

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

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UNIVERSITY OF WESTMINSTER

FINANCIAL REPORT

The University's underlying performance during the 2006/07 financial year was satisfactory and its financial health remains strong despite reporting an income and expenditure deficit for the year. Turnover grew by 6% to £146m, total reserves including pensions increased by £6m to £41m and the total of cash and investments remained unchanged at £27m.

The increase in turnover was despite the fact that the University's grant income from HEFCE rose by only 0.4% following the cessation of the receipt of reimbursements, worth approximately £2m per annum, for inherited rent and debt liabilities that have now been extinguished. Income from academic fees and support grants increased by 18% in the year to £56m with most of the increase attributed to students from the UK and the rest of the EU following the introduction of variable fees in 2006.

The deficit of £3.7m (historic cost) arose from the combined effect of a number of factors that are outlined below. The aggregated effect of these depressed the University's income and expenditure result substantially; without these the University would be reporting a historic cost surplus of £2.3m.

Fire losses at Harrow

The value of the University's fixed assets was written-down by £1.4m as a result of the fires at Harrow at the end of June 2007. This is disclosed as an exceptional item in the income and expenditure account.

The loss of block H at the Harrow Campus has been recognised as a permanent diminution equivalent to the valuation of that part of the property that could not be recovered. This will be the subject of a claim to the University's insurers for the replacement of this block and, although the policy is 'all risks' and will respond, a claim has not yet been submitted and therefore the equivalent insurance receipt has not been accrued. The University will report an exceptional gain, probably in 2007/08, when the claim is submitted and approved for payment by the insurers. The expenditure by the University to the balance sheet date on site clearance, restoration, equipment replacement and other associated costs has been included in full with a matching receipt from the insurers who have made a number of payments on account.

Investing in students

The additional tuition fees income raised from students of the UK and the rest of the EU following the introduction of variable fees in 2006 has been invested in accordance with the Access Agreement that sets out the measures taken by the University to continue its successful record of encouraging access to University for students from lower income families and those without a history of participation in higher education. This involves a substantial investment in bursaries and one of the largest targeted scholarship schemes in the UK.

The increase in tuition fees may contribute to financial hardship for some students and although many are now taking advantage of the opportunity to defer payment of fees by taking loans from the Student Loans Company, this is not the case for all students, many of whom continue to find means of paying themselves. The level of unpaid tuition fees increased compared to the previous year and as a result the University has set aside an extra £1.3m as a provision for bad and doubtful debts.

UNIVERSITY OF WESTMINSTER

FINANCIAL REPORT (continued)

Investing in staff

The successful implementation at the University of most aspects of the nationally negotiated 'Framework Agreement' has resulted in the anticipated increase to pay costs of 9% compared to the previous year.

Accounting adjustments have been made to pay costs and interest payable, required under the reporting standard for retirement benefits FRS17, to reflect the accrual of liabilities in respect of the University's share of the deficit in the local government pension scheme (London Pensions Fund Authority).

The first is an addition to pay costs being the difference between the current service cost (the contribution rate that we would be paying if we were to meet in full the long term cost of providing pension benefits for members) and the actual contribution rate. The second is an accrual of interest payable being the excess of interest on the University's share of the scheme deficit over the expected return on pension scheme assets. The effect of these adjustments is an additional £1.7m of reported expenditure.

The underlying position of the local government scheme has improved markedly during the past year with the University's share of the scheme deficit falling from £35.1m to £26.7m. This improvement is the result of both better (actual and anticipated) investment performance and favourable changes in the actuarial assumptions used to assess scheme liabilities. To the extent to which the scheme's financial status continues to improve then the scale of the adjustments required to the University's reported expenditure will diminish. An actuarial valuation of the local government scheme was undertaken as at 31 March 2007 although the results are not yet known.

