

UNIVERSITY OF
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RESULTS
WESTMINSTER[®]

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010



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UNIVERSITY OF WESTMINSTER REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010

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UNIVERSITY OF WESTMINSTER

OPERATING AND FINANCIAL REVIEW

The operating and financial review has been prepared in accordance with the Accounting Standards Board Reporting Statement: Operating and Financial Review.

The University reports a deficit on continuing activities of £3.4m for the financial year ending 31 July 2010. The University anticipated that a deficit would arise this year as a result of planned internal repositioning and rationalising of both school and corporate services structures in line with the University 2015 strategic plan. To this end a deficit budget of £5.3m was approved by the Court of Governors for the financial year which enabled the University to complete the process. This workforce planning activity resulted in £3.5m redundancy costs being charged in the year.

Overall turnover increased during the year by 2.2% to £171.3m. The largest component of this rise derived from an increase in tuition fees and support grants of £6.4m, representing a 9.8% movement. The reported increase in fee income reflects higher student numbers with inflationary increases in fees for home undergraduate students (£4m) combined with an increase in overseas student numbers contributing additional income of £2m.

Total reserves including pensions have increased in the year by £1.2m to £29.1m. This increase is counterintuitive given the reported deficit for the year, but the overall increase arises from an exceptional actuarial gain on the University's Local Government Pension Scheme (LGPS) caused by the change in government policy announced on the 8 July 2010 to use the Consumer Price Index (CPI) in place of Retail Prices Index (RPI) as the index for determining pension increases for both private and public sector occupational pension schemes. The University has considered the LGPS scheme rules and associated members' literature and has concluded that this change is a revised actuarial assumption about the level of inflation indexation that should be made, with the resulting gain recognised through the Statement of Total Recognised Gains and Losses ('STRGL'). The impact for the University was an exceptional gain of £6.1m being recognised in the STRGL and through the pension reserves. At the date of these financial statements, the Urgent Issues Task Force (UITF) is in the process of consulting widely on the accounting treatment for this change and is expected to issue an Abstract towards the end of 2010. Should the Abstract call for a different accounting treatment it may be necessary to reflect any change as a prior period adjustment in the financial statements for the following year.

Over the same period total cash and investments held increased by 22.7% to a holding of £49.1m as at 31 July 2010. These accumulated cash balances are anticipated to be eroded as the University embarks on the next phase of the approved estates strategy.

During the year ended 31 July 2009 the surplus includes exceptional receipts of £3.3m insurance funds in settlement of a claim for a fire at the Harrow site in June 2007. Additionally, the Quintin Hogg Trust donated £4.4m to the University following the completion of a sale of a hall of residence. There were no equivalent receipts this year. The Quintin Hogg Trust is independent but as disclosed is recognised as a related party to the University (refer note 34).

In addition to the Quintin Hogg Trust there are a further two charitable trusts which are independent of the University but whose objects are for the support of the University and its students. Together these trusts own the historic assets of the University including 309 Regent Street, a number of other buildings used for academic purposes and the University's sports ground at Chiswick. These are all leased to the University for its on-going use. Transactions between the trusts and the University are reported as related party transactions in note 34 to the financial statements.

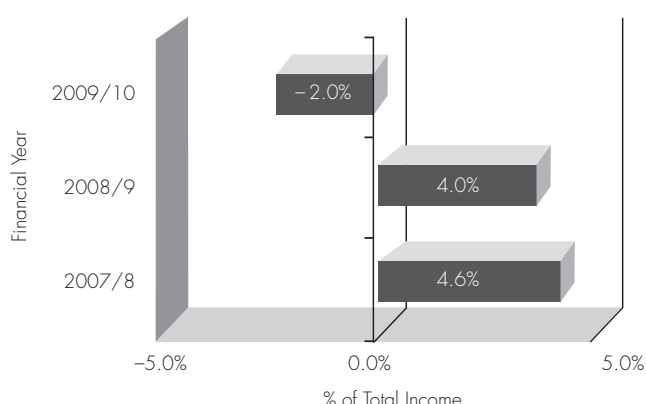
The underlying operating surplus for the University, with these non-recurrent items removed, was £0.1m as follows:

| | 2010 | 2009 |
|---|-------|-------|
| | £m | £m |
| Operating (deficit)/surplus after depreciation and before tax as reported | (3.4) | 3.7 |
| Plus: cost of voluntary severances | 3.5 | 0.9 |
| Less: donation of proceeds from sale of building | - | (4.4) |
| Adjusted operating surplus | 0.1 | 0.2 |

UNIVERSITY OF WESTMINSTER OPERATING AND FINANCIAL REVIEW (continued)

In 2009 the University adopted a number of key performance indicators (KPIs) one of which quantifies the level of target surplus expressed as a percentage of total income being 3% or greater. In both 2009 and 2010 the adjusted operating surplus falls short of this KPI. One of the short term objectives set by the University's Court of Governors is to achieve this KPI for the financial year ending 31 July 2012, following an approved deficit for the 2009/10 financial year and a break even position for the financial year ending 31 July 2011. The University will rise to this challenge against the back drop of HEFCE and government driven funding reduction which are anticipated over the coming years; the impact of the Browne review and cuts outlined by the Comprehensive Spending Review in addition to the general recession impacting both in the UK and globally.

Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax including exceptional items as a Proportion of Income



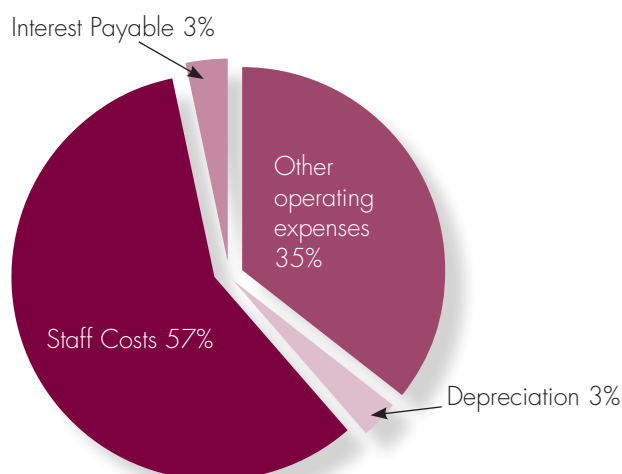
PAY

Wages and salaries increased by 3.0% (see note 13). This includes cost of living increases of 0.5% for staff and incremental progression and is despite an overall 2.6% increase in the average full-time equivalent number of employees. Pension and social security costs however rose by 12.7% reflecting the increase in average number of staff, but this was compounded by additional payments into pension schemes, when applicable under the scheme rules, for certain staff leaving under redundancy and severance arrangements; movements within the FRS17 pensions cost adjustment in addition to an increase in employer pension contributions.

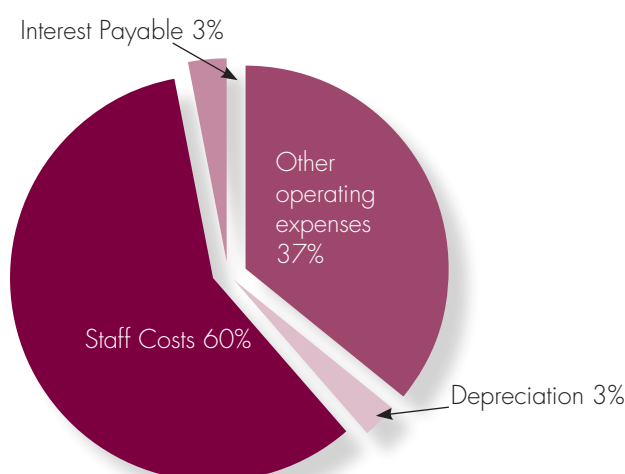
The Court of Governors has adopted a KPI in relation to the total value of staff costs as a proportion of total income. This proportion is targeted to be no greater than 60%. The out turn for 31 July 2010 resulted in a proportion of 60%. The deficit budget for 2009/10 approved at the July 2009 Court of Governors meeting anticipated this proportion as 64.6%.

This compares with an actual outturn for the year ending 31 July 2009 of 57.4%.

Costs as a Percentage of Total Income 2008/09



Costs as a Percentage of Total Income 2009/10



UNIVERSITY OF WESTMINSTER

OPERATING AND FINANCIAL REVIEW (continued)

ACCOUNTING FOR RETIREMENT BENEFITS

The University participates in four multi-employer defined benefit pension schemes. The Teachers Pension Scheme, to which most of the academic staff belong, is unfunded. The majority of the support staff are members of the Local Government Pension Scheme which in London is administered by the London Pension Fund Authority (LPFA). There are also a number of members of staff in the Universities Superannuation Scheme and the Superannuation Arrangements of the University of London scheme. The LPFA is the only one of these schemes where the University's share of the scheme assets and liabilities can be determined on a reasonable basis and, therefore, reported on the University's balance sheet.

The underlying position of the Local Government Pension Scheme (LGPS) has improved significantly during the past year with the University's share of the scheme deficit decreasing from £57.6m to £55.5m.

The scheme was last valued in 2007 and the result was an improvement in the funding rate (ratio of assets to liabilities) from 74% to 82%. Since then assumptions about future investment returns in particular have worsened. The outlook is of increasing contribution rates for some years to come.

Universities UK is working with the Universities and Colleges Employers Association to consider long-term solutions to the need to offer sustainable pension provision in higher education. Lord Hutton has also been appointed by the government to lead an inquiry into public sector pensions. In particular the areas being investigated include growing disparity between public sector and private sector provision; the need to ensure future pension provision is fair across the workforce and how the risk should be shared between the taxpayer and the employee.

POLICY STUDIES INSTITUTE

The Policy Studies Institute (PSI) was a wholly owned subsidiary and its results were consolidated with those of the University. On 1 April 2009 PSI balances and activities were transferred to the University with PSI retaining its brand identity but operating as a department within the School of Social Sciences, Humanities and Languages. Accordingly financial statements were prepared for PSI up to the period ending 31 March 2009, the remaining results for that year were incorporated within the University. In 2009/10 PSI's results are incorporated within the University accounts. PSI has therefore ceased to operate as a separate legal entity and once the notional section 75 liability is finalised the process to liquidate the company will progress.

ENGAGEMENT

The University engages with a number of key stakeholders throughout the year. Regular employee union consultations are held, both with Unison and UCU; the students union is represented on many committees, including the Court of Governors; communication is undertaken with HEFCE throughout the year in addition to the Annual Monitoring process; staff participation and collaboration is encouraged with other Universities and in Higher Education networks; the University mission is to be a responsive, metropolitan and cosmopolitan university serving the needs of diverse communities. The University has had a tense relationship with the staff unions throughout the course of the year, resulting in a dispute arising from the need to reduce staff numbers. This dispute has now ended and the University and the unions have now come to an agreement on a process to improve future working relationships in what promises to be challenging times ahead.

UNIVERSITY OF WESTMINSTER

OPERATING AND FINANCIAL REVIEW (continued)

BALANCE SHEET

The University's trade debtors were maintained during the year, which with a significant increase in tuition fees, represents a substantial improvement in the University's performance in collecting outstanding tuition fee debtors. This was the result of a co-ordinated plan and concerted management action, with the support of improved IT systems capability. The intention is to achieve a further improvement in performance in 2010-11 with an extension of on-line payment facilities. The number of students choosing to defer paying their tuition fees until after graduation by taking a loan from the Student Loans Company has also increased.

The University's total funds have increased over the year by £0.9m. This reflects the reduction in the pension reserve deficit net of the revenue reserve movement in the year.

CAPITAL EXPENDITURE AND ASSETS

In December 2008 the University adopted a revised estate strategy that sets the framework for the management of and investment in the University's buildings and locations for the next 10 years to 2018. The strategy is set firmly within the context of the University's academic planning and contains critical programmes of work in the following areas:

- Improving and maintaining condition
- Increasing the utilisation rate for teaching and office space
- Developing the facilities at Harrow to replace the building lost in the 2007 fire and to provide scope for expansion in high quality buildings
- Developing the facilities at Marylebone to provide a high quality learning environment including a major learning resources centre and further scope for expansion
- Continuing to implement the strategy for student residences to ensure there is adequate provision that is attractive both in location and condition
- Invest in facilities for sports through a combination of upgrading existing amenities and building structures

The estate strategy embraces the principles of environmental sustainability and will provide the capacity for the University to fulfil its academic ambitions.

The strategy has begun to be realised with the approval for the planned development at Harrow received at the July 2010 meeting of the Court of Governors. Work is currently underway to develop detailed plans for planning approval during the winter. Construction is currently planned to commence during spring 2011.

