

UNIVERSITY OF WESTMINSTER

REPORT AND FINANCIAL STATEMENTS For the year ended 31 July 2006

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UNIVERSITY OF WESTMINSTER

CHAIRMAN'S STATEMENT

As Chairman of the Court of Governors and Board of Directors I am pleased to report on another year in which the University has continued to develop and prosper.

Particularly notable this year has been the work done to create a new strategic development process and plan for the University constructed around the themes of academic portfolio review, improving the student experience and ensuring student employability. A number of interesting projects have arisen from the work, which will be progressed in the coming academic year. Further visionary work and thinking has also taken place on the theme of innovation and new directions, to which all staff have been invited to contribute their ideas.

The University has continued to invest in its estate, including the construction of new Halls of Residence at the Harrow Campus, and bringing to completion during the summer the exciting project to redevelop the Cavendish Campus. The main building at 309 Regent Street has also been the subject of significant modernisation, including the provision of a newly equipped gym in the basement, whilst preserving and enhancing the historic character of the premises. The final stages of the redevelopment of the Cavendish Campus, which will provide attractive and much needed social and cafeteria space for our students and staff, were formally opened by the Right Honourable Alan Johnson MP, Secretary of State for Education and Skills on 8 November this year.

In the context of a challenging competitive environment, the University has continued to meet its targets for student recruitment and widening participation without compromising its quality standards. Our sustained success in international markets has also contributed to this year's strong results. The historic cost surplus (before exceptional items) for the year was £2.440m (2005: £1.780m) on a total income of £137.705m (2005: £128.980m) and the balance sheet continues to be robust.

The coming year will see significant changes at the University. The Vice-Chancellor, Dr Geoffrey Copland, will retire in July 2007 and the recruitment of his successor is currently in progress. Dr Maud Tyler, his Deputy, will retire in December 2006. The University owes much of its present character and success to these two senior members of its staff and they will be greatly missed. The senior management team has recently been strengthened by the appointment of two new Provosts, Professor Simon Jarvis and Professor Rikki Morgan-Tamosunas, who took over at the Harrow Campus and the Cavendish Campus respectively from November 2006.

I should like to congratulate the students on their successes which prepare them for professional life and which continue to enhance the reputation of the University. Finally, I congratulate and thank all the staff of the University for their contribution to the University's successes during the last year and for their commitment to ensuring that it continues to look forward to an exciting future.

Dr Terence Wright

December 2006

UNIVERSITY OF WESTMINSTER

VICE-CHANCELLOR'S REPORT

The year since my last Financial Statements report has seen the start of a new financial challenge for the sector. Variable tuition fees have resulted in Westminster, like most universities, charging £3,000 fees to full-time home and EU students from the start of the 2006-07 academic year in September.

New student funding arrangements, including loans, grants and university bursaries and scholarships, should mean greater opportunity for those from financially disadvantaged backgrounds to study but there is some evidence that this message has not been getting across. Westminster, along with other universities, has already been doing much to publicise the fact that these changes in fees and funding should not deter anyone from entering higher education but we need to redouble our efforts. These changes are offering improved financial arrangements for many as well as providing much-needed resources to help maintain standards of education at our universities.

Here at Westminster, the University won the inaugural Times Higher Award for Outstanding Support for Overseas Students. Our £2million scholarship programme is believed to be the largest of its kind in the UK.

Continuing the pattern of recent years, the University has delivered another strong performance in the 167th year since we were founded as the Royal Polytechnic Institution.

Student numbers remained very stable last year, with 23,000 people studying with us. Reflecting our international reputation for excellence, nearly 20 per cent of our students now comes to us from overseas. We have students representing 150 nations and are among one of the 10 most popular UK universities for non-British students.

Our students have again proven their value in the marketplace: 2005 saw 84 per cent of our full-time, first degree graduates in employment or further study six months after leaving us, a small but encouraging increase on the 2004 figure. A number of our students won national recognition through the award of competitive prizes.

We also continued to make Westminster a byword for quality. Writing about the University, The Sunday Times noted "Its (University of Westminster) research record is good with no modern university achieving more than the four international-class ratings secured in media studies, law, linguistics and Asian studies". This was referring to our national rankings for research, which carry an excellent rating of 5.

Another indication of this quality came with the continuing Higher Education Funding Council grant of £4.5million over five years to run a new Centre for Excellence in Teaching and Learning.

UNIVERSITY OF WESTMINSTER

VICE-CHANCELLOR'S REPORT (continued)

This Centre is developing best practice in professional learning for the work place that is being disseminated across higher education. It builds on excellent work by three of our schools - Biosciences, Integrated Health and Media Arts and Design - in developing work-based learning for students in specific courses.

The Chairman has reported on our robust financial situation, achieved against a continuing background of increasing competition and below inflation increases in public funding for our core activities.

Contributing to this has been continuing progress on our estate. We have continued over the past year to make progress developing our buildings.

We welcomed the Secretary of State for Education and Skills Alan Johnson MP to Cavendish Campus in November 2006 to open the new teaching, research, expanded administrative and social facilities at that campus. The substantially expanded social space at Cavendish forms a vibrant hub for both students and staff. In total, over £30m has been invested in the redevelopment of Cavendish, adding to the £100million that has been invested in our buildings in the last decade.

None of our financial achievements would, however, have been possible without the commitment, enthusiasm and energy of our staff - I thank each and every one for their contribution during the year. With the University now meeting the challenges of the new student fees and funding regime - heralding as it does a changed higher education marketplace - 2006-07 promises to be an exciting year. I am sure the University will continue to build on the strong base and robust performance summarised in these Statements.

Dr Geoffrey Copland

Vice-Chancellor and Rector

December 2006

UNIVERSITY OF WESTMINSTER

MISSION STATEMENT

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.

UNIVERSITY OF WESTMINSTER

(A Company Limited by Guarantee and an Exempt Charity)

GENERAL INFORMATION

Chairman of the Court of Governors

Dr Terence Wright MA DPhil CSci FRSC

Vice-Chancellor and Rector

Dr Geoffrey M. Copland MA(Oxon) DPhil(Oxon) CPhys FInstP FRSA

Company Secretary

Carole Mainstone MA MBA

Director of Finance

Philip Harding MSc FCMA

Auditors

KPMG LLP
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Bankers

National Westminster Bank plc
Lloyds TSB Bank plc
Societe Generale

Solicitors

Eversheds LLP
Mills & Reeve
Beachcroft Wansbroughs
Nabarro Nathanson

Registered Office

309 Regent Street
London
W1B 2UW

Registered Number

977818 England and Wales

UNIVERSITY OF WESTMINSTER

COURT OF GOVERNORS

The following were Governors (Directors) of the University during the year ended 31 July 2006:

	Appointed	Resigned
Chairman	Dr T Wright	
Deputy Chairmen	Mr D Lovett	
Ms C Allen		01.02.2006
Mr M Chambers		
Mr G Cole		
Dr G Copland (Vice-Chancellor and Rector)		
Ms M Grinfeld		
Mr D Haddock		
Mr S Hart	27.02.2006	
The Hon Dame Mary Hogg		
Mr P Hopper		
Dr M Kimberley		
Mr P Kyle		
Mr R Lane		
Ms M Lee		
Ms S Lanquaye	03.07.2006	
Ms I Macpherson		
Professor E Morgan-Tamosunas		
Mr I Newton		
Ms H Scott		
Mr M Staples		
Dr M Tyler (Deputy Vice-Chancellor and Rector)		
Dr S Walton		

UNIVERSITY OF WESTMINSTER

COURT OF GOVERNORS (continued)

Ms Charlene Allen is the 2005/6 sabbatical President of the University of Westminster Students' Union.