Infrastructure improvements

The University undertook during 2006/07 a substantial amount of investment in its buildings and physical infrastructure. Almost all of this expenditure has been written off to the income and expenditure account rather than capitalised and accounted for an increase of £1.7m of operating expenditure.

The principal building refurbishment projects, with spend levels in 2006/07, were as follows:

Central London Campus Reorganisation	£4.0m
Bioscience laboratories	£0.7m
Marylebone sub-podium redevelopment	£0.4m
Westminster Business School Bloomberg Suite	£0.3m
Other campus refurbishments	£2.1m
Improving disabled access	£0.4m
Sports facilities for students	£0.4m
Halls of residence	£0.2m

UNIVERSITY OF WESTMINSTER

FINANCIAL REPORT (continued)

The Central London Campus Reorganisation project was funded from capital grants from HEFCE and the expenditure is largely matched by capital grant income recognised in respect of this.

There has also been an ongoing commitment to enhance the networks and IT infrastructure, together with a programme to replace and modernise all of the University's core corporate application systems.

Capital expenditure and assets

The University completed in 2006/07 phase 2 of the Cavendish redevelopment project and also the capital project associated with the HEFCE-funded Centre for Excellence in Teaching and Learning. These projects were transferred in the balance sheet from assets in the course of construction at a combined cost of £8.6m. A project with a total cost of £11m to undertake a major refurbishment of the Marylebone Hall of Residence was started in May 2007 and £0.8m was reported under assets in the course of construction as at the balance sheet date. This project is due to complete in August 2008.

The University is in the process of acquiring a beneficial interest in the halls of residence properties that are owned by the Quintin Hogg Trust, a related party, and currently leased to the University. This transaction is due to be completed in December 2007 and will result in the University recording the assets and some associated borrowing on its balance sheet, although without an obligation to make rent payments from that point onwards.

Reserves

The total level of reserves held by the University, including the local government pension scheme deficit, increased by £6m to £41m. Reserves include a specific reserve for research and international activities of £2m (previous year £1.3m).

Cash flow

The total of cash and investments was virtually unchanged from the previous year, despite the scale of investment undertaken by the University during the year. The cash inflow from operating activities in the year was matched by the total of capital expenditure net of the receipt of deferred capital grants. The University has taken steps to improve the level of risk-free return on surplus cash balances and the Court of Governors approved a new Investment Policy in October 2007. Interest received in 2006/07 exceeded that paid on loans.

Other matters

A revised Statement of Recommended Practice (SORP) for further and higher education was published in July 2007 applicable for accounting periods ending on or after 31 July 2008. The University has not sought to adopt the new SORP for the 2006/07 financial year although the effect of adoption for the University will not be significant.

FINANCIAL REPORT (continued)

Future outlook

The Court of Governors has set a budget aimed at achieving a surplus in 2007/08 and the University is confident that this can be achieved. The underlying performance of the University is strong and the UK and international markets for student recruitment remain buoyant.

Philip Harding
Director of Finance

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.

GENERAL INFORMATION

Chancellor

Lord Paul of Marylebone

Chairman of the Court of Governors

Dr Terence Wright MA DPhil CSci FRSC

Vice-Chancellor and Rector

Professor Geoffrey Petts BSc PhD FRSA FRGS

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 1 9PT

Bankers

National Westminster Bank plc

Lloyds TSB Bank plc

Societe Generale

Bank of Scotland plc

Anglo Irish Bank Corporation plc

Solicitors

Eversheds LLP

Mills & Reeve LLP

Beachcroft LLP

Nabarro LLP

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 2007:

		Resigned
Chairman	Dr T Wright	
Deputy Chairmen	Dr M Kimberley	
	Mr D Lovett	
Ms R Bellamy-James		
Mr M Chambers		
Mr G Cole		16.08.07
Dr G Copland (Vice-Chancellor and Rector)		31.07.07
Ms M Grinfeld		
Mr D Haddock		
Mr S Hart		
The Hon Dame Mary Hogg		
Mr P Hopper		
Mr P Kyle		
Mr R Lane		
Ms S Lanquaye		
Ms M Lee		
Ms I Macpherson		02.07.07
Professor E Morgan-Tamosunas		
Mr I Newton		
Ms H Scott		
Mr M Staples		
Dr M Tyler (Deputy Vice-Chancellor and Rector)		22.12.06
Dr S Walton		

COURT OF GOVERNORS (continued)

Ms Rita Bellamy-James LLB, CQSW, Barrister is a freelance Consultant, previously Head of Specialist Advisers, Foreign and Commonwealth Office.