Plans are being developed for the Marylebone Campus which will house Westminster Business School (incorporating staff and students currently based at Harrow) and the School of Architecture and the Built Environment. Further works are also being planned for the New Cavendish Campus, following the relocation of the staff and students from the part of the School of Electronics and Computer Science based at Harrow, so the school will in future be based on one Central London site together with the recently created School of Life Sciences.

The above estate developments have been able to proceed following the acquisition on 8 December 2009 of a short term lease on a property adjacent to the University's New Cavendish Campus which facilitated the co-location of non-school facing Corporate Services departments. This further enables the consideration of developing more social learning space within the schools in an attempt to improve the student experience whilst at the University and should enable better completion and progression rates in the schools. This acquisition has unlocked the potential in the estate identified within the estate strategy and will provide benefits, directly or indirectly, for students in all seven schools.

The developments will be funded by a combination of reserves; fundraising and additional borrowings.

UNIVERSITY OF WESTMINSTER

OPERATING AND FINANCIAL REVIEW (continued)

CASH AND INVESTMENTS

During the year the total of cash and investments increased by £9.1m to £49.1m at the balance sheet date. Amongst other factors this reflects the increased tuition fees together with a consistent rate of collection of trade debtors combined with an increase in creditors, primarily an increase in accruals. As mentioned above, it is envisaged that these balances will begin to diminish as the estates strategy comes to fruition. The University's cash balances are managed in accordance with the Investment Policy that was approved by the Court of Governors in October 2009. The treasury management strategy is reviewed at least annually and the University continues to invest funds in the money markets for short term periods (up to 1 year) and with top-rated counterparties. The turbulence in the financial markets in both 2008 and 2009 has been a source of concern and although the University at the present time has no exposure to banks that have failed or are at short-term risk of failure, the situation is being carefully monitored.

The University has only a small direct exposure to equity markets being around £0.3m of the Prize and Scholarships Fund balances. The pension schemes in which the University participates are however substantially equity invested – 69% for the LPFA for example.

STUDENT NUMBERS

In 2009/10 student recruitment achieved the management targets, however we were outside of HEFCE contract due to calculations on student completions. This is summarised in the table below extracted from our HEFCE five year forecasts:

| | 2009/10 Home & EC | 2009/10 Overseas | 2008/9 Home & EC | 2008/9 Overseas |
|-------------------------------|----------------------|---------------------|---------------------|--------------------|
| Full-time undergraduate | 10,954 | 893 | 10,251 | 779 |
| Full-time postgraduate | 1,099 | 1,053 | 1,116 | 1,398 |
| Part-time undergraduate | 1,498 | 318 | 1,624 | 91 |
| Part-time postgraduate | 1,192 | 173 | 1,021 | 104 |
| Total University Student FTEs | 14,743 | 2,437 | 14,012 | 2,372 |

Undergraduate students indicators for student recruitment in 2010/11 are positive, with applications above target.

UNIVERSITY OF WESTMINSTER OPERATING AND FINANCIAL REVIEW (continued)

CORPORATE SOCIAL RESPONSIBILITY

The University is committed to corporate social responsibility and has actively engaged to ensure improvements are made across the organisation. Some of the more pertinent highlights include:

- the University's participation in the 10-10 campaign, a global campaign with a commitment to reduce our carbon footprint by 10% each year, starting in 2010;
- collation and submission of data on energy usage on time for the initial phase of the Carbon Reduction Commitment Energy Efficiency Scheme (CRC);
- review and update of our 2008 carbon plan;
- improvement in our position in the Green League Table;
- shortlisting for two green gown awards;
- most improved University in the University that counts (UTC rating).

The University is additionally working towards improved waste recycling and awareness; focusing on space utilisation rates and active space management. All capital projects have a consideration of CSR at their core.

FUTURE OUTLOOK

The University has established a vision of where it aspires to be by 2015. This involves some strategic repositioning and significant organisational change. The new seven school structure is in place and the reshaping of professional support structures completed in the year ending 31 July 2010. However the University recognises that this will need to be an ongoing exercise as the University evolves both in spite of and because of external environmental challenges.

In July 2010 the Court of Governors has set and agreed a budget aimed at breaking even for 2010/11. Managing the staff cost base is likely to be the single largest challenge in successfully delivering the budget for this year and the plans for future years.

The University, however, remains positive about the medium and longer term outlook and the programme of investment needed to deliver the estate strategy reaffirms the optimism that the University has about its strengths and its ability to deliver a successful, financially sustainable future. There are however a number of key external threats to our internal plans.

UNIVERSITY OF WESTMINSTER

OPERATING AND FINANCIAL REVIEW (continued)

RISKS AND UNCERTAINTIES

The University manages the risks it faces through a risk management process described in the statement of corporate governance and internal controls.

The key risks identified by that process are as follows:

- Public funding is under immense pressure and we await the detailed outcome of the government's Comprehensive Spending Review to be able to work through what that means for the University and the sector as a whole. HEFCE funding will not be exempt from the general public sector pressures; this leads to a risk about the size and direction of funding received into the future. The University of Westminster has significant amounts of funding received from HEFCE, representing some 41.0% of total income during 2010 and therefore any changes to real term funding for both tuition fees and research will have a significant impact on the University. Once the impact is known the University will need to take action in response and in preparation for any impending cuts to funding;
- Staff costs, especially pension costs, are rising at a faster rate than the income that supports them and constant management of the overall level of costs is vital to delivering a financially sustainable future. Progress was made during 2009/10 but this will inevitably be an ongoing pressure;
- UK student numbers may not grow given the impact of demographic changes; the impact of the Browne Review depending upon which recommendations are agreed and the potential costs seen by students in deciding whether to go to University in central London. The University's plan is, however, to grow student numbers both from home and overseas, subject to the capping of numbers that has been seen in recent years;
- Overseas student numbers are subject to risk around competition from UK and international institutions, exchange rates, and the perceived desirability of a UK degree in a recession. Additionally the revised procedures and processes imposed by the UK Border Agency provide additional hurdles to student recruitment;
- Previous turmoil in financial markets has changed the range of providers of finance, the amounts available and the rates at which finance is offered. This situation may affect the timing of some future projects depending on how the financial markets evolve over the next year or two.

Michael Webb
Director of Finance

UNIVERSITY OF WESTMINSTER PUBLIC BENEFIT STATEMENT

PUBLIC BENEFIT STATEMENT

The University of Westminster is incorporated under the Companies Act as a charity and company limited by guarantee and not having a share capital. The University is also an exempt charity under the terms of Charities Act 2006.

In setting and reviewing the University's objectives and activities, the Court of Governors has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education. This statement has been included following a formal reporting requirement introduced from 2009/10 by the Higher Education Funding Council for England (HEFCE) as the principal regulator of English higher education institutions under the Charities Act 2006.

STRATEGIC AIMS AND OBJECTIVES

The mission of the University of Westminster is to provide high quality higher education and research in both national and international contexts for the intellectual, social and professional development of the individual and for the economic and cultural enrichment of London and wider communities.

The experience the University of Westminster offers is one of a vibrant learning environment – fostering innovation and creativity, informed by practice, inspired by research and focusing on the globally relevant areas in which we excel;

We are building the next generation of highly employable global citizens to shape the future. We will shape the future of professional life by:

- Being a diverse, vibrant and inspirational learning environment
- Establishing the University of Westminster as the leading practice-informed teaching and research university
- Being a responsive, metropolitan and cosmopolitan university serving the needs of diverse communities
- Embedding internationalisation, employability and green-thinking in all that we do

The University mission and strategy, summarised above is expanded further in the University programme of change "Westminster 2015". The following aims with specific objectives for the year 2009/10 are given in the University of Westminster Corporate Strategy, August 2009, available on the University website:

- The University will build, develop and maintain a distinctive, sustainable and inspiring portfolio of undergraduate and taught postgraduate courses which is informed by professional practice and based on student-centred active learning; we will ensure that development of the portfolio is enriched by both research and the international perspective.
- The University will build on its broad-based strengths in pure and practice-led research with a focus on excellence with impact – a portfolio of research that makes a difference.
- The University will enhance its reputation for working successfully with a range of national and international organisations including community partners, professional bodies and employers to provide educational and consultative services in London, the wider UK and overseas.
- The University will offer an inclusive organisational culture which embraces diversity and promotes enterprise, creative thinking and innovation.

UNIVERSITY OF WESTMINSTER

PUBLIC BENEFIT STATEMENT (continued)

STUDENT ADMISSIONS AND WIDENING PARTICIPATION

The University of Westminster is committed to widening participation, diversity and equality as identified in our Mission Statement and supported by our Access Agreement, which confirms and underpins the traditional mission of the University of Westminster to promote educational, social and sporting opportunities for students from diverse academic, social and cultural backgrounds. Westminster is the foremost London institution for widening access, with over 96% of students progressing from state education. Westminster's commitment to these principles began, in earnest, with the opening of Quintin Hogg's Polytechnic in Regent Street in 1881, building on the earlier foundation of the pioneering Royal Polytechnic Institution in 1838, and leading to the development of the polytechnic movement across the country. The revised Access Agreement highlights include:

- The University's continued preparations in partnership with feeder institutions – for the reform of the 14-19 curriculum. The University emphasizes collaborative provision with the partner colleges, to support progression from FE to HE; and is involved in the Life Long Learning Network, stressing the provision of vocational routes to HE. The University is building on the Gear up to study to support pre-entry students.
- Progress with key performance measures and our work to enhance the retention and progression of students.
- The University's ongoing initiatives to strengthen communication on fees and funding for students, prospective students and their advisers, and to help students develop their financial capability skills, building on earlier work from 2006/8.
- Further developments in the provision for scholarships stressing diversity in the selection criteria, including the award of the Frank Buttle Trust Quality Mark for the Care Leavers at Westminster Scheme. The UK/EU programme builds on our international scholarships programme - the largest in the country. The University is running a review of financial support for home/EU students in the autumn 2008, and will, of course, make sure that any changes in the financial support scheme are reflected in further revisions to the Access Agreement.
- Initiatives by the Careers and Employment Service to provide additional support

Additionally the University Memorandum of Association, states that the University is established: "to provide for the recreational, social and spiritual needs of the students of the university"

The University of Westminster is proud to be a leader in Widening Participation. From the institutions establishment in 1838 our commitment to the principles of what is now termed Widening Participation has been paramount. This has been acknowledged publicly by our identification as an "Access Elite" university. The diversity of our student body is one of the University's greatest strengths and will continue to strive to encourage all those who would benefit from participating in higher education to study here.

UNIVERSITY OF WESTMINSTER

PUBLIC BENEFIT STATEMENT (continued)

ENVIRONMENTAL POLICY

The University of Westminster aims to manage its operations in ways that are environmentally sustainable, economically feasible and socially responsible through all its activities including its infrastructure development and its influence and effects on the wider community.

The University aims to comply fully with environmental legislation and accordingly, the policy objectives of the University are:

- To make all members of the University aware of their effects on the environment
- To promote best practices and provide support to all members of the University to minimise their personal environmental impact and that of the University as a whole
- To encourage suppliers and contractors to act in an environmentally responsible manner;
- To adopt where reasonably practicable methods of working which reduce or eliminate waste, emissions and discharges
- To work towards the adoption of a sustainable environmental management system incorporating targets, auditing and reporting on environmental performance.

POLICY AIMS, OBJECTIVES, AND SPECIFICS

The Environment Policy aims and objectives will be supported by a series of specific plans aimed at the following ten key areas:

- Environment Policy and Management System
- Knowledge transfer, and community engagement and development
- Staff and student support and engagement
- Teaching and the curriculum
- Research
- Key resources use (energy and water) and carbon emissions
- Waste and recycling
- Procurement of goods and services, and supply chain
- Travel management
- Estates construction, refurbishment and maintenance
- Biodiversity

The specific policies will set management standards and will be further supported by guidance to assist responsible groups and individuals. The Corporate Social Responsibility (CSR) and Ethics Committee will oversee progress in individual areas.

The University seeks to include the participation of all University members in achieving these goals.

The policy applies to all land, premises and activities within the control of the University. It has been approved by the University Executive Board and the Court of Governors and it will be subject to annual review.

UNIVERSITY OF WESTMINSTER

PUBLIC BENEFIT STATEMENT (continued)

RESPONSIBILITIES

- The main responsibility for implementation of this policy lies with the University Executive Board and the Vice-Chancellor as the University's Chief Executive.
- Key policy development and coordination is the responsibility of the Safety, Health and Environment Team.
- Specialists in key areas (e.g. procurement, energy management) are responsible for developing policy, strategy and guidance specific to their area.
- Deans of School and Heads of Department are responsible for ensuring compliance with University Environment Policy within their area of control.
- Individuals have a very important role in co-operating with those responsible for safe guarding the environment. Individuals are required to abide by the rules and requirements made under the authority of this policy.
- The University will actively monitor the performance of the institution and individual Schools and Departments in the implementation of the aims and objectives of this Policy in the activities under their control.