Mr Mark Chambers MA is General Counsel and Group Company Secretary for Royal & SunAlliance.

Mr Godfrey Cole LL.M, Barrister is a District Chairman in the Appeals Service. He was previously head of the Law School at the University where he had been on the staff for many years.

Dr Geoffrey Copland MA, DPhil, CPhys, FInstP, FRSA is Vice-Chancellor and Rector of the University. He chairs the Universities and Colleges Employers Association and the England and Northern Ireland Council of Universities UK and is Vice-President of Universities UK.

Ms Monica Grinfeld is a lecturer in the School of Architecture and the Built Environment at the University of Westminster.

Mr David Haddock BSocSci is Manager of the Admissions and Marketing Office at the Harrow Campus. He is the Branch Co-ordinator for the Association of University Administrators.

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 Paul Hopper MA, MSc, MBA retired as Managing Director with the London Tourist Board and Convention Bureau. He is currently Deputy Chairman of Pelagon Ltd.

Dr Marion Kimberley BSc, MSc, PhD, FIMA, CMath retired as Director of Personnel at Imperial College of Science, Technology & Medicine.

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 Private Equity Group of solicitors, Farrer & Co.

Ms Salima Languaye is the 2006/7 Sabbatical President of the University of Westminster Students' Union.

Ms Maggie Lee BA is Associate Director of Directorbank and a freelance writer and television presenter.

David Lovett BA, FCA is a Managing Director with AlixPartners Ltd, a specialist Turnaround and Performance Improvement Firm.

UNIVERSITY OF WESTMINSTER

COURT OF GOVERNORS (continued)

Ms Ishbel Macpherson MA recently retired as a Managing Director of Dresdner Kleinwort Wasserstein, where she ran the Corporate Finance team responsible for supporting UK growth companies. She is now a non-executive director of MITIE Group plc and GAME Group plc.

Professor Rikki Morgan-Tamosunas PGCE, MA, PhD is Dean of the School of Social Sciences, Languages and Humanities and the Academic Council nominee.

Mr Ian Newton FCA is a Director of Powerstrand Limited. He is chairman of the Audit Committee.

Ms Hilary Scott MSc, FHM was a senior civil servant at the Department of Health. She held the post of Deputy Health Service Ombudsman from 1999-2003, having worked as a senior health service manager for several years before that appointment. She is now a consultant in the public services.

Mr Mike Staples FRICS Director of Skanska Integrated Projects and formally European Managing Director of Hanscomb, an international firm of professional quantity surveyors.

Dr Maud Tyler BA, Cert Ed, PhD, FIL, FRSA is Deputy Vice-Chancellor of the University and Provost of the Cavendish Campus.

Dr Suzy Walton BSc, MSc, PhD, C Psychol, FRSA, AFBPsS, MRI is a Senior Civil Servant in the Cabinet Office. She served in the Prime Minister's Strategy Unit from 2000-2003 and is currently in the Prime Minister's Delivery Unit. She is a former journalist and West End actress. She is also a lay member of the Bar Council's disciplinary committees.

Dr Terence Wright MA, DPhil, CSci, CChem, FRSC was elected Chairman of the Court of Governors from 1 January 2005. He is a Director of Pixology plc, a director of Zogix Ltd, a former Director of Kodak Limited and former Director of R&D in Europe and Venture Relations, Eastman Kodak Company.

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 2006 appears on page 7. 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 32 (related party transactions) to the accounts.

The Court of Governors, which meets formally at least five times a year, currently comprises three executive and eighteen non-executive Governors with a clear separation of the roles of the non-executive chairman, Dr Terence Wright and the chief executive, Dr Geoffrey Copland (Vice-Chancellor and Rector). The Court includes 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 management of the University's operations to the Vice-Chancellor who, supported by his Executive Group, 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 2006)

Mr Ian Newton (Chairman)
Mr Mark Chambers
Mr Godfrey Cole
Mr Paul Hopper
Dr Donald Lloyd (external 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 and the Committee does meet with the external auditors on their own for independent discussion.

UNIVERSITY OF WESTMINSTER

THE WORK OF THE COURT OF GOVERNORS (continued)

Finance and Property Committee (membership as at 31 July 2006)

Mr David Lovett (Chairman)
Dr Geoffrey Copland
Mr Peter Kyle
Mr Richard Lane
Ms Ishbel Macpherson
Ms Hilary Scott
Mr Mike Staples
Dr Terence Wright

This 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. Furthermore, 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 laws.

Personnel Committee (membership as at 31 July 2006)

Dr Marion Kimberley (Chair)
Mr Paul Hopper
Ms Maggie Lee
Ms Hilary Scott
Dr Maud Tyler
Dr Suzy Walton

This Committee meets at least four times a year to review the University's Human Resources policies and related legislation, and to receive and discuss reports on associated matters, including staff training and development and diversity.

UNIVERSITY OF WESTMINSTER

THE WORK OF THE COURT OF GOVERNORS (Continued)

Remuneration Committee
(membership as at 31 July 2006)

Dr Terence Wright (Chairman)
Dr Geoffrey Copland
Dr Marion Kimberley
Mr David Lovett
Dr Suzy Walton

This Committee meets when appropriate to consider the framework for pay and conditions of staff and 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 2006)

Dr Terence Wright (Chairman)
Mr Godfrey Cole
Dr Geoffrey Copland
Mr Peter Kyle
Ms Maggie Lee
Professor Rikki Morgan-Tamosunas

This Committee meets at least twice a year to make recommendations on the appointment of new Governors in accordance with procedures devised by the Committee and approved by the Court. It is 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. The Committee is also overseeing the process of recruitment of a successor to the present Vice-Chancellor and has appointed a steering group for this purpose.

UNIVERSITY OF WESTMINSTER

CORPORATE GOVERNANCE STATEMENT

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the accounts understand how the principles have been applied.

The Court of Governors is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Court of Governors, and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee. During the year, the Audit Committee, on behalf of the Court of Governors, received reports on the effectiveness of the University's system of internal control.

UNIVERSITY OF WESTMINSTER

CORPORATE GOVERNANCE STATEMENT (Continued)

The current version of the Risk Management Policy was approved by the Court of Governors in July 2005. The policy requires the University to identify and assess the main risks to meeting the University's objectives; to assign an agreed order of priority to the risks; to focus attention and effort in accordance with that order of priority; and to put in place control systems to cover the risks. The Vice-Chancellor's Executive Group is responsible for maintaining, reviewing and updating a Strategic Risk Register, which is approved by the Court of Governors. Individual members of the senior management team are assigned responsibility for developing, implementing and reporting on an action plan in relation to each of the risks in the Register. Following a substantial review of the Register in June 2005, revised action plans were approved by the Vice-Chancellor's Executive Group in September 2005.

The University's work on risk management during the year is due for review by the internal auditors in September 2006. The annual report on the process was received by the Court of Governors in February 2006.

The Court of Governors is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks; that it has been in place throughout the year ending 31 July 2006 and up to the date of approval of the annual report and accounts; that it is regularly reviewed by the Court of Governors; and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for Higher Education.

UNIVERSITY OF WESTMINSTER

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 he/she ought to have taken as a Governor to make himself/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 regular intervals. The Vice-Chancellor issues a periodic briefing to all staff, providing information on the University's performance and plans, and a magazine is distributed to all employees.

UNIVERSITY OF WESTMINSTER

STATEMENT OF GOVERNORS' RESPONSIBILITIES (continued)

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.

The University has in place an important staff development initiative entitled Respect for People, which aims to improve awareness and understanding of diversity issues in the workplace.

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 purchases "Professional Indemnity" and "Officers Liability" insurance which provides 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 as auditors for the year ending 31 July 2007 will be proposed at the forthcoming Annual General Meeting.