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

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

Dr Geoffrey Copland CBE, MA, DPhil, CPhys, FInstP, FRSA was the Vice-Chancellor and Rector of the University until 31 July 2007. He chaired the Universities and Colleges Employers Association and the England and Northern Ireland Council of Universities UK and was 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. She is the elected representative of the University's academic staff.

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 and the elected representative of the University's non-academic staff.

Mr Stephen Hart BA is a practising 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 was formerly Managing Director with the London Tourist Board and Convention Bureau. He is currently Chairman, Grays of Cambridge (International) Ltd.

Dr Marion Kimberley BSc, MSc, PhD, FIMA, CMath was formerly 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 Corporate Team of solicitors, Farrer & Co.

Ms Salima Lanquaye is the 2006/07 sabbatical President of the University of Westminster Students' Union.

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

David Lovett BA Honours, FCA, FSTP 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 non-executive director of MITIE Group plc, Speedy Hire plc, The Hydrogen Group plc and GAME Group plc.

Professor Rikki Morgan-Tamosunas PGCE, MA, PhD is Pro Vice-Chancellor and Provost of the Cavendish Campus and is the Academic Council Representative.

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 formerly European Managing Director of Hanscomb an international firm of professional quantity surveyors.

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

Dr Suzy Walton BSc, MSc, PhD, CSci, C Psychol, FRSA, AFBPsS, MRI has been a Senior Civil Servant working in central government for over a decade serving in the Prime Minister's Strategy Unit, the Prime Minister's Delivery Unit and as a military psychologist with the MoD. She is also a non executive director of several public interest organisations and is on the ethics committee for the national DNA database. From 2000-2006 she was a lay member of the Bar Council. Earlier in her career she was a broadcast journalist and actress.

Dr Terence Wright MA, DPhil, CSci, CChem, FRSC was elected Chairman of the Court of Governors from 1 January 2005 and is a business consultant. He has been a Director of Kodak Limited, Director of Research and Development in Europe and Venture Relations for the Eastman Kodak Company, a Director of Pixology plc and Chairman of Zogix Ltd.

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 2007 appears on page 8. 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 five times a year, currently comprises four executive and seventeen non-executive Governors with a clear separation of the roles of the non-executive chairman and the chief executive. 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 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 2007)

Mr Ian Newton (Chairman)

Mr Mark Chambers

Mr Godfrey Cole

Mr Paul Hopper

Dr Donald Lloyd

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 2007)

Mr David Lovett (Chairman)
 Dr Geoffrey Copland
 Mr Peter Kyle
 Mr Richard Lane
 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 legislation.

Personnel Committee (membership as at 31 July 2007)

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

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

Remuneration Committee (membership as at 31 July 2007)

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

THE WORK OF THE COURT OF GOVERNORS (continued)

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 2007)

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 also oversaw the process of recruitment of a successor to the present Vice-Chancellor and appointed a steering group for this purpose.

UNIVERSITY OF WESTMINSTER

CORPORATE GOVERNANCE STATEMENT

The University complies with Committee of University Chairmen (CUC) guidance in its Governance and Management processes.