The Environmental Policy is available on the University of Westminster website.

UNIVERSITY OF WESTMINSTER

VISION AND MISSION STATEMENT

VISION

The experience we offer

A vibrant learning environment - fostering innovation and creativity, informed by practice, inspired by research, focusing on the globally relevant areas in which we excel.

The difference we make

We are building the next generation of highly employable global citizens to shape the future.

MISSION STATEMENT

We will shape the future of professional life by:

- Being a diverse, vibrant and inspirational learning environment
- Establishing the University of Westminster as the leading practice-informed teaching and research university
- Being a responsive, metropolitan and cosmopolitan university serving the needs of diverse communities
- Embedding internationalisation, employability and green-thinking in all that we do

UNIVERSITY OF WESTMINSTER A COMPANY LIMITED BY GUARANTEE AND AN EXEMPT CHARITY

GENERAL INFORMATION

Chancellor

Lord Paul of Marylebone

Chairman of the Court of Governors

Sir Francis Mackay FCCA

Vice-Chancellor and Rector

Professor Geoffrey Petts BSc PhD FRSA FRGS

Company Secretary

Carole Mainstone MA MBA

Director of Finance

Mr Michael Webb BA ACA

Auditors

KPMG LLP

1 Forest Gate

Brighton Road

Crawley

West Sussex

RH11 9PT

Bankers

National Westminster Bank plc

Lloyds TSB Bank plc

Santander UK plc

Bank of Scotland plc

Anglo Irish Bank Corporation plc

Solicitors

Eversheds LLP

Mills & Reeve LLP

Registered Office

309 Regent Street

London

W1B 2UW

Registered Number

977818 England and Wales

UNIVERSITY OF WESTMINSTER

COURT OF GOVERNORS

COURT OF GOVERNORS

The following were Governors (Directors) of the University during the year ended 31 July 2010:

| | | Appointed or reappointed | Resigned |
|------------------------|--|-----------------------------|----------|
| Chairman | Sir F Mackay | 01.01.10 | |
| | Dr T Wright | | 31.12.09 |
| Deputy Chairman | Dr M Kimberley | | |
| | Mr D Batchelor | | |
| | Ms L Bell | | |
| | Ms R Bellamy-James | | |
| | Mr A Ganguli | | |
| | Ms M Grinfeld | | |
| | Mr S Hart | | |
| | The Hon Dame Mary Hogg | | |
| | Mr T Hope | | |
| | Mr P Hopper | 11.05.10 | |
| | Mr O Hussain | | 28.06.10 |
| | Mr P Kyle | 11.05.10 | |
| | Mr R Lane | 11.05.10 | |
| | Mr R Law | 12.07.10 | |
| | Ms M Lee | 11.05.10 | |
| | Dr D Lloyd | | |
| | Professor E Morgan-Tamosunas | | |
| | Professor G Petts (Vice-Chancellor and Rector) | | |
| | Mr M Staples | | |
| | Dr S Walton | | |
| | Dr D Wright | | |
| | Ms D Yeo | | |
| | Mr J Youngs | | |

UNIVERSITY OF WESTMINSTER

COURT OF GOVERNORS (continued)

Mr David Batchelor, FCA. Former PricewaterhouseCoopers partner with extensive commercial and professional experience in a wide range of business sectors. Currently non-executive director of: C B Richard Ellis Investors (Jersey) Limited, Easter Holdings Limited.

Ms Lucinda Bell, MA FCA is a member of the Executive Committee and Director of Tax and Financial Planning at The British Land Company plc.

Ms Rita Bellamy-James DHS LLB(Hons) CQSW, Barrister is a professionally qualified Social Worker, one time Deputy General Secretary of British Association of Social Workers. Having been called to the Bar she was in private practice before joining the FCO where she became Head of Specialist Advisors in the Consular Directorate. She now acts as an Independent Consultant.

Mr Anupam Ganguli, BA (Hons) Economics, MBA, FCA is Executive Director of Resources, Arts Council England.

Ms Mónica Grinfeld BSc, MSc, FHEA, FICPD is a lecturer at the University of Westminster and the Disability Tutor for the School of Architecture and the Built Environment. She is also a professional consultant and Trustee of GAD (Greenwich Association for the Disabled).

Mr Stephen Hart BA is a practicing solicitor currently working as an employment and public lawyer for the Government Legal Service.

The Hon Dame Mary Hogg DBE, FRSA has an honorary LLD from the University. A former QC, she is now a High Court Judge in the Family Division. Her great-grandfather, Quintin Hogg, founded The Polytechnic.

Mr Trevor Hope ACIB, DipFS, CIM, MBA is Chief Investment Officer of international venture capital firm Beringea LLP.

Mr Paul Hopper MA, MSc, MBA, DMS retired as Managing Director with the London Tourist Board and Convention Bureau. He is currently Chairman for Grays of Cambridge (International) Ltd.

Mr Omar Hussain is the 2009/10 sabbatical President of the University of Westminster Students Union.

Dr Marion Kimberley BSc, MSc, PhD retired as Director of Personnel at Imperial College of Science, Technology & Medicine. She was Chair of the Personnel Committee.

Mr Peter Kyle CIMgt is Chief Executive of The Shakespeare Globe Trust.

Mr Richard Lane BA, MBA is a partner and the Head of the Corporate Team of solicitors Farrer & Co.

Mr Robin Law is the 2010/11 sabbatical President of the University of Westminster Students Union.

Ms Maggie Lee BA is a freelance broadcaster and writer and independent consultant.

Dr Donald Lloyd MSc PhD CEng FICHEM is a Group General Manager and Vice President, BG Group.

UNIVERSITY OF WESTMINSTER

COURT OF GOVERNORS (continued)

Sir Francis Mackay FCCA was elected Chair of the Court of Governors with effect from 1 January 2010. He is a qualified accountant, is one of Britain's most successful international business leaders and held the rare distinction of simultaneously chairing two FTSE 100 companies. Sir Francis was knighted in recognition of his services to the hospitality industry and charity. He holds an honorary doctorate from Oxford Brookes University.

Professor Erica Morgan-Tamosunas PGCE, MA, PhD is Deputy Vice-Chancellor and Pro Vice-Chancellor with responsibility for Learning & Teaching.

Professor Geoffrey Petts BSc, PhD, FRSA, FRGS is Vice-Chancellor and Rector of the University.

Mr Mike Staples FRICS was until recently Director of Skanska Integrated Projects and formally European Managing Director of Hanscomb an international firm of professional quantity surveyors. He is currently Partner, Head of Europe with Rider Levett Bucknall UK Ltd.

Dr Suzy Walton BSc, MSc, PhD, CDir, CSci, CPsychol, FRSA, AFBPsS, is a Chartered Director, Chartered Scientist and Chartered Occupational Psychologist. She sits on many boards and government committees including Birmingham Children's Hospital, the Internet Watch Foundation, the Science Advisory Council, Combat Stress, the Ethics Group of the National DNA Database and the National Specialist Commissioning Group. She has over a decade's experience in Central Government serving as a Senior Civil Servant in the Ministry of Defence, the Cabinet Office and the Prime Minister's Strategy and Delivery Units. Suzy is a mother of 5 and was previously a producer presenter and editor for the BBC, Sky News and LBC radio.

Dr Derrick Wright MA, PhD is a senior lecturer in Sociology and the elected representative for Academic Council.

Dr Terence Wright MA, DPhil, CSci, CChem, FRSC was elected Chair of the Court of Governors from 1 January 2005. He has been a Director of Kodak Limited, Director of R&D in Europe and Venture Relations for The Eastman Kodak Company, a Director of Pixology plc and a Director of Zogix Ltd. He is currently a trustee of the Paul Strickland Scanner Centre Ltd and a director of CMA Ltd.

Ms Diane Yeo FRSA FInstF is currently an independent consultant and Chairman of the Arts Educational Schools London.

Mr John Youngs B.Bus-Acc, JP is a University School Manager and the elected representative for non-teaching staff.

UNIVERSITY OF WESTMINSTER

THE WORK OF THE COURT OF GOVERNORS

All governors of the University are Directors of the Company. A list of governors who served during the year to 31 July 2010 appears on page 11. None of the governors had an interest in any contract which subsisted during the period of this report, other than those who are full-time members of staff and those associated with the transactions disclosed in note 34 (related party transactions) to the accounts.

The Court of Governors, which meets formally up to five times a year, currently comprises five executive and 18 non-executive governors with a clear separation of the roles of the non-executive chairman and the chief executive (the Vice-Chancellor). The Court has both staff and student members. The Court approves the University's long-term objectives and strategies and provides overall financial and organisational control. It delegates responsibility for the University's operations to the Vice-Chancellor who, supported by his Executive Board, implements the Court's policy and develops and manages the University's business to meet its financial objectives and standards of quality and service in education and research.

AUDIT COMMITTEE

(membership as at 31 July 2010)

Dr Donald Lloyd (Chair)
Mr David Batchelor
Mr Anupam Ganguli
Mr Philip Murphy (non-governor member)

The Audit Committee meets at least four times a year and reviews the work of the external and internal auditors of the University. The Committee considers detailed reports on risk management, control, governance and value for money, together with recommendations for the improvement of the University's systems of internal control and management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England (HEFCE) and how 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. The Committee reports on its work to the Court of Governors. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee meets the external auditors on their own for independent discussion. The new appointment of non-governor member Mr Philip Murphy was made during the year to strengthen the professional expertise available amongst the Committee membership.

FINANCE AND PROPERTY COMMITTEE

(membership as at 31 July 2010)

Ms Lucinda Bell
Mr Trevor Hope
Mr Richard Lane
Mr Paul Hopper
Professor Geoffrey Petts
Mr Mike Staples

The Finance and Property Committee meets at least four times a year and recommends to the Court of Governors the University's annual revenue and capital budgets (including the estates strategy) and monitors performance in relation to approved budgets. It also recommends to the Court the annual financial statements, having been satisfied that management is properly discharging its responsibilities to control and account for the income, expenditure and assets of the University in compliance with the guidelines of HEFCE and the applicable legislation. Two important roles for the Committee during the year have been the oversight of the process to meet the budget reductions required from 2010/11 and to support the initial stages of the implementation of the major redevelopment project at the Harrow site.

UNIVERSITY OF WESTMINSTER

THE WORK OF THE COURT OF GOVERNORS (continued)

HUMAN RESOURCES COMMITTEE

(membership as at 31 July 2010)

Dr Suzy Walton (Chair)
Mr Stephen Hart
Mr Paul Hopper
Professor Rikki Morgan-Tamosunas
Mr Alastair Woods (non Governor member)
Ms Diane Yeo

This Committee meets at least four times a year to review the University's Human Resources strategy, policies and related legislation; to consider the framework for pay and conditions of staff; and to receive and discuss reports on associated matters, including staff training and development and diversity. The Committee has supported the University management in the ongoing consultations with the recognised Trade Unions (UCU and Unison) concerning the staff reductions required by the Court of Governors by 31 July 2010. It has also overseen the development of the new Human Resources strategy and the development of workforce planning. The appointment of new non-Governor member, Mr Alistair Woods, was made during the year to strengthen the professional expertise amongst the Committee membership.

REMUNERATION COMMITTEE

(membership as at 31 July 2010)

Sir Francis Mackay (Chair)
Dr Marion Kimberley
Mr Peter Kyle
Professor Geoffrey Petts
Dr Suzy Walton

This Committee meets when appropriate to review the salaries, terms and conditions of employment of senior staff. The Vice-Chancellor withdraws from the Committee when his own remuneration is under review and this is formally recorded.

NOMINATIONS COMMITTEE

(membership as at 31 July 2010)

Sir Francis Mackay (Chair)
Ms Rita Bellamy-James
Mr Peter Kyle
Ms Maggie Lee
Professor Geoffrey Petts
Dr Derrick Wright

This Committee meets at least twice a year to make recommendations on the appointment of new governors, and non-governor members of Court committees, in accordance with procedures devised by the Committee and approved by the Court. It is also responsible for the procedures for nominating individuals for the award of Honorary Degrees and Fellowships of the University, for considering nominations, and making recommendations to the Court. When required, it leads the process of search and appointment of the Vice-Chancellor and the Chancellor. The Committee was responsible for securing the appointment of Sir Francis Mackay as Chairman of the Court of Governors from 1 January 2010, in succession to Dr Terence Wright.

UNIVERSITY OF WESTMINSTER

THE WORK OF THE COURT OF GOVERNORS (continued)

STRATEGIC PLANNING AND RESOURCES COMMITTEE ACADEMIC COUNCIL

In addition to the above sub committees of the Court of Governors, two further committees, the Strategic Planning and Resources Committee (SPRC) and the Academic Council, report to the Court.