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

Dr Terence Wright
Chairman
11 December 2006

UNIVERSITY OF WESTMINSTER

INDEPENDENT AUDITORS' REPORT TO THE COURT OF GOVERNORS OF THE 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 2006 which comprise the Group Income and Expenditure Account, the Group/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 accounting policies set out therein.

This report is made solely to the Court of Governors, in accordance with section 235 of the Companies Act 1985. 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's Court of Governors, who are also the directors of the University of Westminster for the purpose of company law are responsible for preparing the financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) as set out in the Statement of Responsibilities on pages 15 and 16.

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. We also report to you whether in our opinion the Vice-Chancellor's Report and Chairman's Statement is not consistent with the financial statements, if 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 Vice-Chancellor's Report, Chairman's Statement and the Corporate Governance Statement 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

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 affairs of the University and the Group as at 31 July 2006 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2006 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2006 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.

KPMG LLP
Chartered Accountants
Registered Auditor

December 2006

1 Forest Gate
Brighton Road
Crawley
Sussex
RH11 9PT

UNIVERSITY OF WESTMINSTER

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 July 2006

		2005 (as restated note 30)			
		2006 Total	Before Exceptional Items	Exceptional Items	Total
INCOME FROM	Note	£'000	£'000	£'000	£'000
CONTINUING ACTIVITIES					
Funding council grants	5	66,201	58,740	-	58,740
Academic fees and support grants	6	47,294	45,358	-	45,358
Research grants and contracts	7	7,979	6,525	-	6,525
Other operating income	8	14,712	14,812	2,481	17,293
Interest receivable		1,519	1,064	-	1,064
Total income		137,705	126,499	2,481	128,980
EXPENDITURE ON					
CONTINUING ACTIVITIES					
Staff costs	9,12	77,640	72,045	-	72,045
Depreciation	11	3,241	3,506	-	3,506
Other operating expenses	9	50,913	46,883	-	46,883
Interest payable	10	4,011	2,719	-	2,719
Total expenditure		135,805	125,153	-	125,153
Surplus before taxation		1,900	1,346	2,481	3,827
Tax on surplus	14	30	(76)	-	(76)
Surplus for the financial year	15	1,930	1,270	2,481	3,751

All activities relate to continuing operations.

UNIVERSITY OF WESTMINSTER

NOTE OF CONSOLIDATED HISTORICAL COST SURPLUSES
For the year ended 31 July 2006

	2006	2005 (as restated note 30)
	£'000	£'000
Surplus for the financial year	1,930	3,751
Difference between historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount	510	510
Historical cost surplus	<u>2,440</u>	<u>4,261</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2006

	2006	2005 (as restated note 30)
	£'000	£'000
Surplus for the financial year	1,930	3,751
Actuarial gains/(losses) in respect of pension scheme:		
Scheme liabilities	(1,180)	(8,683)
Unfunded liabilities	66	297
Total recognised gains/(losses) relating to the period	<u>816</u>	<u>(4,635)</u>
Prior year adjustments (note 30)	(9,248)	—
Total recognised losses since last period.	<u>(8,432)</u>	<u>(4,635)</u>

UNIVERSITY OF WESTMINSTER

CONSOLIDATED BALANCE SHEET
As at 31 July 2006

		2006	2005 (as restated note 30)
	Note	£'000	£'000
Fixed Assets			
Tangible assets	17	103,102	99,832
Investments	18	37	37
		<u>103,139</u>	<u>99,869</u>
Current Assets			
Debtors due within one year	19	17,433	11,649
Investments	20	20,578	1,275
Cash at bank and in hand		<u>6,398</u>	<u>21,615</u>
		<u>44,409</u>	<u>34,539</u>
Creditors			
Amounts falling due within one year	21	<u>(33,237)</u>	<u>(23,370)</u>
Net Current Assets		<u>11,172</u>	<u>11,169</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>114,311</u>	<u>111,038</u>
Creditors			
Amounts falling due after more than one year	21	<u>(17,532)</u>	<u>(24,615)</u>
TOTAL NET ASSETS excluding pension liability		<u>96,779</u>	<u>86,423</u>
Pension liability		<u>(35,134)</u>	<u>(32,596)</u>
NET ASSETS including pension liability		<u>61,645</u>	<u>53,827</u>
Represented by:			
Deferred capital grants	23	<u>26,506</u>	<u>25,251</u>
Reserves			
Revaluation reserve	25	27,097	21,860
Specific reserve	25	1,256	1,571
Revenue reserve excluding pension liability	25	41,920	37,741
Pension reserve	25	<u>(35,134)</u>	<u>(32,596)</u>
Revenue reserve including pension liability		<u>6,786</u>	<u>5,145</u>
		<u>35,139</u>	<u>28,576</u>
TOTAL FUNDS		<u>61,645</u>	<u>53,827</u>

Approved by the Court of Governors on 11 December 2006 and signed on its behalf by:

Dr Terence Wright
ChairmanDr Geoffrey M Copland
Vice-Chancellor and Rector

UNIVERSITY OF WESTMINSTER

UNIVERSITY BALANCE SHEET

As at 31 July 2006

		2006		2005 (as restated note 30)	
	Note	£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	17	84,887		81,622	
Investments	18	<u>10,451</u>		<u>10,450</u>	
			95,338		92,072
Current Assets					
Debtors due within one year	19	18,202		14,857	
Investments	20	20,578		1,275	
Cash at bank and in hand		<u>1,267</u>		<u>15,605</u>	
		40,047		31,737	
Creditors					
Amounts falling due within one year	21	<u>(29,125)</u>		<u>(21,185)</u>	
Net Current Assets			<u>10,922</u>		<u>10,552</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			106,260		102,624
Creditors					
Amounts falling due after more than one year	21		(15,874)		(22,897)
TOTAL NET ASSETS excluding pension liability			<u>90,386</u>		<u>79,727</u>
Pension liability			(35,134)		(32,596)
NET ASSETS including pension liability			<u><u>55,252</u></u>		<u><u>47,131</u></u>
Represented by:					
Deferred capital grants	23		<u>24,389</u>		<u>23,079</u>
Reserves					
Revaluation reserve	25		22,984		17,626
Specific reserve	25		379		687
Revenue reserve excluding pension liability	25		42,634		38,335
Pension reserve	25		<u>(35,134)</u>		<u>(32,596)</u>
Revenue reserve including pension liability			7,500		5,739
			<u>30,863</u>		<u>24,052</u>
TOTAL FUNDS			<u><u>55,252</u></u>		<u><u>47,131</u></u>

Approved by the Court of Governors on 11 December 2006 and signed on its behalf by:

Dr Terence Wright
ChairmanDr Geoffrey M Copland
Vice-Chancellor and Rector

UNIVERSITY OF WESTMINSTER

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 July 2006

		2006	2005
	Note	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	28	<u>16,654</u>	<u>5,732</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,519	1,064
Interest paid		(3,248)	(2,067)
Net cash outflow from returns on investments and servicing of finance		<u>(1,729)</u>	<u>(1,003)</u>
TAXATION		(24)	(22)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(6,846)	(4,482)
Receipts from sale of assets		23	-
Deferred capital grants received		2,212	6,828
Net cash (outflow)/inflow from capital expenditure and financial investment		<u>(4,611)</u>	<u>2,346</u>
CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		<u>10,290</u>	<u>7,053</u>
MANAGEMENT OF LIQUID RESOURCES			
Cash transferred (to)/from short term deposits		<u>(19,303)</u>	<u>13,259</u>
FINANCING			
Loan repayments		(6,204)	(233)
Net cash outflow from financing		<u>(6,204)</u>	<u>(233)</u>
(DECREASE)/INCREASE IN CASH	29	<u><u>(15,217)</u></u>	<u><u>20,079</u></u>

UNIVERSITY OF WESTMINSTER

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

		2006		2005	
	Note	£'000	£'000	£'000	£'000
(Decrease)/Increase in cash in period		(15,217)		20,079	
Cash outflow/(inflow) from movement in liquid resources		19,303		(13,259)	
Cash outflow from decrease in debt and lease financing		<u>6,204</u>		<u>233</u>	
Change in net funds resulting from cash flows			<u>10,290</u>		<u>7,053</u>
Movement in net funds in the period			10,290		7,053
Net funds/(debt) at 1 August			580		(6,473)
Net funds at 31 July	29		<u>10,870</u>		<u>580</u>

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

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 21 members of the University has undertaken to contribute to the assets of the University in the event of its being wound up while he/she is a member, or within one year after he/she ceases 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.
- ii) The financial statements are intended to meet, as appropriate, the requirements of the Companies Act 1985.
- 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 2006.