An important task for the Court of Governors during the year has been the recruitment of a new Vice Chancellor to succeed Dr Geoffrey Copland CBE upon his retirement on 31 July 2007. Professor Geoffrey Petts was selected to take up the position from 1 August 2007. The recruitment was undertaken by a small search committee comprising the Chairman and Deputy Chairman of the Court of Governors, three other Governors, and the Vice-Chancellor of another University. This committee was supported by the University Secretary, the Director of Human Resources and external consultants.

The University has conducted two development sessions for Governors at which they have been able to engage with the senior management team in discussion of aspects of the University's strategic development plan and in the review of the University's strategic risk register. Governors have also been involved in a workshop with senior staff to begin development of the next stage of the University's Estate Strategy. A workshop to consider the effectiveness of the Court of Governors, and to discuss how this may be further optimised, has been planned for January 2008.

The Court of Governors has continued to keep under review its practices in the conduct of meetings and has made further adjustments to its processes as a result.

Governors have been briefed on the impact of the Charities Act 2006 and the Companies Act 2006.

The University's external and internal audit contracts came to an end on 31 July 2007 and were re-tendered. The Audit Committee of the Court of Governors oversaw the process and recommended to the reappointment of KPMG to provide external audit services and to joining the Kingston City Group consortium for a trial period of one year for the supply of internal audit and management assurance services.

No new Governors have been appointed during the year. Two Governors have resigned near or after the year end and successors to them are currently being sought by the Nominations Committee of the Court of Governors.

A review of the University's Memorandum and Articles is planned for the coming year. Whilst the Memorandum and Articles remain broadly fit for purpose, operational activities and events have exposed a number of detailed elements which have become obsolete and require updating and adjustment to accord with current practice and relevant legislation.

The University has continued to operate its established risk management processes and has refined and updated its strategic risk register. The register and associated action plans have been updated on the University's website.

CORPORATE GOVERNANCE STATEMENT (continued)

The University has completed the planning and implementation of its incident response, emergency management, disaster recovery and business continuity planning procedures. This includes an IT disaster recovery and business continuity planning facility. A website containing all relevant information for the use of those staff involved in the command structure has been created. These procedures were tested by the fires at the Harrow Campus in June 2007. A Board of Inquiry into the fires has been sent up and is expected to report early in 2008.

Three major projects to improve student, staff and financial management information have continued to progress according to plan. The project to implement a new student records system, the largest of the three projects, was successfully completed in December 2006. The first stage of the implementation of the new financial management system went live in May 2007. All the projects have been managed using formal project management methodology.

The University's public interest disclosure (whistleblowing) procedure has been revised and the new version approved in May 2007. An updated fraud prevention policy and procedures was also approved in May 2007.

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 frequent intervals. The Vice-Chancellor issues a regular briefing to all staff, providing information on the University's performance and plans, and a magazine is distributed to all employees.

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 2008 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
10 December 2007

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 2007 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 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 Financial Report and the Group financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2003), applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on pages 16-17.

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 (2003). 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 Financial Report 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 Financial Report 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.

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 affairs of the University and the Group as at 31 July 2007 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 (2003);
- 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 2007 have been applied for the purposes for which they were received and;
- in all material respects, income during the year ended 31 July 2007 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 2007

1 Forest Gate
Brighton Road
Crawley
Sussex RH11 1 9PT

UNIVERSITY OF WESTMINSTER

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**For the year ended 31 July 2007**

	Note	2007 Total £'000	2006 Total £'000
INCOME FROM CONTINUING ACTIVITIES			
Funding council grants	5	66,496	66,201
Academic fees and support grants	6	55,821	47,294
Research grants and contracts	7	6,995	8,092
Other operating income	8	15,464	14,599
Interest receivable		1,576	1,519
Total income		146,352	137,705
EXPENDITURE ON CONTINUING ACTIVITIES			
Staff costs	9,12	84,960	77,640
Depreciation	11	3,461	3,241
Other operating expenses	9	58,499	50,913
Interest payable	10	2,258	4,011
Total expenditure		149,178	135,805
(Deficit)/surplus after depreciation of fixed assets and before exceptional items and taxation		(2,826)	1,900
Exceptional items	16	(1,402)	-
(Deficit)/surplus after depreciation of fixed assets and exceptional items and before taxation		(4,228)	1,900
Taxation	14	-	30
(Deficit)/surplus for the financial year	15	(4,228)	1,930

All activities relate to continuing operations.

