash received:		
Land and buildings	12,714	-
Equipment	68	-
	<hr/> 12,782	<hr/> -
Released to income and expenditure account:		
Land and buildings	(2,743)	
Equipment	(252)	
	<hr/> (2,995)	
At 31 July 2010:		
Land and buildings	30,667	
Equipment	689	
Total	<hr/> 31,356 <hr/>	

Notes to the Accounts

24. Reconciliation of consolidated operating surplus/ (deficit)

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

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

25. Returns on investment and servicing of finance

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

26. Financing

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

Notes to the Accounts

27. Capital expenditure and financial investment

Payments to acquire tangible fixed assets
Receipts from sale of tangible fixed assets
New endowments received
Deferred capital grants received
Net cash (outflow) from capital expenditure

28. Analysis of the change in net assets

Notes to the Accounts

32 Pension schemes (cont'd)

Notes to the Accounts

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