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. 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.

UNIVERSITY OF WESTMINSTER

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.

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 a separate charitable trust. 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.

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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 Pensions Fund Authority (Local Government) Superannuation Scheme, 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 (Local Government) Superannuation Scheme. 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.

UNIVERSITY OF WESTMINSTER

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.

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. Stocks

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

i. 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.

j. 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.

k. Revaluation Reserve

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

l. Specific Reserve

The University recognises the accumulated profits or losses arising on its research grants and contracts and international activities in a separate specific reserve.

m. Interest Capitalisation

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

n. 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

5. FUNDING COUNCIL GRANTS

	Note	2006 £'000	2005 £'000
(a) Recurrent grant from HEFCE			
Teaching		54,296	51,504
Research		2,471	1,625
Other (including special initiatives)		2,892	1,337
Pension liabilities		427	433
Inherited liabilities (capital related):			
Premises rents		346	43
Debt charges	5c	1,706	524
Capital project grants		3,181	2,384
		<u>65,319</u>	<u>57,850</u>
(b) Release of HEFCE capital grants			
	23	882	890
		<u>66,201</u>	<u>58,740</u>

(c) HEFCE reimbursement of debt charges

Payments made during the year to the Royal Borough of Kensington and Chelsea and the London Borough of Harrow in respect of leases outstanding on assets transferred to the University were fully reimbursed by HEFCE during the year.

During the year the University redeemed all outstanding inherited loans. HEFCE fully reimbursed these redemptions. The inherited liabilities debt charges grant of £1.706m includes an exceptional receipt of £1.531m which relates to the loan redemption premium paid to Royal Borough of Kensington and Chelsea and fully reimbursed by HEFCE. The redemption premium is disclosed as interest payable (see note 10).

UNIVERSITY OF WESTMINSTER

6. ACADEMIC FEES AND SUPPORT GRANTS

	2006 £'000	2005 £'000
Home and EU domicile students	25,624	17,550
Non-EU students	19,073	16,637
Full cost courses	-	8,143
	<u>44,697</u>	<u>42,330</u>
Non credit bearing courses	2,597	3,028
	<u>47,294</u>	<u>45,358</u>

Complete comparatives are not available due to the introduction in 2006 of a new student record system, which does not separate full cost courses, but instead includes amounts relating to these courses within the categories of Home and EU and Non-EU students.

Non-EU students includes an amount of £660k (2005 Full cost courses: £941k) which is derived from international collaborations in Asia.

7. RESEARCH GRANTS AND CONTRACTS

	2006 £'000	2005 £'000
Income		
Government departments	4,678	3,351
Research councils	1,256	1,110
UK based charities	391	450
European commission	1,246	1,151
Other bodies	408	463
	<u>7,979</u>	<u>6,525</u>
Expenditure (as restated note 30)		
Staff costs	2,844	2,689
Other operating expenses	4,235	3,169
	<u>7,079</u>	<u>5,858</u>
Surplus	<u>900</u>	<u>667</u>

UNIVERSITY OF WESTMINSTER

8. OTHER OPERATING INCOME

	2006 £'000	2005 £'000
Residences and catering	7,657	7,382
Recreation	378	401
Rents and lettings	1,414	2,221
Photocopier income	264	259
Sundry sales	374	298
Knowledge Transfer Partnerships	113	120
Miscellaneous	2,924	2,877
Donations	1,513	1,179
Release of deferred capital grants - non-HEFCE (note 23)	75	75
	<u>14,712</u>	<u>14,812</u>
Exceptional profit on disposal of fixed assets	-	2,481
	<u>14,712</u>	<u>17,293</u>

Miscellaneous income includes an amount of £56k (2005: £136k) which is derived from activities in Africa.

9. EXPENDITURE BY ACTIVITY

	2006			2005 (as restated note 30)		
	Staff Costs	Other Operating Expenses	Total	Staff Costs	Other Operating Expenses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	55,984	9,764	65,748	51,644	8,965	60,609
Academic support services	4,152	3,815	7,967	3,692	3,739	7,431
Research	2,844	4,235	7,079	2,689	3,169	5,858
Administration and central services	11,559	11,311	22,870	10,708	8,925	19,633
Premises	2,212	15,363	17,575	2,317	15,767	18,084
Residences and catering	839	6,331	7,170	883	6,029	6,912
Other expenditure	50	94	144	112	289	401
	<u>77,640</u>	<u>50,913</u>	<u>128,553</u>	<u>72,045</u>	<u>46,883</u>	<u>118,928</u>

UNIVERSITY OF WESTMINSTER

10. INTEREST PAYABLE

Inherited debt £1.706m includes an exceptional premium on the redemption of the debt of £1.531m payable to the Royal Borough of Kensington and Chelsea. This was fully reimbursed by HEFCE in the year (note 5).

	2006	2005
	£'000	£'000
Inherited debt	1,706	524
Promissory note	1,542	1,543
Net interest cost on funded pension scheme liabilities (note 31)	486	564
Interest on unfunded pension scheme liabilities (note 31)	277	88
	<u>4,011</u>	<u>2,719</u>

11. DEPRECIATION

	2006	2005
	£'000	£'000
The depreciation charge has been funded by:		
Release of deferred capital grants	957	965
Release of revaluation reserve	510	510
General income	1,774	2,031
	<u>3,241</u>	<u>3,506</u>

12. INFORMATION REGARDING EMPLOYEES

(a) Employee costs

	2006	2005
	£'000	£'000
Wages and salaries	65,547	60,394
Social security costs	5,387	5,110
Other pension costs	6,706	6,541
	<u>77,640</u>	<u>72,045</u>

(b) Average number of people employed by the group in the year, expressed as full-time equivalents, was:

	2006	2005
	No.	No.
Teaching and research staff	860	770
Visiting lecturers	134	210
Support staff	816	798
	<u>1,810</u>	<u>1,778</u>

UNIVERSITY OF WESTMINSTER

12. INFORMATION REGARDING EMPLOYEES (continued)

(c) Emoluments of higher paid staff (excluding Governors)

The following staff received emoluments of £70,000 or over

	2006	2005
	No.	No.
£70,000 - £79,999	12	7
£80,000 - £89,999	8	15
£90,000 - £99,999	2	3
£100,000 - £109,999	5	3
£110,000 - £119,999	1	1
	<u>28</u>	<u>29</u>
	£'000	£'000
Remuneration	2,217	2,207
Pension contributions	290	274
Total emoluments	<u>2,507</u>	<u>2,481</u>

13. EMOLUMENTS OF GOVERNORS

	2006	2005
	£'000	£'000
(a) The emoluments of the governors of the University are:		
In respect of service as Governors	-	-
In respect of services as executives		
(including pension contributions on behalf of executive Governors)	483	462
(b) The emoluments of the chairman and executive governors are:		
Chairman: Dr Terence Wright	-	-
Highest paid Governor: Dr G M Copland as Vice-Chancellor and Rector:		
Remuneration	170	172
Pension contributions	23	23
Total emoluments	<u>193</u>	<u>195</u>

The remuneration of the Vice-Chancellor and Rector are shown on the same basis as for higher paid staff. Historically, profit related pay has been disclosed in the year in which it is determined and subsequently paid. The University's pension contributions to Teachers' Pension Agency are paid at the same rates as for other academic staff.