The SPRC is a joint committee of the Court and the Academic Council and its membership includes both governors and senior University staff. It is chaired by the Vice-Chancellor, and leads the development and implementation of the strategic plan and the associated process of strategic risk management.

The Academic Council, chaired by the Vice-Chancellor, is the senior academic body of the University. It is responsible for the policies which govern the University's academic programmes and activities and for the quality assurance processes which underpin these. It approves policies for the support of students, codes of behaviour, disciplinary and appeals procedures. A revised membership and terms of reference were approved at its first meeting of the financial year.

UNIVERSITY OF WESTMINSTER STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROLS

GOVERNANCE AND MANAGEMENT

The University is a Company Limited by Guarantee and an exempt Charity. It complies with CUC guidance in its Governance and Management processes.

The University has had regard to the Charity Commission's guidance on public benefit. The objects of the University are set out in its Memorandum of Association as

- (A) To establish, carry on and conduct a university
- (B) To advance learning and knowledge in all their aspects and to provide industrial, commercial, professional and scientific education and training
- (C) To provide courses education or technical study both full time and part time for students at all levels of and in all branches of education
- (D) To provide opportunities and facilities for research of any kind including the publication of results, papers, reports, treatises, theses or other material in connection with or arising out of such research
- (E) To provide for the recreational, social and spiritual needs of students of the university.

The Vice-Chancellor, Professor Geoffrey Petts, has continued to lead the University towards the achievement of his vision for the future of the University as an efficient, forward moving, research active, and financially sound institution which delivers an excellent experience to its students. The University delivers its teaching and research through an organisational structure consisting of seven academic Schools underpinned by an integrated Corporate Services function.

The Vice Chancellor is supported by an Executive Board, which he chairs. The membership includes the Deputy Vice Chancellor, the Pro Vice Chancellor, the seven Deans of School, the Registrar & Secretary, and the Director of Finance.

Sir Francis Mackay was appointed Chairman of the Court of Governors with effect from 1 January 2010, in succession to Dr Terence Wright.

The University has been working towards the achievement of the Corporate Plan for the achievement of the vision for 2015 since its approval by the Court of Governors in July 2009. A strategic risk register for the University is maintained, and regularly reviewed. Five year plans and associated risk registers for each School and for the Corporate Services are also in place.

The University has continued its programme of information and development sessions for governors with presentations on a range of topics at the beginning of each of its five meetings during the year. Topics covered in the current year include: the restructured Corporate Services; consultation on the Financial Memorandum; the Harrow estate redevelopment project; and the plans for the University's public facing spaces.

One previously non-governor member of the Audit Committee was appointed as an independent governor in October 2009. The Nominations Committee has continued to be active in ensuring that the Court has a good spread of skills amongst its independent membership, and, to this end, has secured the appointment of two additional non-governor members with relevant professional expertise to the Audit Committee and the Human Resources Committee respectively.

All Committees of the Court of Governors have conducted reviews of their effectiveness, or are about to do so. These have resulted in some cases in amendments to the Committees' terms of reference.

The University continues to be a member of the Kingston City Group, a consortium providing internal audit and management assurance services to a number of Higher Education institutions in London and the South East.

UNIVERSITY OF WESTMINSTER

STATEMENT OF CORPORATE GOVERNANCE

AND INTERNAL CONTROLS (continued)

RISK MANAGEMENT

The University has completed during the year a review of its risk management policy and procedures. The policy defines risk as an event or action, or a combination or series of these, which could significantly impede the University's ability to achieve its current or future objectives and to execute its strategy effectively. The updated version of the policy is due to be approved by the University Executive Board, the Audit Committee, and the Court at their first meetings in the coming financial year.

The University has successfully moved from the previous year's audit assessment of being "risk aware" to one of being "risk managed". Whilst the Audit Committee has responsibility for advising the Court on the effectiveness of the University's risk management policy and procedures, the Strategic Planning and Resources Committee has the remit for embedding risk management, aligning it with the Strategic Plan, and reviewing and updating the risk management policy and procedures in accordance with HEFCE guidance. The Strategic Risk Register is reviewed every year as part of the strategic planning process. The risks identified cover business, financial, operational, and compliance issues.

This risk management process has been ongoing throughout the year under review and up to the date of approval of the annual report and accounts.

The approach to internal control is risk based and the programme of internal audit work during the year has reflected this approach. The Audit Committee approves the internal audit programme and receives the internal audit reports at its regular meetings during the year. An annual report is provided by the internal auditors, which includes an opinion on internal control and risk.

The Risk Management Policy requires that an annual report be made to the Court of Governors on risk management. The policy, which is approved and reviewed from time to time by the Court of Governors, clearly states the Court's responsibilities for the maintenance of a sound system of control and for the operation of the risk management process.

These arrangements provide an ongoing process for identifying, evaluating and managing the significant risks faced by the University. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide a reasonable and not absolute assurance against material misstatement or loss.

UNIVERSITY OF WESTMINSTER

STATEMENT OF GOVERNORS' RESPONSIBILITIES

STATEMENT OF GOVERNORS' RESPONSIBILITIES

The governors, who are the directors and members of the Company, are required by the Companies Act to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the University and its subsidiaries as at the end of the financial year and of the surplus or deficit for that period. It is also the governors' responsibility to maintain adequate accounting records, safeguard the assets of the University and its subsidiaries, prevent and detect fraud and other irregularities and to apply the basis of a going concern unless it is not appropriate to presume that the University will continue in business.

The governors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates have been used in the preparation of the consolidated financial statements and that applicable accounting standards have been followed.

The governors have taken reasonable steps to:

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

The governors who held office at the date of approval of the accounts confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each governor has taken all the steps that s/he ought to have taken as a governor to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

EMPLOYEE PARTICIPATION

The University's committee structure ensures staff participation in the decision-making processes of the University. Meetings of the Joint Consultative and Negotiating Committees (with representation from management and trade unions) are held at frequent intervals. The Vice-Chancellor provides regular briefings to staff on the University's performance and plans.

These are supported by regular on-line bulletins and a standing invitation to submit ideas to the Vice-Chancellor's Suggestion Box.

DIVERSITY POLICY

The University of Westminster is committed to promoting diversity in all its dealings with employees and job applicants. The Equal Opportunities Policy is binding on all appointments, irrespective of category. The policy seeks to ensure that no employee or applicant receives less favourable treatment on the grounds of race or colour, nationality, ethnic or national origins, gender, marital status, sexual orientation, disability, age, family responsibility, trade union activity, political or religious belief. In accordance with diversity legislation and best practice, the University has a supportive Gender Equality Scheme in place, as well as a strong commitment to equal pay for work of equal value, family-friendly/work-life balance policies and specific, gender-based developmental programmes such as Springboard, Navigator and SpringForward.

UNIVERSITY OF WESTMINSTER

STATEMENT OF GOVERNORS' RESPONSIBILITIES

(continued)

HEALTH AND SAFETY

The Court of Governors, in compliance with the Health and Safety at Work Act 1974, recognises and accepts the responsibility as far as reasonably practicable as an employer to provide a safe and healthy workplace for all its employees. It also accepts the responsibility to conduct its undertaking in such a way as to ensure that, so far as is reasonably practicable, persons not in the University's employ, that is, students, visitors and members of the general public, are not exposed to risks to their health, safety or welfare.

INSURANCE FOR OFFICERS

The University holds Professional Indemnity and Officers' Liability insurance, which provide indemnity to governors and officers of the University, in their personal capacity, against damages and legal costs and expenses arising from claims made against them by reason of wrongful acts committed by them in the course of their official duties.

AUDITORS

A resolution to reappoint KPMG LLP as auditors for the year ending 31 July 2010 will be proposed at the forthcoming Annual General Meeting.

Approved by the Court of Governors and signed on behalf of the Court.

Sir Francis Mackay
Chairman
23 November 2010

UNIVERSITY OF WESTMINSTER INDEPENDENT AUDITORS' REPORT TO THE COURT OF GOVERNORS OF UNIVERSITY OF WESTMINSTER

We have audited the Group and University financial statements (the "financial statements") of the University of Westminster for the year ended 31 July 2010 which comprise the primary statements such as the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group Statement of Consolidated Historical Cost Surpluses and Deficits and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out therein.

This report is made solely to the Court of Governors, as a body, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Court 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 Court of Governors, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE UNIVERSITY'S COURT OF GOVERNORS AND THE AUDITORS

The University Court of Governors' responsibilities for preparing the Operating and Financial Review and the financial statements in accordance with the Accounts Direction issued by the Higher Education Council for England, the "Statement of Recommended Practice: Accounting for Further and Higher Education", applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 23-24.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the "Statement of Recommended Practice: Accounting for Further and Higher Education". We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the Financial Memorandum dated June 2008 with the Training and Development Agency for Schools.

We also report to you whether in our opinion the Operating and Financial Review is not consistent with the financial statements.

In addition we report to you if, in our opinion, the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Operating and Financial Review and the Statement of Corporate Governance and Internal Controls and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

UNIVERSITY OF WESTMINSTER INDEPENDENT AUDITORS' REPORT TO THE COURT OF GOVERNORS OF UNIVERSITY OF WESTMINSTER (continued)

BASIS OF OPINION

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

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

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group and the University's affairs as at 31 July 2010 and of the Group's deficit of expenditure over income for the year then ended;
- the financial statements have been properly prepared in accordance with the "Statement of Recommended Practice: Accounting for Further and Higher Education";
- in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools, 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; and
- 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 Higher Education Funding Council for England dated June 2008 and the Financial Memorandum with the Training and Development Agency for Schools.

Neil Thomas
For and on behalf of KPMG LLP
Statutory Auditor
Chartered Accountants

1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

November 2010

UNIVERSITY OF WESTMINSTER CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 JULY 2010

| | Note | 2010 Total £'000 | 2009 Total £'000 |
|---|-------|------------------------|------------------------|
| INCOME FROM CONTINUING ACTIVITIES | | | |
| Funding council grants | 5 | 70,220 | 69,078 |
| Tuition fees and support grants | 6 | 71,539 | 65,141 |
| Research grants and contracts | 7 | 7,987 | 6,863 |
| Other income | 8 | 20,988 | 25,273 |
| Endowment and investment income | 9 | 516 | 1,190 |
| Total income | | 171,250 | 167,545 |
| EXPENDITURE ON CONTINUING ACTIVITIES | | | |
| Staff costs | 10,13 | 102,721 | 96,188 |
| Depreciation | 12 | 4,240 | 4,330 |
| Other operating expenses | 10 | 62,548 | 58,911 |
| Interest payable | 11 | 5,180 | 4,438 |
| Total expenditure | | 174,689 | 163,867 |
| (Deficit)/surplus after depreciation of tangible assets at valuation and before tax | | (3,439) | 3,678 |
| Taxation | 15 | - | - |
| (Deficit)/surplus after depreciation of assets at valuation and tax | | (3,439) | 3,678 |
| Exceptional Items | 17 | - | 2,985 |
| (Deficit)/surplus on continuing operations after depreciation of assets at valuation and exceptional items and tax | | (3,439) | 6,663 |
| Surplus for the year transferred to accumulated income in endowment funds | 26 | 9 | 16 |
| (Deficit)/surplus for the year retained within general reserves | 16 | (3,430) | 6,679 |
| All activities relate to continuing operations. | | | |

UNIVERSITY OF WESTMINSTER

NOTE OF CONSOLIDATED HISTORICAL COST SURPLUSES AND DEFICITS

FOR THE YEAR ENDED 31 JULY 2010

| | | 2010 | 2009 |
|--|------|----------------|--------------|
| | Note | £'000 | £'000 |
| (Deficit)/surplus on continuing operations before taxation | | (3,439) | 6,663 |
| Difference between historical cost depreciation and the actual depreciation charge for the year calculated on the re-valued amount | 28 | 510 | 510 |
| Historical cost (deficit)/surplus for the year before taxation | | (2,929) | 7,173 |

UNIVERSITY OF WESTMINSTER

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 JULY 2010

| | | 2010 | 2009 |
|---|------|--------------|-----------------|
| | Note | £'000 | £'000 |
| (Deficit)/surplus on continuing operations after depreciation of assets at valuation and exceptional items and tax | | (3,430) | 6,679 |
| Endowment income retained in the year | | 3 | 15 |
| Endowments withdrawn | | (12) | (31) |
| New endowments | 26 | 30 | 71 |
| Appreciation/(depreciation) of endowment asset investments | 26 | 28 | (40) |
| Actuarial loss in respect of pension schemes | 33 | (1,514) | (20,152) |
| Capitalisation of gain on change in pension increase policy from RPI to CPI | 33 | 6,135 | - |
| Total recognised gains/(losses) relating to the year | | 1,240 | (13,458) |
| Reconciliation | | | |
| Opening reserves and endowments | | 28,798 | 42,256 |
| Total recognised gains/(losses) for the year | | 1,240 | (13,458) |
| Closing reserves and endowments | | 30,038 | 28,798 |