NOTE OF CONSOLIDATED HISTORICAL COST (DEFICITS)/SURPLUSES For the year ended 31 July 2007

	2007 £'000	2006 £'000
(Deficit)/surplus for the financial year	(4,228)	1,930
Difference between historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount	510	510
Historical cost (deficit)/surplus	<u>(3,718)</u>	<u>2,440</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 July 2007

	2007 £'000	2006 £'000
(Deficit)/surplus for the financial year	(4,228)	1,930
Actuarial gains/(losses) in respect of pension scheme:		
Scheme liabilities	10,031	(1,180)
Unfunded liabilities	48	66
Total recognised gains relating to the period	<u>5,851</u>	<u>816</u>
Prior year adjustment (note 30)	<u>-</u>	<u>(9,248)</u>
Total recognised gains/(losses) since last period	<u>5,851</u>	<u>(8,432)</u>

UNIVERSITY OF WESTMINSTER

CONSOLIDATED BALANCE SHEET**As at 31 July 2007**

		2007		2006	
	Note	£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	18	101,696		103,102	
Fixed asset investments	19	112		37	
			101,808		103,139
Current Assets					
Debtors due within one year	20	10,814		17,433	
Investments	21	19,025		20,578	
Cash at bank and in hand		7,929		6,398	
		37,768		44,409	
Creditors					
Amounts falling due within one year	22	(26,312)		(33,237)	
Net Current Assets			11,456		11,172
TOTAL ASSETS LESS CURRENT LIABILITIES			113,264		114,311
Creditors					
Amounts falling due after more than one year	22		(17,371)		(17,532)
TOTAL NET ASSETS excluding pension liability			95,893		96,779
Pension liability	31		(26,717)		(35,134)
NET ASSETS including pension liability			69,176		61,645
Represented by:					
Deferred capital grants	23		28,186		26,506
Reserves					
Revaluation reserve	25		26,587		27,097
Specific reserve	25		1,982		1,256
Revenue reserve excluding pension liability	25	39,138		41,920	
Pension reserve	25	(26,717)		(35,134)	
Revenue reserve including pension liability			12,421		6,786
TOTAL RESERVES	25		40,990		35,139
TOTAL FUNDS			69,176		61,645

Approved by the Court of Governors on 10 December 2007 and signed on its behalf by:

Dr Terence Wright
ChairmanMr David Lovett
Deputy Chairman

UNIVERSITY BALANCE SHEET

As at 31 July 2007

	Note	2007		2006	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	18	95,992		84,887	
Fixed asset investments	19	113		10,451	
			96,105		95,338
Current Assets					
Debtors due within one year	20	9,506		18,202	
Investments	21	15,025		20,578	
Cash at bank and in hand		6,857		1,267	
		31,388		40,047	
Creditors					
Amounts falling due within one year	22	(21,402)		(29,125)	
Net Current Assets			9,986		10,922
TOTAL ASSETS LESS CURRENT LIABILITIES			106,091		106,260
Creditors					
Amounts falling due after more than one year	22		(15,778)		(15,874)
TOTAL NET ASSETS excluding pension liability			90,313		90,386
Pension liability	31		(26,717)		(35,134)
NET ASSETS including pension liability			63,596		55,252
Represented by:					
Deferred capital grants	23		26,123		24,389
Reserves					
Revaluation reserve	25		22,595		22,984
Specific reserve	25		1,105		379
Revenue reserve excluding pension liability	25	40,490		42,634	
Pension reserve	25	(26,717)		(35,134)	
Revenue reserve including pension liability			13,773		7,500
TOTAL RESERVES	25		37,473		30,863
TOTAL FUNDS			63,596		55,252