Five governors (2005: six) are members of the University's defined benefit pension scheme and accrued benefits during the year under that scheme.

UNIVERSITY OF WESTMINSTER

14. 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: 30% (last period 30%). The differences are explained below:

	2006	2005 (as restated note 30)
	£'000	£'000
Consolidated profit on ordinary activities	1,900	3,827
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	(570)	(1,148)
Effects of:		
- Expenses not deductible for tax purposes	(70)	(211)
- Capital allowances in excess of depreciation	8	(1,152)
- Carried forward tax losses	(6)	-
- Non-taxable profit	638	2,511
- Adjustments in respect of prior periods	(30)	76
Current tax charge for the year	(30)	76

Factors that may affect future tax charge

A deferred tax liability in respect of accelerated capital allowances has not been recognised as the liability is not expected to crystallise in the future. The amount of the liability not recognised is £130,907 (2005: £129,745).

UNIVERSITY OF WESTMINSTER

15. SURPLUS FOR THE FINANCIAL YEAR BEFORE TRANSFERS FROM RESERVES

The surplus before transfers from reserves for the financial year is disclosed after charging/(crediting)

	2006	2005
	£'000	£'000
Auditors remuneration:		
audit fee University	33	32
Subsidiary Companies	10	10
non-audit services	32	39
Operating lease rentals:		
property rents	5,105	6,017
Depreciation:		
owned assets	2,934	3,199
leased assets	307	307
Exceptional profit on disposal of fixed assets	-	(2,481)

16. SURPLUS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the income and expenditure account of the parent company is not presented as part of these accounts. The parent company's surplus for the financial year amounted to £2.178m (2005 as restated: £6.460m).

The parent company's surplus for the financial year includes an exceptional profit of £nil (2005: £5.550m).

UNIVERSITY OF WESTMINSTER

17. TANGIBLE ASSETS

(a) The Group

Cost or valuation	Freehold land and buildings £'000	Leasehold improvements £'000	Assets in course of construction £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Computers £'000	Motor vehicles £'000	Total £'000
At 1 August 2005	104,695	9,455	1,803	21,363	1,116	4,738	135	143,305
Additions	-	-	6,315	243	140	148	-	6,846
Transfers	584	-	(897)	-	-	313	-	-
Disposals	-	-	(335)	-	-	-	-	(335)
At 31 July 2006	105,279	9,455	6,886	21,606	1,256	5,199	135	149,816
Accumulated depreciation								
At 1 August 2005	15,523	2,477	-	19,699	1,113	4,563	98	43,473
Charge for the year	2,057	307	-	564	32	269	12	3,241
Disposals	-	-	-	-	-	-	-	-
At 31 July 2006	17,580	2,784	-	20,263	1,145	4,832	110	46,714
Net book value at 31 July 2006	87,699	6,671	6,886	1,343	111	367	25	103,102
Net book value at 31 July 2005	89,172	6,978	1,803	1,664	3	175	37	99,832

UNIVERSITY OF WESTMINSTER

17. TANGIBLE ASSETS (continued)

(b) The University

Cost or valuation	Freehold land and buildings £'000	Leasehold improvements £'000	Assets in course of construction £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Computers £'000	Motor vehicles £'000	Total £'000
At 1 August 2005	78,865	9,455	1,803	21,363	1,116	4,738	135	117,475
Additions	-	-	6,315	243	-	134	-	6,692
Transfers	164	-	(477)	-	-	313	-	-
Disposals	-	-	(755)	-	-	-	-	(755)
At 31 July 2006	79,029	9,455	6,886	21,606	1,116	5,185	135	123,412
Accumulated depreciation								
At 1 August 2005	7,903	2,477	-	19,699	1,113	4,563	98	35,853
Charge for the year	1,521	307	-	564	3	265	12	2,672
Disposals	-	-	-	-	-	-	-	-
At 31 July 2006	9,424	2,784	-	20,263	1,116	4,828	110	38,525
Net book value at 31 July 2006	69,605	6,671	6,886	1,343	-	357	25	84,887
Net book value at 31 July 2005	70,962	6,978	1,803	1,664	3	175	37	81,622

UNIVERSITY OF WESTMINSTER

17. TANGIBLE ASSETS (continued)

(c) The Group and the University	The Group		The University	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
(i) Analysis of land and buildings at cost or valuation:				
At cost	79,071	78,487	59,593	59,429
Revaluation increase	26,208	26,208	19,436	19,436
At valuation: 31 July 1995	<u>105,279</u>	<u>104,695</u>	<u>79,029</u>	<u>78,865</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.

(ii) If freehold land and buildings had not been revalued, they would have been included at the following amounts:	The Group		The University	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
At cost	79,071	78,487	59,593	59,429
Aggregate depreciation	(11,617)	(10,053)	(4,912)	(3,750)
Net book value	<u>67,454</u>	<u>68,434</u>	<u>54,681</u>	<u>55,679</u>

(iii) The value of freehold land and buildings includes £5.704 million in respect of land that is not depreciated (2005: £5.704 million).

UNIVERSITY OF WESTMINSTER

18. FIXED ASSET INVESTMENTS

COST	The Group		The University	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Share in subsidiary undertakings:				
At 1 August	-	-	10,413	20,172
Additions	-	-	1	-
Subsidiary placed into members' voluntary liquidation	-	-	-	(9,759)
At 31 July	<u>-</u>	<u>-</u>	<u>10,414</u>	<u>10,413</u>
Other shareholdings:				
At 1 August	181	181	181	181
Additions	-	-	-	-
At 31 July	<u>181</u>	<u>181</u>	<u>181</u>	<u>181</u>
Total cost	<u>181</u>	<u>181</u>	<u>10,595</u>	<u>10,594</u>
PROVISION FOR IMPAIRMENT IN VALUE				
At 1 August	(144)	-	(144)	-
Provision for year - other shareholdings	-	(144)	-	(144)
Total Provision	<u>(144)</u>	<u>(144)</u>	<u>(144)</u>	<u>(144)</u>
NET BOOK VALUE	<u>37</u>	<u>37</u>	<u>10,451</u>	<u>10,450</u>

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

(ii) The University and Group hold one fully paid Ordinary £1 share in Klenzyme Ltd. It is an unquoted company.

(iii) The University and Group hold 10,000 fully paid Ordinary £1 A shares, 50,000 Ordinary £1 B shares and 13,595 Ordinary £1 shares in Anglesey Natural Foods Ltd. It is an unquoted company. A full provision for impairment in value has been made against the cost of this investment, reducing its net book value to £nil (2005 £nil).

iv) The following companies were all held as investments by the University of Westminster on 31 July 2006. They are all subsidiary undertakings of the University and all companies operate in the UK.

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18. FIXED ASSET INVESTMENTS (continued)

	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
Polytechnic of Central London Ltd	100	Leasing of a property
University of Westminster (International)	100	Education, research and training overseas
Policy Studies Institute	100	Research relating to political, economic and social science
WestmInnovation Ltd	100	Exploitation of intellectual property

University of Westminster (International) and WestmInnovation Ltd 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.

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.