UNIVERSITY OF WESTMINSTER

BALANCE SHEETS

AS AT 31 JULY 2010

| | | Group | University | Group | University |
|---|-------------|----------------|-------------------|----------------|-------------------|
| | Note | 2010 | 2010 | 2009 | 2009 |
| | | £'000 | £'000 | £'000 | £'000 |
| Fixed Assets | | | | | |
| Tangible assets | 19 | 158,862 | 153,603 | 160,917 | 155,361 |
| Investments | 20 | 342 | 333 | 282 | 273 |
| | | <u>159,204</u> | <u>153,936</u> | <u>161,199</u> | <u>155,634</u> |
| Endowment assets | 21 | 919 | 342 | 870 | 320 |
| Current Assets | | | | | |
| Debtors due within one year | 22 | 7,355 | 8,190 | 7,634 | 8,534 |
| Investments | 23 | 40,017 | 40,016 | 38,534 | 38,533 |
| Cash at bank and in hand | | <u>9,077</u> | <u>7,730</u> | <u>1,474</u> | <u>134</u> |
| | | <u>56,449</u> | <u>55,936</u> | <u>47,642</u> | <u>47,201</u> |
| Creditors | | | | | |
| Amounts falling due within one year | 24 | (39,935) | (40,568) | (33,326) | (33,861) |
| Net Current Assets | | <u>16,514</u> | <u>15,368</u> | <u>14,316</u> | <u>13,340</u> |
| Debtors | | | | | |
| Debtors due after more than one year | 22 | 1,008 | 1,008 | 1,931 | 1,931 |
| Total assets less current liabilities | | <u>177,645</u> | <u>170,654</u> | <u>178,316</u> | <u>171,225</u> |
| Creditors | | | | | |
| Amounts falling due after more than one year | 24 | (32,888) | (31,565) | (32,301) | (30,878) |
| Total net assets excluding pension liability | | <u>144,757</u> | <u>139,089</u> | <u>146,015</u> | <u>140,347</u> |
| Pension liability | 33 | (55,457) | (55,457) | (57,621) | (57,621) |
| Net assets including pension liability | | <u>89,300</u> | <u>83,632</u> | <u>88,394</u> | <u>82,726</u> |
| Represented by: | | | | | |
| Deferred capital grants | 25 | 59,262 | 57,666 | 59,596 | 57,951 |
| Endowments Funds | | | | | |
| Expendable | 26 | 396 | 256 | 395 | 255 |
| Permanent | 26 | 523 | 86 | 475 | 65 |
| Total endowments | | <u>919</u> | <u>342</u> | <u>870</u> | <u>320</u> |
| Reserves | | | | | |
| Revenue reserve excluding pension liability | 28 | 59,519 | 59,656 | 59,982 | 60,261 |
| Pension reserve | 28 | (55,457) | (55,457) | (57,621) | (57,621) |
| Revenue reserve including pension liability | | <u>4,062</u> | <u>4,199</u> | <u>2,361</u> | <u>2,640</u> |
| Revaluation reserve | 28 | 25,057 | 21,425 | 25,567 | 21,815 |
| Total reserves | 28 | <u>29,119</u> | <u>25,624</u> | <u>27,928</u> | <u>24,455</u> |
| Total funds | | <u>89,300</u> | <u>83,632</u> | <u>88,394</u> | <u>82,726</u> |

Approved by the Court of Governors on 23 November 2010 and signed on its behalf by:

Sir Francis Mackay
Chairman

Professor Geoffrey Petts
Vice-Chancellor and Rector

UNIVERSITY OF WESTMINSTER

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2010

| | Note | 2010 £'000 | 2009 £'000 |
|--|------|----------------|-----------------|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 31 | 12,232 | 15,683 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Income from endowments | 9 | 3 | 15 |
| Interest received | 9 | 513 | 1,175 |
| Interest paid | 11 | (2,309) | (2,357) |
| Net cash outflow from returns on investments and servicing of finance | | (1,793) | (1,167) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | | |
| Purchase of tangible fixed assets | 19 | (2,330) | (1,658) |
| Purchase of investments | 20 | (60) | (60) |
| Deferred capital grants received | 25 | 1,410 | 150 |
| Net cash outflow from capital expenditure and financial investment | | (980) | (1,568) |
| CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING | | 9,459 | 12,948 |
| MANAGEMENT OF LIQUID RESOURCES | | | |
| Cash transferred to short term deposits | | (1,483) | (14,088) |
| FINANCING | | | |
| Loan repayments | | (373) | (281) |
| Net cash outflow from financing | | (373) | (281) |
| INCREASE/(DECREASE) IN CASH | 32 | 7,603 | (1,421) |

UNIVERSITY OF WESTMINSTER

CASH FLOW STATEMENT (CONTINUED)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | Note | 2010 | | 2009 | |
|--|------|------------|----------------------|------------|---------------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Increase/(decrease) in cash in period | | 7,603 | | (1,421) | |
| Cash inflow from movement in liquid resources | | 1,483 | | 14,088 | |
| Cash inflow from increase in endowment cash | | 21 | | 56 | |
| Cash outflow from decrease in debt and lease financing | | <u>373</u> | | <u>281</u> | |
| Change in net funds resulting from cash flows | | | 9,480 | | 13,004 |
| Movement in net funds in the period | | | 9,480 | | 13,004 |
| Net funds at 1 August | | | 9,600 | | (3,404) |
| Net funds at 31 July | 32 | | <u>19,080</u> | | <u>9,600</u> |

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

1. COMPANY STATUS

The University of Westminster is incorporated under the Companies Act as a charity and company limited by guarantee and not having a share capital. The University is also an exempt charity.

Each of the 23 members of the University has undertaken to contribute to the assets of the University in the event of its being wound up whilst being a member, or within one year after ceasing to be a member, an amount not exceeding one pound.

2. BASIS OF ACCOUNTING

- i) The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and applicable Accounting Standards (2007).
- ii) The financial statements are intended to meet, as appropriate, the requirements of the Companies Act 2006.
- iii) The financial statements have been prepared under the historical cost basis as modified by the valuation of land and buildings and of assets transferred from the former Inner London Education Authority (ILEA) on 1 April 1989 and the London Borough of Harrow on 1 April 1990.

3. BASIS OF CONSOLIDATION

The consolidated financial statements consolidate the financial statements of the University and its subsidiary undertakings for the financial year ended 31 July 2010.

The consolidated financial statements do not include those of the University of Westminster Students' Union because the University does not control its activities.

4. ACCOUNTING POLICIES

a. Income recognition

i) HEFCE Grants

Revenue grants are accounted for in the year in which they are receivable in accordance with advice given by HEFCE.

Revenue grants attributable to a subsequent financial year are included in creditors under the classification of deferred income.

Non-recurrent grants from HEFCE, or other bodies, received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

ii) Bursaries and scholarships

Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES (continued)

iii) Charitable donations and endowments

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.

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 endowment, 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.

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. Such investments are reported in the statement of total recognised gains and losses.

b. Tangible Assets

i) Land and Buildings

The Group has adopted FRS 15 "Tangible Fixed Assets" and has followed the transitional provisions to retain the book value of land and buildings. The freehold property in which the group has a beneficial interest was revalued at 31 July 1995. The basis of valuation was depreciated replacement cost for those properties intended for continuing use and open market value for those intended to be sold.

The Group enjoys the occupation and facilities of certain land and buildings which are the property of separate charitable trusts. With the exception of rent payments and other running costs associated with these properties and leasehold improvements made to the properties at 309 Regent Street and 4-12 Little Titchfield Street, these assets are not reflected in the accounts.

ii) Plant and Machinery; Computers; Furniture, Fittings and Equipment

Individual assets costing over £10,000 are capitalised.

iii) Depreciation

Depreciation has been provided on all tangible fixed assets on cost or revalued amounts in equal instalments over the estimated lives of the assets:

| | |
|--|---|
| Freehold buildings | fifty years |
| Leasehold buildings and leasehold improvements | amortised over the remaining term of the lease by equal instalments |
| Motor vehicles | four years |
| Furniture, fittings and equipment | five years |
| Plant and machinery | five years |
| Computers | three years |

Freehold land and assets in the course of construction are not depreciated.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES (continued)

c. Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506 (1) Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the 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 University receives no similar exemption in respect of Value Added Tax.

The University's subsidiary companies are subject to corporation tax and VAT on the same basis as any commercial organisation.

d. Deferred Taxation

Deferred taxation is provided in full on timing differences that 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 tax 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 and liabilities are not discounted.

e. Pension Costs

The Group operates four pension schemes, the London Pension Fund Authority, the Teachers' Pension Scheme, the Universities Superannuation Scheme and the Superannuation Arrangements of the University of London. The Teachers' Pension Scheme is an unfunded, defined benefit scheme, the other three are all funded, defined benefit schemes and are contracted out of the State Earnings Related Pension Scheme. The financial position and income and expenditure of these funds are disclosed in their annual audited financial statements. The rate of employers' contributions is reviewed periodically on the basis of advice from independent actuaries. The Group is unable to identify, on a consistent and reasonable basis, its share of the underlying assets and liabilities of the Teachers' Pension Scheme, the Universities' Superannuation Scheme and the Superannuation Arrangements of the University of London. Therefore, as required by FRS17 'Retirement Benefits', the University accounts for these schemes as if they were defined contribution schemes. As a result, the amount charged to the Income and Expenditure account represents the contribution payable to the scheme in respect of the accounting period.

The University is able to identify its share of the underlying assets and liabilities of the London Pension Fund Authority. For this scheme, the assets are measured using market values. The Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The Pension Scheme deficit is recognised in full. The movement in the scheme deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial losses.

f. Foreign Currencies

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 at year end rates. Exchange differences are dealt with in the income and expenditure account for the financial year.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES (continued)

g. Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rentals are charged to the income and expenditure account in equal amounts over the lease term.

h. Investments

Current asset investments are included in the balance sheet at market value at the balance sheet date. Fixed asset investments are included at cost.

i. 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 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities, and listed equity investments held as part of the University's treasury management activities.

j. Revaluation Reserve

The University has been reimbursed by the HEFCE for payments of loan liabilities inherited from the local authorities. The reimbursement of the principal element has been credited to the revaluation reserve.

k. Interest Capitalisation

Interest is not capitalised in respect of assets in the course of construction.

l. Provisions

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

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

5. FUNDING COUNCIL GRANTS

| | | 2010 £'000 | 2009 £'000 |
|--|-------------|----------------------|----------------------|
| (a) Recurrent grant from HEFCE | | | |
| | Note | | |
| Teaching | | 54,391 | 54,162 |
| Research | | 4,649 | 2,212 |
| Other (including special initiatives) | | 10,009 | 11,284 |
| Pension liabilities | | 452 | 448 |
| | | <u>69,501</u> | <u>68,106</u> |
| (b) Release of HEFCE capital grants | 25 | 719 | 972 |
| | | <u>70,220</u> | <u>69,078</u> |

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

6. TUITION FEES AND SUPPORT GRANTS

| | 2010 £'000 | 2009 £'000 |
|---------------------------------|----------------------|----------------------|
| Full-Time Home and EU students | 37,979 | 33,736 |
| Part-Time Home and EU Students | 9,754 | 9,257 |
| Non-EU students | 22,173 | 20,205 |
| | <u>69,906</u> | <u>63,198</u> |
| Research Training Support Grant | 25 | 18 |
| Non credit bearing courses | 1,608 | 1,925 |
| | <u>71,539</u> | <u>65,141</u> |

7. RESEARCH GRANTS AND CONTRACTS

| | 2010 £'000 | 2009 £'000 |
|------------------------|---------------------|---------------------|
| Government departments | 4,251 | 3,510 |
| Research councils | 1,316 | 973 |
| UK based charities | 798 | 835 |
| European Commission | 847 | 537 |
| Other bodies | 775 | 1,008 |
| | <u>7,987</u> | <u>6,863</u> |

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER INCOME

| | 2010 | 2009 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Residences, catering and conferences | 9,630 | 9,275 |
| Recreation | 636 | 572 |
| Rents and lettings | 1,990 | 2,311 |
| Photocopier income | 435 | 429 |
| Sundry sales | 333 | 303 |
| Miscellaneous | 4,318 | 4,585 |
| Donations | 2,621 | 6,772 |
| Release of non-HEFCE deferred capital grants (note 25) | 1,025 | 1,026 |
| | 20,988 | 25,273 |

In 2009 donations included £4,400k from Quintin Hogg Trust following the transfer of money from the sale of Furnival House halls of residence.