Approved by the Court of Governors on 10 December 2007 and signed on its behalf by:

Dr Terence Wright
Chairman

Mr David Lovett
Deputy Chairman

UNIVERSITY OF WESTMINSTER

CONSOLIDATED CASH FLOW STATEMENT**For the year ended 31 July 2007**

	2007 Note	2006 £'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	28	744	16,654
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,576	1,519
Interest paid		(1,535)	(3,248)
Net cash inflow/(outflow) from returns on investments and servicing of finance		41	(1,729)
TAXATION		-	(24)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(3,421)	(6,846)
Purchase of investments		(75)	-
Receipts from sale of assets		-	23
Deferred capital grants received		2,816	2,212
Net cash outflow from capital expenditure and financial investment		(680)	(4,611)
CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		105	10,290
MANAGEMENT OF LIQUID RESOURCES			
Cash transferred from/(to) short term deposits		1,553	(19,303)
FINANCING			
Loan repayments		(127)	(6,204)
Net cash outflow from financing		(127)	(6,204)
INCREASE/ (DECREASE) IN CASH	29	1,531	(15,217)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Note	2007		2006	
		£'000	£'000	£'000	£'000
Increase/(decrease) in cash in period		1,531		(15,217)	
Cash (inflow)/outflow from movement in liquid resources		(1,553)		19,303	
Cash outflow from decrease in debt and lease financing		127		6,204	
Change in net funds resulting from cash flows			105		10,290
Movement in net funds in the period			105		10,290
Net funds at 1 August			10,870		580
Net funds at 31 July	29		10,975		10,870

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2007

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 (2003).

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 2007.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES (continued)

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.

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 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

NOTES TO THE FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES (continued)

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.

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.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES (continued)

l. Specific Reserve

The University recognises the accumulated surpluses or deficits 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.

NOTES TO THE FINANCIAL STATEMENTS

5. FUNDING COUNCIL GRANTS

	Note	2007 £'000	2006 £'000
(a) Recurrent grant from HEFCE			
Teaching		55,525	54,296
Research		2,719	2,471
Other (including special initiatives)		2,159	2,892
Pension liabilities		430	427
Inherited liabilities (capital related):			
Premises rents		-	346
Debt charges	5c	-	1,706
Capital project grants		4,665	3,181
		65,498	65,319
(b) Release of HEFCE capital grants			
	23	998	882
		66,496	66,201

(c) HEFCE reimbursement of debt charges

Payments made during the year ending 31 July 2006 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 ending 31 July 2006 the University redeemed all outstanding inherited loans. HEFCE fully reimbursed these redemptions.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

6. ACADEMIC FEES AND SUPPORT GRANTS

	2007 £'000	2006 £'000
Home and EU domicile students	31,476	25,624
Non-EU students	20,907	19,073
	<u>52,383</u>	<u>44,697</u>
Non credit bearing courses	3,438	2,597
	<u>55,821</u>	<u>47,294</u>

Non-EU students includes an amount of £613k (2006: £660k) which is derived from International collaborations in Asia.

7. RESEARCH GRANTS AND CONTRACTS

	2007 £'000	2006 £'000
Income		
Government departments	3,753	4,791
Research councils	1,244	1,256
UK based charities	466	391
European Commission	914	1,246
Other bodies	618	408
	<u>6,995</u>	<u>8,092</u>
Expenditure		
Staff costs	2,690	2,864
Other operating expenses	4,009	4,301
	<u>6,699</u>	<u>7,165</u>
Surplus	<u>296</u>	<u>927</u>

The 2006 research grants and contracts values have been restated to incorporate income and expenditure arising in relation to Knowledge Transfer Partnerships (KTP). KTP income was previously reported as "other operating income" with the related expenditure categorised as "other expenditure".