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19. DEBTORS

	The Group		The University	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
HEFCE	36	466	36	466
Trade and sundry debtors	3,583	2,618	2,850	1,883
Amounts owed by subsidiary companies	-	-	810	7,878
Other debtors	1,254	1,438	1,246	1,436
Prepayments and accrued income	12,248	7,127	12,948	3,194
Assets awaiting disposal	312	-	312	-
Total debtors	17,433	11,649	18,202	14,857

20. INVESTMENTS HELD AS CURRENT ASSETS

	The Group		The University	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Short term deposits	20,576	1,273	20,576	1,273
Equities at valuation at 31 July	2	2	2	2
	20,578	1,275	20,578	1,275

Equities consist of the following:

As at 31 July 2006 the University held 209 shares in HBOS plc (2005: 209 shares). With a market value at that date of £2,037 (2005:£1,807).

The Group also holds £494 of 12% Exchequer stock, the market value of which was £717 as at 31 July 2006 (2005: £758).

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	The Group		The University	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
21. CREDITORS				
Amounts falling due within one year:				
Trade creditors	5,261	3,914	4,930	3,600
Bank and other borrowings (see note 22)	127	457	-	395
Access funds (see note 24)	6	236	6	236
Taxation and social security	2,561	2,385	2,516	2,348
Corporation tax payable	-	54	-	54
Provision for enhanced future pensions	108	213	108	213
Other creditors	4,875	4,208	2,639	2,690
Amounts due to subsidiary undertakings	-	-	611	817
Accruals and deferred income	<u>20,299</u>	<u>11,903</u>	<u>18,315</u>	<u>10,832</u>
	<u>33,237</u>	<u>23,370</u>	<u>29,125</u>	<u>21,185</u>
Amounts falling due between one and two years:				
Bank and other borrowings (see note 22)	195	364	-	237
Provision for enhanced future pensions	108	213	108	213
	<u>303</u>	<u>577</u>	<u>108</u>	<u>450</u>
Amounts falling due between two and five years:				
Bank and other borrowings (see note 22)	1,132	1,650	-	801
Provision for enhanced future pensions	325	639	325	639
	<u>1,457</u>	<u>2,289</u>	<u>325</u>	<u>1,440</u>
Amounts falling due over five years:				
Bank and other borrowings (see note 22)	14,653	19,839	-	4,709
Provision for enhanced future pensions	1,119	1,910	1,119	1,910
Amounts due to subsidiary undertakings	-	-	14,322	14,388
	<u>15,772</u>	<u>21,749</u>	<u>15,441</u>	<u>21,007</u>
Total due after more than one year	<u>17,532</u>	<u>24,615</u>	<u>15,874</u>	<u>22,897</u>
Total creditors	<u>50,769</u>	<u>47,985</u>	<u>44,999</u>	<u>44,082</u>

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22. BANK AND OTHER BORROWINGS

	The Group		The University	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank and other borrowings due within one year or on demand:				
Other unsecured loans	-	394	-	395
Promissory note	127	63	-	-
	<u>127</u>	<u>457</u>	<u>-</u>	<u>395</u>
Bank and other borrowings due between one and two years:				
Other unsecured loans	-	237	-	237
Promissory note	195	127	-	-
	<u>195</u>	<u>364</u>	<u>-</u>	<u>237</u>
Bank and other borrowings due between two and five years:				
Other unsecured loans	-	801	-	801
Promissory note	1,132	849	-	-
	<u>1,132</u>	<u>1,650</u>	<u>-</u>	<u>801</u>
Bank and other borrowings due after more than five years:				
Other unsecured loans	-	4,709	-	4,709
Promissory note	14,653	15,130	-	-
	<u>14,653</u>	<u>19,839</u>	<u>-</u>	<u>4,709</u>

All Local Authority loans are unsecured and are repayable by instalments over various periods up to a maximum of 30 years. Interest is charged on the preceding 31 March outstanding balance at the average external cost of borrowing in the financial year ended 31 March. All the Local authority loans were redeemed during 2006.

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

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23. DEFERRED CAPITAL GRANTS

(a) The Group	Buildings HEFCE	Equip HEFCE	Buildings Other grants	Total £'000
Balance at 1 August 2005	18,315	1,261	5,675	25,251
Grants received	<u>982</u>	<u>230</u>	<u>1,000</u>	<u>2,212</u>
	19,297	1,491	6,675	27,463
Release to income and expenditure account	<u>(470)</u>	<u>(412)</u>	<u>(75)</u>	<u>(957)</u>
Balance at 31 July 2006	<u>18,827</u>	<u>1,079</u>	<u>6,600</u>	<u>26,506</u>

(b) The University	Buildings HEFCE	Equip HEFCE	Buildings Other grants	Total £'000
Balance at 1 August 2005	16,143	1,261	5,675	23,079
Grants received	<u>982</u>	<u>230</u>	<u>1,000</u>	<u>2,212</u>
	17,125	1,491	6,675	25,291
Release to income and expenditure account	<u>(415)</u>	<u>(412)</u>	<u>(75)</u>	<u>(902)</u>
Balance at 31 July 2006	<u>16,710</u>	<u>1,079</u>	<u>6,600</u>	<u>24,389</u>

24. ACCESS FUNDS FOR STUDENTS

The University received and distributed HEFCE access funds as follows:

	2006 £'000	2005 £'000
At 1 August	236	111
Received	854	1,121
Interest accrued	15	20
Distributed	<u>(1,099)</u>	<u>(1,016)</u>
At 31 July	<u>6</u>	<u>236</u>

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 21).

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25. RECONCILIATION OF MOVEMENTS ON RESERVES

(a) The Group	Revaluation Reserve £'000	Specific Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total Reserves £'000
Balance at 1 August 2005 as previously reported	21,860	1,571	37,741	-	61,172
Prior year adjustment (note 30)	-	-	-	(32,596)	(32,596)
Balance as at 1 August 2005 (as restated)	21,860	1,571	37,741	(32,596)	28,576
Surplus for the year	-	-	3,354	(1,424)	1,930
Reimbursement of capital element of debt inherited from local authority	5,747	-	-	-	5,747
Actuarial loss in respect of pension scheme	-	-	-	(1,114)	(1,114)
Transfer for depreciation relating to revaluation	(510)	-	510	-	-
Loss on research grants and international activities transfer to specific reserve	-	(315)	315	-	-
Balance at 31 July 2006	<u>27,097</u>	<u>1,256</u>	<u>41,920</u>	<u>(35,134)</u>	<u>35,139</u>

(b) The University	Revaluation Reserve £'000	Specific Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total Reserves £'000
Balance at 1 August 2005 as previously reported	17,626	687	38,335	-	56,648
Prior year adjustment (note 30)	-	-	-	(32,596)	(32,596)
Balance as at 1 August 2005 (as restated)	17,626	687	38,335	(32,596)	24,052
Surplus for the year	-	-	3,602	(1,424)	2,178
Reimbursement of capital element of debt inherited from local authority	5,747	-	-	-	5,747
Actuarial loss in respect of pension scheme	-	-	-	(1,114)	(1,114)
Transfer for depreciation relating to revaluation	(389)	-	389	-	-
Loss on research grants and international activities transfer to specific reserve	-	(308)	308	-	-
Balance at 31 July 2006	<u>22,984</u>	<u>379</u>	<u>42,634</u>	<u>(35,134)</u>	<u>30,863</u>

26. FINANCIAL COMMITMENTS

Operating leases

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

	Land and Buildings 2006 £'000	Land and Buildings 2005 £'000
Leases which expire:		
Between 1 and 2 years	26	450
After 5 years	<u>5,002</u>	<u>4,655</u>
	<u>5,028</u>	<u>5,105</u>

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27. CAPITAL AND OTHER FINANCIAL COMMITMENTS

Capital expenditure authorised and contracted for but not provided in the accounts amounts to £3.052m for the Group and University (2005: £3.316m).