9. ENDOWMENT AND INVESTMENT INCOME

| | 2010 | 2009 |
|---|------------|--------------|
| | £'000 | £'000 |
| Income from expendable endowments (note 26) | 3 | 15 |
| Income from short-term investments | 513 | 1,175 |
| | 516 | 1,190 |

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

10. EXPENDITURE BY ACTIVITY

| | 2010 | | | 2009 | | |
|-------------------------------------|----------------|--------------------------------|----------------|----------------|--------------------------------|----------------|
| | Staff Costs | Other Operating Expenses | Total | Staff Costs | Other Operating Expenses | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Academic departments | 64,615 | 8,425 | 73,040 | 66,540 | 8,083 | 74,623 |
| Academic support services | 12,135 | 7,514 | 19,649 | 8,020 | 6,438 | 14,458 |
| Research | 3,034 | 4,012 | 7,046 | 2,106 | 3,780 | 5,886 |
| Administration and central services | 15,247 | 13,402 | 28,649 | 15,306 | 14,023 | 29,329 |
| Premises | 3,450 | 23,584 | 27,034 | 3,084 | 19,970 | 23,054 |
| Residences and catering | 1,195 | 5,576 | 6,771 | 1,098 | 6,514 | 7,612 |
| Other expenditure | 3,045 | 35 | 3,080 | 34 | 103 | 137 |
| | 102,721 | 62,548 | 165,269 | 96,188 | 58,911 | 155,099 |

Other expenditure includes (£414k) (2009: (£846k)) in respect of FRS17 adjustments to staff costs. This is offset by an amount of £3,458K (2009: £880k) which relates to voluntary severance payments.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

11. INTEREST PAYABLE

| | 2010 | 2009 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Promissory note | 1,451 | 1,499 |
| Bank loans repayable after five years | 858 | 858 |
| Net interest cost on pension scheme liabilities (note 33) | 2,871 | 2,081 |
| | 5,180 | 4,438 |

12. DEPRECIATION

| | 2010 | 2009 |
|---|--------------|--------------|
| | £'000 | £'000 |
| The depreciation charge has been funded by: | | |
| Release of deferred capital grants | 1,744 | 1,998 |
| Release of revaluation reserve | 510 | 510 |
| General income | 1,986 | 1,822 |
| | 4,240 | 4,330 |

13. INFORMATION REGARDING EMPLOYEES

| | 2010 | 2009 |
|---------------------------|----------------|---------------|
| | £'000 | £'000 |
| (a) Employee costs | | |
| Wages and salaries | 81,458 | 79,069 |
| Redundancy costs | 3,458 | 880 |
| Social security costs | 7,127 | 6,762 |
| Other pension costs | 10,678 | 9,477 |
| | 102,721 | 96,188 |

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

13. INFORMATION REGARDING EMPLOYEES (continued)

| | 2010 | 2009 |
|--|--------------|--------------|
| | No. | No. |
| (b) Average number of people employed by the group in the year, expressed as full-time equivalents, was | | |
| Teaching and research staff | 861 | 856 |
| Visiting lecturers | 186 | 178 |
| Support staff | 902 | 872 |
| | 1,949 | 1,910 |

| | No. | No. |
|--|----------|----------|
| (c) Emoluments of higher paid staff (excluding Governors) | | |
| The following staff received emoluments of £100,000 or over | | |
| £100,000 - £109,999 | 4 | 3 |
| £110,000 - £119,999 | - | 1 |
| £120,000 - £129,999 | 1 | 1 |
| £200,000 - £209,999 | 1 | 1 |
| | 6 | 6 |

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

14. EMOLUMENTS OF GOVERNORS

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| (a) The emoluments of the Governors of the University are: | | |
| In respect of service as Governors | - | - |
| Other emoluments (including pension contributions on behalf of executive Governors) | 524 | 491 |
| (b) The emoluments of the chairman and executive Governors are: | | |
| Chairman: Sir F Mackay (from 1/1/10) | - | - |
| Dr T Wright (until 21/12/09) | - | - |
| Highest paid Governor: Professor G Petts, Vice-Chancellor and Rector | | |
| Remuneration | 201 | 209 |
| Pension contributions | 32 | 28 |
| Total emoluments | 233 | 237 |

The remuneration of the Vice-Chancellor and Rector are shown on the same basis as for higher paid staff. The University's pension contributions to Teachers' Pension Agency are paid at the same rates as for other academic staff.

Five executive governors (2009: five) are members of the University's defined benefit pension scheme and accrued benefits during the year under that scheme.

The non-executive governors receive no remuneration.

During the year £2,000 was paid in respect of governors expenses. The expenses related to travel, childcare and development. The expenses related to five currently serving governors and the retrospective settlement of expenses for one former governor.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

15. TAXATION

Factors affecting tax charge for the current period

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 28% (last period 28%). The differences are explained below:

| | 2010 | 2009 |
|---|---------|---------|
| | £'000 | £'000 |
| Consolidated (deficit)/surplus on ordinary activities | (3,439) | 6,663 |
| Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%): | (963) | 1,866 |
| Effects of: | | |
| – Expenses not deductible for tax purposes | 2 | - |
| – Capital allowances in excess of depreciation | (3) | (3) |
| – Carried forward tax losses | (5) | - |
| – Non-taxable (profit) | 969 | (1,863) |
| Current tax for the year | - | - |

Factors that may affect future tax charge

There is a deferred tax asset which has not been recognised as it is not expected to crystallise in the future. The amount of the asset not recognised is £523,408 (2009: £478,071 asset).

16. SURPLUS FOR THE FINANCIAL YEAR BEFORE TRANSFERS FROM RESERVES

| | | 2010 | 2009 |
|---------------------------------|----------------------|-------|-------|
| | | £'000 | £'000 |
| Auditors remuneration: | | | |
| audit fee | University | 46 | 38 |
| | Subsidiary Companies | 9 | 12 |
| non-audit services | | 34 | 24 |
| Operating lease rentals: | | | |
| property rents | | 4,595 | 3,776 |
| Depreciation: | | | |
| owned assets | | 3,673 | 3,992 |
| leased assets | | 567 | 338 |

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

17. EXCEPTIONAL ITEMS

| | 2010 | 2009 |
|-------------------------|----------|--------------|
| | £'000 | £'000 |
| Exceptional expenditure | - | (310) |
| Exceptional income | - | 3,295 |
| | <u>-</u> | <u>2,985</u> |

The exceptional income in 2009 is the final payment received from the insurance company in respect of the damage caused by the fire at the Harrow site after subtracting accrued income of £1.630m.

The exceptional expenditure in 2009 of £310k represents costs incurred during the year in relation to the Harrow fire.

18. SURPLUS OF PARENT COMPANY

Under S.408 of the Companies Act 2006, the company is exempt from the requirement to present its own income and expenditure account. The parent company is not presented as part of these accounts. The parent company's deficit for the financial year amounted to £3.452m (2009: £8.922m surplus).

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

19. TANGIBLE ASSETS

(a) The Group

| | Freehold land and buildings | Leasehold buildings and improvements | Assets in course of construction | Plant and machinery | Computers | Motor vehicles | Total |
|---------------------------------------|--------------------------------|--|--|------------------------|--------------|-------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | |
| At 1 August 2009 | 179,054 | 10,785 | 145 | 3,234 | 1,278 | 67 | 194,563 |
| Additions | - | 1,145 | 1,092 | 93 | - | - | 2,330 |
| Disposals | - | - | (145) | - | - | - | (145) |
| At 31 July 2010 | 179,054 | 11,930 | 1,092 | 3,327 | 1,278 | 67 | 196,748 |
| Depreciation | | | | | | | |
| At 1 August 2009 | 25,985 | 3,767 | - | 2,785 | 1,056 | 53 | 33,646 |
| Charge for the year | 3,302 | 567 | - | 212 | 155 | 4 | 4,240 |
| At 31 July 2010 | 29,287 | 4,334 | - | 2,997 | 1,211 | 57 | 37,886 |
| Net book value at 31 July 2010 | 149,767 | 7,596 | 1,092 | 330 | 67 | 10 | 158,862 |
| Net book value at 31 July 2009 | 153,069 | 7,018 | 145 | 449 | 222 | 14 | 160,917 |
| Inherited | 31,212 | 1,235 | - | - | - | - | 32,447 |
| Financed by capital grant | 23,418 | 2,293 | 938 | 42 | - | - | 26,691 |
| Other | 95,137 | 4,068 | 154 | 288 | 67 | 10 | 99,724 |
| Net book value at 31 July 2010 | 149,767 | 7,596 | 1,092 | 330 | 67 | 10 | 158,862 |

On 4 April 2008 the Quintin Hogg Trust transferred the beneficial interest in five halls of residence (comprised of one leasehold and four freehold buildings) to the University. The halls of residence buildings were valued as at the date of transfer by Philip Hillman FRICS. The valuation was executed using an existing use value for accounts purposes.

19. TANGIBLE ASSETS (continued)

(b) The University

| | Freehold land and buildings | Leasehold buildings and improvements | Assets in course of construction | Plant and machinery | Computers | Motor vehicles | Total |
|---------------------------------------|--------------------------------|--|--|------------------------|--------------|-------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | |
| At 1 August 2009 | 164,671 | 10,785 | 145 | 3,234 | 1,265 | 67 | 180,167 |
| Additions | - | 1,145 | 1,092 | 93 | - | - | 2,330 |
| Disposals | - | - | (145) | - | - | - | (145) |
| At 31 July 2010 | 164,671 | 11,930 | 1,092 | 3,327 | 1,265 | 67 | 182,352 |
| Depreciation | | | | | | | |
| At 1 August 2009 | 17,158 | 3,767 | - | 2,785 | 1,043 | 53 | 24,806 |
| Charge for the year | 3,005 | 567 | - | 212 | 155 | 4 | 3,943 |
| At 31 July 2010 | 20,163 | 4,334 | - | 2,997 | 1,198 | 57 | 28,749 |
| Net book value at 31 July 2010 | 144,508 | 7,596 | 1,092 | 330 | 67 | 10 | 153,603 |
| Net book value at 31 July 2009 | 147,513 | 7,018 | 145 | 449 | 222 | 14 | 155,361 |
| Inherited | 31,212 | 1,235 | - | - | - | - | 32,447 |
| Financed by capital grant | 21,821 | 2,293 | 938 | 42 | - | - | 25,094 |
| Other | 91,475 | 4,068 | 154 | 288 | 67 | 10 | 96,062 |
| Net book value at 31 July 2010 | 144,508 | 7,596 | 1,092 | 330 | 67 | 10 | 153,603 |

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

19. TANGIBLE ASSETS (continued)

(c) The Group and the University

| | The Group | | The University | |
|--|----------------|----------------|----------------|----------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| (i) Analysis of land and buildings at cost or valuation: | | | | |
| At cost | 152,846 | 152,846 | 145,235 | 145,235 |
| Revaluation increase | 26,208 | 26,208 | 19,436 | 19,436 |
| At valuation: 31 July 1995 | <u>179,054</u> | <u>179,054</u> | <u>164,671</u> | <u>164,671</u> |

Freehold properties were revalued at 31 July 1995 by Messrs Drivers Jonas & Co., Chartered Surveyors.

The transitional rules set out in FRS 15, Tangible Fixed Assets, have been applied on implementing FRS 15. Accordingly the book values at implementation have been retained.

| | The Group | | The University | |
|--|----------------|----------------|----------------|----------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| (ii) If freehold land and buildings had not been revalued, they would have been included at the following amounts: | | | | |
| Cost | 152,846 | 152,846 | 145,235 | 145,235 |
| Aggregate depreciation | (21,221) | (18,575) | (14,211) | (11,566) |
| Net book value | <u>131,625</u> | <u>134,271</u> | <u>131,024</u> | <u>133,669</u> |

(iii) The value of freehold land and buildings includes £27.254 million in respect of land that is not depreciated (2009: £27.254 million).

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

20. FIXED ASSET INVESTMENTS

| | The Group | | The University | |
|---|---------------|---------------|----------------|---------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| COST | | | | |
| Shares in subsidiary undertakings: | | | | |
| At 1 August and 31 July | - | - | 1 | 1 |
| Other shareholdings: | | | | |
| At 1 August | 282 | 222 | 272 | 212 |
| Additions | 60 | 60 | 60 | 60 |
| At 31 July | 342 | 282 | 332 | 272 |
| Total cost | 342 | 282 | 332 | 272 |
| NET BOOK VALUE | 342 | 282 | 333 | 273 |

(1) The University and Group has a holding in CVCP Properties plc which represents an investment of 37,111 fully paid Ordinary £1 shares. It is an unquoted company.

(2) At 31 July 2010 the University and Group own 1,685,803 Ordinary 0.0001 pence Shares in Hypha Discovery Ltd, an unquoted company. During the year ended 31 July 2010 the University acquired 400,000 shares at a cost of £60,000. This holding amounts to 25.3% of the issued share capital and represents a participating interest with no significant influence exercised over the company.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

20. FIXED ASSET INVESTMENTS (continued)

The following companies and Trust were all held as investments by the University of Westminster on 31 July 2010. They are all subsidiary undertakings of the University and all operate in the UK.

| | Voting rights % | Nature of Business |
|---|------------------------|--|
| Uniwest (Finance) Ltd | 100 | Issue of Promissory Note |
| Uniwest (Investments) Ltd | 100 | Investment in Uniwest (Finance) Ltd |
| Uniwest (Property) Ltd | 100 | Leasing of properties |
| University of Westminster (Trading) Ltd | 100 | Research, vacation letting of halls of residence |
| University of Westminster (International) | 100 | Education, research and training overseas |
| WestmInnovation Ltd | 100 | Exploitation of intellectual property |
| University of Westminster Prize & Scholarships Fund | 100 | Advancement of education by the awarding of prizes & scholarships tenable at the University of Westminster |

University of Westminster (International) did not trade during the financial year.

With the exception of Uniwest (Finance) Ltd, all shareholdings are in the name of the University of Westminster. The University holds 100% of the issued ordinary share capital and 100% of the voting rights in these companies, all of which are registered in England and Wales and operate in the UK. The University of Westminster Prize and Scholarships Fund is a registered Charity, number 11010405.

Uniwest (Investments) Ltd owns 100% of the issued ordinary share capital of Uniwest (Finance) Ltd and holds 100% of the voting rights in that company.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

21. ENDOWMENT ASSET INVESTMENTS

| | The Group | | The University | |
|---|---------------|---------------|----------------|---------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Investments | | | | |
| Market value at 1 August | 870 | 855 | 320 | 270 |
| Appreciation/(depreciation) in the value of endowment asset investments | 28 | (40) | 22 | - |
| Increase in cash balances | 21 | 55 | - | 50 |
| Balance at 31st July | 919 | 870 | 342 | 320 |
| Fixed interest stocks | 2 | 2 | - | - |
| Charities Official Investment Fund | 300 | 272 | - | - |
| Cash | 617 | 596 | 342 | 320 |
| Total endowment asset investments | 919 | 870 | 342 | 320 |

22. DEBTORS

| | The Group | | The University | |
|--|---------------|---------------|----------------|---------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Amounts falling due within one year: | | | | |
| HEFCE | 955 | 289 | 955 | 289 |
| Trade and sundry debtors | 2,400 | 1,979 | 2,155 | 1,749 |
| Amounts owed by subsidiary companies | - | - | 55 | 255 |
| Other debtors | 1,497 | 1,621 | 1,475 | 1,621 |
| Prepayments and accrued income | 2,503 | 3,745 | 3,550 | 4,620 |
| Total debtors | 7,355 | 7,634 | 8,190 | 8,534 |
| Amounts falling due after more than one year: | | | | |
| HEFCE | 1,008 | 1,931 | 1,008 | 1,931 |
| Total debtors | 8,363 | 9,565 | 9,198 | 10,465 |

At the year ended 31 July 2010 the University held a HEFCE debt which relates to the match funding of donations received. For every £3 donation (from applicable donors) received, HEFCE will potentially pay £1 to the University. The final HEFCE payment will be due in the year end 2011.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

23. INVESTMENTS HELD AS CURRENT ASSETS

| | The Group | | The University | |
|----------------------------------|---------------|---------------|----------------|---------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Short term deposits | 40,016 | 38,533 | 40,016 | 38,533 |
| Equities at valuation at 31 July | 1 | 1 | - | - |
| | 40,017 | 38,534 | 40,016 | 38,533 |

Equities consist of the following:

At 31 July 2010 the University held 132 shares in Lloyds TSB (2009: 209 shares in HBOS plc), with a market value at that date of £91 (2009: £113).

The Group also holds £494 of 12% Exchequer stock, the market value of which was £663 as at 31 July 2010 (2009: £676).

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

24. CREDITORS

| | The Group | | The University | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Amounts falling due within one year: | | | | |
| Trade creditors | 9,060 | 8,812 | 9,041 | 8,811 |
| Bank and other borrowings – promissory note | 477 | 373 | - | - |
| Bank and other borrowings – other loan | 64 | - | 64 | - |
| Access funds (see note 27) | 6 | 88 | 6 | 88 |
| Taxation and social security | 2,324 | 2,092 | 2,324 | 2,091 |
| Provision for enhanced future pension | 122 | 115 | 122 | 115 |
| Other creditors | 4,854 | 3,936 | 4,811 | 3,852 |
| Amounts due to subsidiary undertakings | - | - | 1,563 | 1,805 |
| Accruals and deferred income | 23,028 | 17,910 | 22,637 | 17,099 |
| | <u>39,935</u> | <u>33,326</u> | <u>40,568</u> | <u>33,861</u> |
| Amounts falling due between one and two years: | | | | |
| Bank and other borrowings – promissory note | 589 | 477 | - | - |
| Bank and other borrowings – Other loan | 261 | 64 | 261 | 64 |
| Provision for enhanced future pension | 122 | 115 | 122 | 115 |
| Accruals and deferred income | 896 | - | 896 | - |
| | <u>1,868</u> | <u>656</u> | <u>1,279</u> | <u>179</u> |
| Amounts falling due between two and five years: | | | | |
| Bank and other borrowings – promissory note | 2,622 | 2,180 | - | - |
| Bank and other borrowings – other loan | 871 | 825 | 871 | 825 |
| Provision for enhanced future pension | 366 | 346 | 366 | 346 |
| | <u>3,859</u> | <u>3,351</u> | <u>1,237</u> | <u>1,171</u> |
| Amounts falling due over five years: | | | | |
| Bank and other borrowings – promissory note | 11,442 | 12,473 | - | - |
| Bank and other borrowings – other loan | 14,304 | 14,611 | 14,304 | 14,611 |
| Provision for enhanced future pension | 1,215 | 1,210 | 1,215 | 1,210 |
| Provision for dilapidations at end of lease | 200 | - | 200 | - |
| Amounts due to subsidiary undertakings | - | - | 13,330 | 13,707 |
| | <u>27,161</u> | <u>28,294</u> | <u>29,049</u> | <u>29,528</u> |
| Total due after more than one year | <u>32,888</u> | <u>32,301</u> | <u>31,565</u> | <u>30,878</u> |
| Total creditors | <u>72,823</u> | <u>65,627</u> | <u>72,133</u> | <u>64,739</u> |

The interest rate on the promissory note (issued on 31 October 2009) is 9.54%. The loan is secured on University land and buildings, and is due to be repaid by 2021.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

24. CREDITORS (continued)

The other bank loan has a term of thirty years, commencing in the year ended 31 July 2008, but repayments of principal will not commence until the year ended 31 July 2011. Interest payments on the loan commenced during the year ended 31 July 2008. The interest rate on the loan is fixed for fifteen years at a rate 5.535% and is variable thereafter. The loan is unsecured.

25. DEFERRED CAPITAL GRANTS

(a) The Group

| | Buildings | Equip | Buildings | | Total |
|---|---------------|-----------|---------------|------------|---------------|
| | HEFCE | HEFCE | Other grants | Investment | |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2009 | 19,879 | 196 | 39,521 | - | 59,596 |
| Grants received | 850 | - | 500 | 60 | 1,410 |
| | 20,729 | 196 | 40,021 | 60 | 61,006 |
| Release to income and expenditure account | (568) | (151) | (1,025) | - | (1,744) |
| Balance at 31 July 2010 | 20,161 | 45 | 38,996 | 60 | 59,262 |

(b) The University

| | Buildings | Equip | Buildings | | Total |
|---|---------------|-----------|---------------|------------|---------------|
| | HEFCE | HEFCE | Other grants | Investment | |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2009 | 17,924 | 196 | 39,831 | - | 57,951 |
| Grants received | 850 | - | 500 | 60 | 1,410 |
| | 18,774 | 196 | 40,331 | 60 | 59,361 |
| Release to income and expenditure account | (513) | (151) | (1,031) | - | (1,695) |
| Balance at 31 July 2010 | 18,261 | 45 | 39,300 | 60 | 57,666 |

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

26. ENDOWMENTS

(a) The Group

| | Restricted expendable | Restricted permanent | Total |
|---|--------------------------|-------------------------|------------|
| | £'000 | £'000 | £'000 |
| Balance at 1 August 2009 | 395 | 475 | 870 |
| Additions | 10 | 20 | 30 |
| Appreciation of endowment asset investments | - | 28 | 28 |
| Income for year | 3 | - | 3 |
| Qualifying expenditure | (12) | - | (12) |
| Balance at 31 July 2010 | 396 | 523 | 919 |

(b) The University

| | Restricted expendable | Restricted permanent | Total |
|--------------------------------|--------------------------|-------------------------|------------|
| | £'000 | £'000 | £'000 |
| Balance at 1 August 2009 | 255 | 65 | 320 |
| Additions | 9 | 20 | 29 |
| Income for year | 1 | 1 | 2 |
| Qualifying expenditure | (9) | - | (9) |
| Balance at 31 July 2010 | 256 | 86 | 342 |

27. ACCESS FUNDS FOR STUDENTS

The University and Group received and distributed HEFCE access funds as follows:

| | 2010 | 2009 |
|-------------------|----------|-----------|
| | £'000 | £'000 |
| At 1 August | 88 | 99 |
| Received | 381 | 428 |
| Interest accrued | 1 | 1 |
| Distributed | (464) | (440) |
| At 31 July | 6 | 88 |

The University acts only as a paying agent. The grants and related disbursements are, therefore, excluded from the income and expenditure account. The outstanding balance at the year end is included in creditors (see note 24).

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

28. RECONCILIATION OF MOVEMENTS ON RESERVES

(a) The Group

| | Revaluation Reserve | Revenue Reserve | Pension Reserve | Total Reserves |
|---|------------------------|--------------------|--------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2009 | 25,567 | 59,982 | (57,621) | 27,928 |
| Deficit for the year | - | (973) | (2,457) | (3,430) |
| Actuarial loss in respect of pension scheme | - | - | (1,514) | (1,514) |
| Capitalisation of gain on change in pension increase policy from RPI to CPI | - | - | 6,135 | 6,135 |
| Transfer for depreciation relating to revaluation | (510) | 510 | - | - |
| Balance at 31 July 2010 | 25,057 | 59,519 | (55,457) | 29,119 |

(b) The University

| | Revaluation Reserve | Revenue Reserve | Pension Reserve | Total Reserves |
|---|------------------------|--------------------|--------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2009 | 21,815 | 60,261 | (57,621) | 24,455 |
| Deficit for the year | - | (995) | (2,457) | (3,452) |
| Actuarial loss in respect of pension scheme | - | - | (1,514) | (1,514) |
| Capitalisation of gain on change in pension increase policy from RPI to CPI | - | - | 6,135 | 6,135 |
| Transfer for depreciation relating to revaluation | (390) | 390 | - | - |
| Balance at 31 July 2010 | 21,425 | 59,656 | (55,457) | 25,624 |

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL COMMITMENTS

Operating leases

At 31 July the Group had commitments during the next financial year in respect of operating leases:

| | Land and Buildings 2010 £'000 | Land and Buildings 2009 £'000 |
|-----------------------------|--|--|
| Leases which expire: | | |
| Within one year | 23 | - |
| Between two and five years | - | 275 |
| After 5 years | 4,436 | 3,565 |
| | 4,459 | 3,840 |

30. CAPITAL AND OTHER FINANCIAL COMMITMENTS

Capital expenditure authorised and contracted for but not provided in the accounts amounts to £4,454k for the Group and University (2009: £140k).

Contracts placed for future expenditure not provided in the accounts in respect of other financial commitments amount to £nil for the Group and University (2009: £1.526m).

31. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| Surplus from Operating Activities | (3,439) | 6,663 |
| Depreciation (note 12) | 4,240 | 4,330 |
| Deferred capital grants released to income (note 25) | (1,744) | (1,998) |
| Investment income (note 9) | (516) | (1,190) |
| Write off of fixed assets | 145 | 35 |
| Interest payable (note 11) | 2,309 | 2,357 |
| Decrease in debtors | 1,202 | 250 |
| Increase in creditors | 7,569 | 3,985 |
| Net pension cost | 2,457 | 1,235 |
| Endowment transfer | 9 | 16 |
| Net Cash Inflow from Operating Activities | 12,232 | 15,683 |

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

32. ANALYSIS OF CHANGES IN NET DEBT

| | At 1 August 2009 | Cash Flows | At 31 July 2010 |
|------------------------------------|---------------------|--------------|--------------------|
| | £'000 | £'000 | £'000 |
| Cash at bank and in hand: | | | |
| Endowment assets | 596 | 21 | 617 |
| Other | 1,474 | 7,603 | 9,077 |
| | 2,070 | 7,624 | 9,694 |
| Liquid Resources: | | | |
| Current asset investment | 1 | - | 1 |
| Short term deposits | 38,533 | 1,483 | 40,016 |
| | 38,534 | 1,483 | 40,017 |
| Debt: | | | |
| Loans due within one year | (373) | (168) | (541) |
| Loans due after more than one year | (30,631) | 541 | (30,090) |
| | (31,004) | 373 | (30,631) |
| Net debt | 9,600 | 9,480 | 19,080 |

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

33. PENSION COSTS

The Group operates four pension schemes of the defined benefit type. Three are funded and one, the Teachers' Pension Scheme, is unfunded. The assets of the schemes are held separately from the assets of the Group, in independently administered funds. Details of the four Group pension schemes are as follows:

Teachers' Pension Scheme (England and Wales)

Pension costs in respect of the University's employees are charged to the Income and Expenditure Account as they become payable.

The fund is administered by Teachers' Pensions. The scheme is subject to an actuarial review not less than every four years. The last published actuarial valuation on the Teachers' Pension Scheme (England and Wales) was performed by the Government Actuary on 31 March 2004 and covered the period 1 April 2001 to 31 March 2004.

The following actuarial assumptions were applied:

| | |
|-----------------------------------|----------------|
| Gross rate of return | 6.5% per annum |
| Real rate of return in excess of: | |
| Prices | 3.5% per annum |
| Earnings | 2.0% per annum |
| Rate of real earnings growth* | 1.5% per annum |

* in addition to increases arising from salary progression, promotion etc.

A new contribution rate of 14.1% of salary (previously 13.5%) was introduced from 1 January 2007.

It is not possible to identify the University's share of the underlying assets and liabilities of TPS. Therefore contributions are accounted for as if TPS were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8-12 of FRS17. In the year ending 31 July 2010 contributions by the Group to the scheme were £5,245,707 (2009: £5,036,368).

London Pensions Fund Authority

This defined benefit scheme is subject to a triennial valuation by independent actuaries. The last full actuarial valuation was carried out on the 31 March 2007 using the projected unit credit method, in which the actuarial liability makes allowance for projected earnings.

The valuation used for FRS17 disclosures has been based on the most recent actuarial valuation at 31 March 2007 and updated by Barnett Waddingham to take account of the requirements of FRS17 in order to assess the liabilities of the scheme as at 31 July 2010. The next formal valuation was due as at 31 March 2010.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

33. PENSION COSTS (continued)

The financial assumptions used by the actuary for the funding valuation under FRS17 as at 31 July 2010 were:

| Assumptions as at: | 2010 | 2009 |
|---------------------------|-------------|-------------|
| | % per annum | % per annum |
| Expected Return on Assets | 6.7 | 6.9 |
| Salary increases | 4.7 | 5.1 |
| Pension increases | 2.7 | 3.6 |
| Discount rate | 5.4 | 6.0 |

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

| | 2010 |
|---------------------------|------------|
| Current pensioners | |
| Males | 19.6 years |
| Females | 22.5 years |
| Future pensioners | |
| Males | 20.7 years |
| Females | 23.6 years |

The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice.

The fair value of the University's share of the scheme assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, were:

| Assets (Active fund) | Long term rate | Fund value | Long term rate | Fund value | Long term rate | Fund value |
|-------------------------|------------------------|---------------|------------------------|---------------|------------------------|---------------|
| | 2010 % per annum | 2010 £'000 | 2009 % per annum | 2009 £'000 | 2008 % per annum | 2008 £'000 |
| Equities | 7.3 | 49,374 | 7.5 | 42,236 | 7.6 | 36,981 |
| Target return funds | 4.5 | 8,587 | 6.2 | 6,379 | 6.3 | 12,400 |
| Alternative assets | 6.3 | 10,733 | 6.7 | 9,104 | 6.8 | 14,073 |
| Cash | 3.0 | 1,431 | 3.0 | 4,211 | 4.8 | (243) |
| Other Bonds | 5.4 | 1,431 | - | - | - | - |
| Total | | 71,556 | | 61,930 | | 63,211 |

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

33. PENSION COSTS (continued)

The University's net pension assets were as follows:

| Net pension assets as at | 2010 | 2009 |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| Estimated asset share (a) | 71,556 | 61,930 |
| Present value of scheme liabilities | (122,661) | (113,223) |
| Present value of unfunded liabilities | (4,352) | (6,328) |
| Total value of liabilities (b) | (127,013) | (119,551) |
| Deficit in the scheme (a) – (b) | (55,457) | (57,621) |

| Analysis of amounts charged to income and expenditure account: | 2010 | 2009 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Current service cost | 4,184 | 3,283 |
| Past service cost | - | - |
| Impact of curtailments and settlements | 88 | 311 |
| Total operating charge | 4,272 | 3,594 |
| Financing: | | |
| - expected return on pension assets | (4,384) | (4,638) |
| - interest on pension scheme liabilities | 7,255 | 6,719 |
| Net return | 2,871 | 2,081 |

| Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL): | 2010 | 2009 |
|--|----------------|-----------------|
| | £'000 | £'000 |
| Actual return less expected return on pension scheme assets | 1,963 | (8,790) |
| Experience gains and (losses) arising on the scheme liabilities | 1,719 | - |
| Changes in assumptions underlying the present value of the scheme liabilities | (5,196) | (11,362) |
| Total actuarial gain/(loss) recognised | (1,514) | (20,152) |
| Capitalisation of gain on change in pension increase policy from RPI to CPI | 6,135 | - |

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

33. PENSION COSTS (continued)

Analysis of the movements in the present value of the scheme liabilities

| | 2010 | 2009 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Opening defined benefit obligation | 119,551 | 99,445 |
| Current service cost | 4,184 | 3,283 |
| Interest cost | 7,255 | 6,719 |
| Contributions by members | 1,825 | 1,717 |
| Actuarial gains | 3,477 | 11,362 |
| Past service costs | - | - |
| Capitalisation of gain on change in pension increase policy from RPI to CPI | (6,135) | - |
| Losses on curtailments | 88 | 311 |
| Estimated unfunded benefits paid | (458) | (464) |
| Estimated benefits paid | (2,774) | (2,822) |
| Closing defined benefit obligation | 127,013 | 119,551 |

Analysis of movement in the market value of the scheme assets

| | 2010 | 2009 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Opening fair value of employer assets | 61,930 | 63,211 |
| Expected return on assets | 4,384 | 4,638 |
| Contributions by members | 1,825 | 1,717 |
| Contributions by the employer including unfunded benefits | 4,686 | 4,440 |
| Actuarial gains/(losses) | 1,963 | (8,790) |
| Estimated benefits paid including unfunded benefits | (3,232) | (3,286) |
| Closing fair value of employer assets | 71,556 | 61,930 |

The Group pays contributions to the Fund at rates determined by the Fund's actuaries based on regular actuarial reviews of the financial position of the Fund. Prior to 1 April 1990, the Fund was liable only for non-increasing pensions with increases to these pensions being recharged separately to the participating employers on an annual basis.

Subsequent amending regulations have transferred to the Fund liability for pension increase payments falling after 1 April 1990 but only 75% of the overall liabilities were to be funded. From 1 April 1993, 100% of the liabilities have to be funded. Employer's contribution rates reflect this liability and funding requirement.

In accordance with the Local Government Superannuation Regulations, an actuarial valuation was carried out on 31 March 2007. The next formal valuation was due as at 31 March 2010.

The employer's contribution was increased from 16.20% to 17.30% with effect from 1 April 2010.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

33. PENSION COSTS (continued)

The experience gains and losses for the year ended 31 July were as follows:

| | 2010 £'000 | 2009 £'000 | 2008 £'000 | 2007 £'000 | 2006 £'000 |
|---|----------------|-----------------|----------------|---------------|----------------|
| Difference between the expected and actual return on scheme assets | 1,963 | (8,790) | (8,034) | 2,858 | 2,246 |
| Value of assets | 71,556 | 61,930 | 63,211 | 64,593 | 55,836 |
| Percentage of assets | 2.7% | (14.2%) | (12.7%) | 4.4% | 4.0% |
| Experience gains/(losses) on liabilities | 1,719 | - | 289 | (144) | (27) |
| Present value of liabilities | (127,013) | (119,551) | (99,445) | (91,310) | (90,970) |
| Percentage of the present value of liabilities | 1.4% | - | 0.3% | (0.2%) | (0.0%) |
| Actuarial gain/(loss) recognised in the STRGL | (1,514) | (20,152) | (7,892) | 10,079 | (1,114) |
| Percentage of the present value of liabilities | 1.2% | 16.9% | 7.9% | 11.0% | (1.2%) |

In July 2010, the government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The University has considered the LGPS scheme rules and associated members' literature and has concluded that this change is a revised actuarial assumption about the level of inflation indexation that should be made, with the resulting gain recognised through the Statement of Total Recognised Gains and Losses ('STRGL'). At the date of these financial statements, the Urgent Issues Task Force (UITF) is in the process of consulting widely on the accounting treatment for this change and is expected to issue an Abstract towards the end of 2010. Should the Abstract call for a different accounting treatment it may be necessary to reflect any change as a prior period adjustment in the financial statements for the following year.

In the year ending 31 July 2010, contributions by the Group to the scheme were £4,662,626 (2009: £3,913,577).

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

33. PENSION COSTS (continued)

Superannuation Arrangements of the University of London (SAUL)

The University of Westminster participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The University has adopted FRS17 for accounting for pension costs. It is not possible to identify the University's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8-12 of FRS17. In the year ending 31 July 2010, contributions by the Group to the scheme were £3,423 (2009: £3,311).

The scheme is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2008 using the projected unit credit method, in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities:

| Valuation method | Projected unit | |
|----------------------------------|-----------------------------|-------------------------------|
| | Past Service % per annum | Future Service % per annum |
| Investment return on liabilities | | |
| - before retirement | 6.9 | 7.0 |
| - after retirement | 4.8 | 5.0 |
| Salary growth* | 4.85 | 4.85 |
| Pension increases | 3.35 | 3.35 |

* excluding an allowance for promotional increases

The actuarial valuation applies to the scheme as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of the scheme's assets was £1,266 million representing 100% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively following the valuation.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in surplus at the last formal valuation date (31 March 2008).

The next formal actuarial valuation is due at 31 March 2011 when the above rates will be reviewed.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

33. PENSION COSTS (continued)

Universities Superannuation Scheme

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

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.

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

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

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

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

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

33. PENSION COSTS (CONTINUED)

The institution contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). Compared to the previous 12 months, the funding level has improved from 74% (as at 31 March 2009) to 91%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

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

USS has over 130,000 active members and the University has 89 active members participating in the scheme.

The total pension cost for the institution was £593,559 (2009: £480,749). This includes £50,981 (2009: £40,504) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

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34. RELATED PARTY TRANSACTIONS

Up to November 2007 three separate charitable trusts existed for the benefit of the students of the University of Westminster.

The Trusts were: Quintin Hogg Trust, The Quintin Hogg Memorial Fund and the University of Westminster Prize and Scholarship Fund. The Trusts are individually registered charities.

In November 2007, following Charity Commission consent, the Trustees of the University of Westminster Prize and Scholarship Fund used their power of amendment as contained in the Fund Scheme to appoint the University of Westminster as sole Trustee of the Fund. Accordingly from 2008 the University of Westminster Prize and Scholarship Fund was treated as a fixed asset investment and its results for the year were consolidated into the Group.

Following the above amendment there are now two separate charitable trusts which exist for the benefit of the students and who are treated as Related Parties. One of the six Trustees of these trusts was also a Governor of the University during the 2010 financial year (2009: one of the six trustees was also a Governor of the University).

The material transactions that have taken place during the financial year and the balances at the year end are as follows:

| | 2010 | 2009 |
|---|---------|---------|
| | £'000 | £'000 |
| Quintin Hogg Trust: | | |
| Rent payable to Trust – academic buildings | (2,438) | (2,553) |
| Donations received by University recognised in the income and expenditure account | 2,100 | 6,400 |
| Deferred capital grants – Regent Street Cinema | 500 | - |
| | | |
| The Quintin Hogg Memorial Fund: | | |
| Rent payable to Trust | (57) | (57) |
| Amounts owed to University by related party: - balance of disposal proceeds | - | 56 |

Due to the nature of the University's operations and the composition of the Court of Governors (being drawn from both public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Court of Governors may have an interest. All transactions involving organisations in which a member of the Court 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. There were no material transactions in the year.