Contracts placed for future expenditure not provided in the accounts in respect of other financial commitments amount to £4.118m for the Group and University (2005: £3.708m).

28. CASH FLOW FROM OPERATING ACTIVITIES

	2006 £'000	2005 £'000
Surplus from Operating Activities - as previously stated	1,900	4,689
Prior year adjustment (note 30)	-	(862)
Surplus from Operating Activities - as restated	1,900	3,827
Depreciation	3,241	3,506
Provision for permanent diminution in value of investments	-	144
Deferred capital grants released to income (note 23)	(957)	(965)
Investment income	(1,519)	(1,064)
Interest payable (note 10)	3,248	2,067
(Increase)/decrease in debtors	(5,472)	580
Increase/(decrease) in creditors	9,042	(970)
Decrease in stocks	-	1
Capital reimbursement transferred to reserves	5,747	225
Exceptional profit on disposal of fixed assets	-	(2,481)
Net pension cost	1,424	862
Net Cash Inflow from Operating Activities	16,654	5,732

29. ANALYSIS OF CHANGES IN NET DEBT

	At August 2005 £'000	Cash Flow £'000	Other Changes £'000	At July 2006 £'000
Cash at the bank and in hand	21,615	(15,217)	-	6,398
	<u>21,615</u>	<u>(15,217)</u>	<u>-</u>	<u>6,398</u>
Liquid Resources				
Current asset investment	2	-	-	2
Short term deposits	1,273	19,303	-	20,576
	<u>1,275</u>	<u>19,303</u>	<u>-</u>	<u>20,578</u>
Debt				
Loans due within one year	(457)	457	(127)	(127)
Loans due after more than one year	(21,853)	5,747	127	(15,979)
	<u>(22,310)</u>	<u>6,204</u>	<u>-</u>	<u>(16,106)</u>
Net debt	580	10,290	-	10,870

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30. PRIOR YEAR ADJUSTMENT

During the year the University adopted the requirements of FRS17 (Retirement Benefits). Under the provisions of FRS3 this constitutes a change in accounting policy and is therefore accounted for as a prior year adjustment. The effect of the prior year adjustment on the position previously reported at 31 July 2005 is set out below:

	2005 £'000	Prior year adjustment £'000	2005 (as restated) £'000
Income and Expenditure Account			
Total income	128,980	-	128,980
Total expenditure	(124,291)	(862)	(125,153)
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax	4,689	(862)	3,827
Taxation	(76)	-	(76)
Surplus for the financial year	<u>4,613</u>	<u>(862)</u>	<u>3,751</u>
Statement of Total Recognised Gains and Losses			
Surplus for the financial year	4,613	(862)	3,751
Actuarial loss in respect of pension scheme	-	(8,386)	(8,386)
Total recognised gains/(losses) relating to the year	<u>4,613</u>	<u>(9,248)</u>	<u>(4,635)</u>

(continued on next page)

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30. PRIOR YEAR ADJUSTMENT (continued)

Consolidated Balance Sheet

Fixed assets	99,869	-	99,869
Current assets	34,539	-	34,539
Current liabilities	(23,370)	-	(23,370)
Long term liabilities	(24,615)	-	(24,615)
Pension liability	-	(32,596)	(32,596)
Net assets	86,423	(32,596)	53,827
Deferred capital grants	25,251	-	25,251
Revaluation reserve	21,860	-	21,860
Specific reserve	1,571	-	1,571
Revenue reserve excluding pension reserve	37,741	-	37,741
Pension reserve	-	(32,596)	(32,596)
Total reserves	86,423	(32,596)	53,827

University Balance Sheet

Fixed assets	92,072	-	92,072
Current assets	31,737	-	31,737
Current liabilities	(21,185)	-	(21,185)
Long term liabilities	(22,897)	-	(22,897)
Pension liability	-	(32,596)	(32,596)
Net assets	79,727	(32,596)	47,131
Deferred capital grants	23,079	-	23,079
Revaluation reserve	17,626	-	17,626
Specific reserve	687	-	687
Revenue reserve excluding pension reserve	38,335	-	38,335
Pension reserve	-	(32,596)	(32,596)
Total reserves	79,727	(32,596)	47,131

2005	Prior year adjustment	2005 (as restated)
£'000	£'000	£'000
99,869	-	99,869
34,539	-	34,539
(23,370)	-	(23,370)
(24,615)	-	(24,615)
-	(32,596)	(32,596)
<u>86,423</u>	<u>(32,596)</u>	<u>53,827</u>
25,251	-	25,251
21,860	-	21,860
1,571	-	1,571
37,741	-	37,741
-	(32,596)	(32,596)
<u>86,423</u>	<u>(32,596)</u>	<u>53,827</u>

2005	Prior year adjustment	2005 (as restated)
£'000	£'000	£'000
92,072	-	92,072
31,737	-	31,737
(21,185)	-	(21,185)
(22,897)	-	(22,897)
-	(32,596)	(32,596)
<u>79,727</u>	<u>(32,596)</u>	<u>47,131</u>
23,079	-	23,079
17,626	-	17,626
687	-	687
38,335	-	38,335
-	(32,596)	(32,596)
<u>79,727</u>	<u>(32,596)</u>	<u>47,131</u>

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31. PENSION COSTS

The Group operates four pension schemes of the defined benefit type. Three are funded and one, the Teachers' Pension Scheme, which 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 the Teachers' Pension Agency. The scheme is subject to an actuarial review not less than every five years. The last published actuarial valuation on the Teachers' Pension Scheme (England and Wales) was performed by the Government Actuary on 31 March 2003 and covered the period 1 April 1996 to 31 March 2001.

Subsequent to the valuation of the fund by the Government Actuary as at 31 March 2001 it was determined that the employer's contribution would be increased to 13.5% of salary from 1 April 2003. A new contribution rate of 14.1% of salary will be effective from 1 January 2007. The following actuarial assumptions were applied:

Gross rate of return	7.0% 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.

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 2006 contributions by the Group to the scheme were £3,939,243, (31 July 2005: £3,665,170).

In the year ending 31 July 2006 contributions by the Group to the scheme were £3,939,243 (31 July 2005: £3,665,170).

UNIVERSITY OF WESTMINSTER

31. PENSION COSTS (continued)

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 2004 using the projected unit credit method, in which the actuarial liability makes allowance for projected earnings.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 31 March 2004 and updated by Hymans Robertson to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme as at 31 July 2006. The next formal valuation is due as at 31 March 2007.

The financial assumptions used by the actuary for the funding valuation under FRS 17 as at 31 July 2006 were:

	2006 % per annum	2005 % per annum	2004 % per annum
Assumptions as at:			
Price increases	3.1	2.8	2.9
Salary increases	4.6	4.3	4.4
Pension increases	3.1	2.8	2.9
Discount rate	5.1	5.0	5.8

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 scheme assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

Assets (Active fund)	Long term rate	Fund value	Long term rate	Fund value	Long term rate	Fund value
	2006 % per annum	2006 £'000	2005 % per annum	2005 £'000	2004 % per annum	2004 £'000
Equities	7.6	1,225,500	7.3	1,389,000	7.9	1,093,000
Target return funds/(2005 and 2004 bonds)	6.3	386,500	4.7	169,800	5.4	159,000
Alternative assets/(2005 and 2004 Property)	6.7	238,800	5.4	119,600	6.7	105,000
Cash	4.8	157,800	4.5	82,400	4.5	17,000
Total		2,008,600	6.8	1,760,800	7.5	1,374,000

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31. PENSION COSTS (continued)

The present value of unfunded liabilities at 31 July 2006 includes all individuals whose pensions are not funded by the LPFA. The present value of unfunded liabilities as 31 July 2005 has been restated so that it now includes all of these individuals. The effect of the restatement is set out below:

The University's net pension assets were as follows:	2006	2005 (as restated)	2004
	£'000	£'000	£'000
Net pension assets as at			
Estimated asset share (a)	55,836	48,634	42,145
Present value of scheme liabilities	(85,258)	(75,480)	(63,780)
Present value of unfunded liabilities	(5,712)	(5,750)	(1,714)
Total value of liabilities (b)	(90,970)	(81,230)	(65,494)
Deficit in the scheme (a) - (b)	(35,134)	(32,596)	(23,349)

	As previously reported £'000	Adjustment £'000	As restated £'000
Present value of unfunded liabilities	1,718	4,032	5,750
Deficit at beginning of the year	(23,349)	-	(23,349)
Current service cost	(2,447)	-	(2,447)
University contributions	1,935	41	1,976
Contributions in respect of unfunded benefits	128	307	435
Past service cost	(38)	-	(38)
Impact of curtailments and settlements	(135)	-	(135)
Net return	(661)	9	(652)
Actuarial loss	(4,038)	(4,348)	(8,386)
	(28,605)	(3,991)	(32,596)

UNIVERSITY OF WESTMINSTER

31. PENSION COSTS (continued)

A small restatement of the estimated asset share at 31 July 2005 has also been made to reflect employer contributions that were accrued in the University's financial statements as at that date. The effect of the restatement is set out below:

	As previously reported £'000	Prior year Adjustment £'000	As restated £'000
Estimated asset share	48,593	41	48,634
University contributions	1,935	41	1,976

Analysis of amounts charged to income and expenditure account:

	2006 Funded £'000	2006 Unfunded £'000	2005 (as restated) Funded £'000	2005 (as restated) Unfunded £'000
Current service cost	3,505	-	2,447	-
Past service cost	7	-	38	-
Impact of curtailments and settlements	81	-	135	49
Total operating charge	3,593	-	2,620	49
Financing:				
- expected return on pension assets	3,354	-	3,182	-
- interest on pension scheme liabilities	(3,840)	(277)	(3,746)	(88)
Net return	(486)	(277)	(564)	(88)

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

	2006 Funded £'000	2006 Unfunded £'000	2005 (as restated) Funded £'000	2005 (as restated) Unfunded £'000
Actual return less expected return on pension scheme assets	2,246	-	5,004	-
Experience gains and losses arising on the scheme liabilities	(184)	157	(4,544)	601
Changes in assumptions underlying the present value of the scheme liabilities	(3,242)	(91)	(9,143)	(304)
Total actuarial loss recognised	(1,180)	66	(8,683)	297

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31. PENSION COSTS (continued)

The total movement in the University's share of the scheme's deficit during the year is made up as follows:

	2006 £'000	2005 (as restated) £'000
Movement in deficit during the year:		
Deficit at beginning of the year	(32,596)	(23,349)
Current service cost	(3,505)	(2,447)
University contributions	2,498	1,976
Contributions in respect of unfunded benefits	434	435
Past service cost	(7)	(38)
Impact of settlements and curtailments	(81)	(135)
Net return on assets	(763)	(652)
Actuarial losses	(1,114)	(8,386)
Deficit on the scheme at 31 July	<u>(35,134)</u>	<u>(32,596)</u>

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 will in future reflect this new liability and funding requirement. In accordance with the Local Government Superannuation Regulations, an actuarial valuation was carried out on 31 March 2004. As a result of this valuation the employer's contribution was increased from 9.90% to 11.90% with effect from 1 April 2005. The next formal valuation is due as at 31 March 2007.

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

	2006 £'000	2005 (as restated) £'000	2004 £'000	2003 £'000	2002 £'000
Difference between the expected and actual return on scheme assets	2,246	5,004	25	(2,290)	(9,643)
Value of assets	55,836	48,634	42,145	38,050	36,158
Percentage of assets	4.0%	10.3%	0.1%	(6.0%)	(26.7%)
Experience gains/(losses) on liabilities	(27)	3,943	(51)	(510)	(817)
Present value of liabilities	(90,970)	(81,230)	(65,494)	(60,030)	(46,681)
Percentage of the present value of liabilities	(0.0%)	(4.9%)	(0.1%)	(0.8%)	(1.8%)
Actuarial loss recognised in the STRGL	(1,114)	(8,386)	(108)	(9,440)	(5,907)
Percentage of the present value of liabilities	(1.2%)	(10.3%)	(0.2%)	(15.7%)	(12.7%)

In the year ending 31 July 2006, contributions by the Group to the scheme were £1,934,493, (2005 - as restated: £1,975,053).

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31. PENSION COSTS (continued)

Superannuation Arrangement of the University of London

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 2006, contributions by the Group to the scheme were £2,326, (2005: £2,257).

The scheme is subject to triennial valuation by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2005 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	5.5	6.5
- after retirement	4.5	4.5
Salary growth*	4.15	4.15
Pension increases	2.65	2.65

* excluding an allowance for promotional increases.

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31. PENSION COSTS (continued)

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 £982 million representing 93% of the liability for benefits after allowing for expected future increases in salaries.

Following the two informal funding reviews at 31 March 2004 and 31 March 2003, the Trustee of SAUL has undertaken a significant consultation exercise with Employers and representatives of Members regarding the level of contributions payable to SAUL.

Following this consultation, the Employers have agreed to contribute 13.0% of Salaries from August 2006 (currently 10.5% of Salaries), an increase of 2.5% of Salaries. Member contributions are also to increase, by 1.0% of Salaries to 6.0% of Salaries with effect from the same date.

Employers who have recently joined SAUL ("New Employers") and certain employee groups (as agreed by the Trustee of SAUL), will pay 19.2% of Salaries per annum from August 2006 until the second actuarial valuation after entry (or some other period as agreed with the Trustee).

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed the Scheme to be broadly balanced at the last formal valuation date (31 March 2005).

The next formal actuarial valuation is due at 31 March 2008 when the above rates will be reviewed.

Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

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31. PENSION COSTS (continued)

The latest actuarial valuation of the scheme was at 31 March 2005. 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) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion in line with recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company decided to maintain the institution contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. An additional factor which could impact the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2008. There will also be an actuarial valuation carried out as at 31 March 2006 and annually thereafter on the "technical provisions" basis under the Pensions Act 2004, as required by the Occupational Pension Schemes (Cross-Border Activities) Regulations 2005, reflecting the scheme's status as a cross-border scheme. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the institution was £356,434 (2005: £286,967). This includes £29,510 (2005: £26,507) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries.

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32. RELATED PARTY TRANSACTIONS

Four separate charitable trusts exist for the benefit of the students of the University of Westminster. Two of the six trustees of these trusts are also governors of the University.

The trusts are: Quintin Hogg Trust, The Regent Street Polytechnic Trust, The Quintin Hogg Memorial Fund and the University of Westminster Prize and Scholarship Fund. The trusts are individually registered charities.

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

	2006	2005
	£'000	£'000
Quintin Hogg Trust:		
Rent payable to Trust - academic buildings	(2,512)	(2,552)
Rent payable to Trust - halls of residence	(1,920)	(1,488)
Donations received by University	1,563	1,048
Donation received by University, included as deferred capital grants in the accounts	1,000	2,000
Amounts owed to University by related party:		
- other amounts	8	18
Disclosed as other debtors in the accounts	8	18
The Regent Street Polytechnic Trust:	-	-
The Quintin Hogg Memorial Fund:		
Rent payable to Trust	73	73
Amounts owed to University by related party:		
- balance of disposal proceeds	231	303
- other amounts	-	(1)
Disclosed as other debtors in the accounts	231	302
The University of Westminster Prize and Scholarship Fund:	-	-

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.