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER OPERATING INCOME

	2007 £'000	2006 £'000
Residences and catering	8,156	7,657
Recreation	389	378
Rents and lettings	1,240	1,414
Photocopier income	332	264
Sundry sales	260	374
Miscellaneous	3,445	2,924
Donations	1,504	1,513
Release of deferred capital grants – non-HEFCE (note 23)	138	75
	<u>15,464</u>	<u>14,599</u>

Miscellaneous income includes an amount of £43k (2006: £56k) derived from activities in Africa and £50k (2006: nil) derived from activities in the Middle East.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

9. EXPENDITURE BY ACTIVITY

	2007			2006		
	Staff Costs	Other Operating Expenses	Total	Staff Costs	Other Operating Expenses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	60,234	9,682	69,916	55,463	9,764	65,227
Academic support services	4,543	4,023	8,566	3,966	3,815	7,781
Research	2,690	4,009	6,699	2,864	4,301	7,165
Administration and central services	12,846	14,457	27,303	11,740	11,311	23,051
Premises	2,591	18,797	21,388	2,131	15,363	17,494
Residences and catering	1,081	7,524	8,605	816	6,331	7,147
Other expenditure	975	7	982	660	28	688
	84,960	58,499	143,459	77,640	50,913	128,553

Other expenditure includes £939k (2006: £660k) in respect of FRS17 adjustments to staff costs.

10. INTEREST PAYABLE

	2007 £'000	2006 £'000
Inherited debt	-	1,706
Promissory note	1,535	1,542
Net interest cost on funded pension scheme liabilities (note 31)	421	486
Interest on unfunded pension scheme liabilities (note 31)	302	277
	2,258	4,011

NOTES TO THE FINANCIAL STATEMENTS

11. DEPRECIATION

	2007 £'000	2006 £'000
The depreciation charge has been funded by:		
Release of deferred capital grants	1,136	957
Release of revaluation reserve	510	510
General income	1,815	1,774
	3,461	3,241

12. INFORMATION REGARDING EMPLOYEES

	2007 £'000	2006 £'000
(a) Employee costs		
Wages and salaries	70,150	65,547
Social security costs	5,782	5,387
Other pension costs	9,028	6,706
	84,960	77,640

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

12. INFORMATION REGARDING EMPLOYEES (continued)

	2007 No.	2006 No.
(b) Average number of people employed by the group in the year, expressed as full-time equivalents, was:		
Teaching and research staff	870	860
Visiting lecturers	158	134
Support staff	853	816
	<u>1,881</u>	<u>1,810</u>
(c) Emoluments of higher paid staff (excluding Governors)	No.	No.
The following staff received emoluments of £70,000 or over		
£70,000 - £79,999	35	12
£80,000 - £89,999	8	8
£90,000 - £99,999	9	2
£100,000 - £109,999	2	5
£110,000 - £119,999	1	1
£120,000 - £129,999	1	-
	<u>56</u>	<u>28</u>

NOTES TO THE FINANCIAL STATEMENTS

13. EMOLUMENTS OF GOVERNORS

	2007 £'000	2006 £'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)	471	483
(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	208	170
Pension contributions	26	23
Total emoluments	<u>234</u>	<u>193</u>

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 (2006: five) are members of the University's defined benefit pension scheme and accrued benefits during the year under that scheme.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

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:

	2007 £'000	2006 £'000
Consolidated (deficit)/surplus on ordinary activities	(4,228)	1,900
Deficit/(surplus) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%):	1,268	(570)
Effects of:		
- Expenses not deductible for tax purposes	(58)	(70)
- Capital allowances in excess of depreciation	(455)	8
- Carried forward tax losses	(37)	(6)
- Non-taxable (loss)/profit	(718)	638
- Adjustments in respect of prior periods	-	(30)
Current tax credit/(charge) for the year	-	(30)

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 £550,013 (2006: £130,907 liability).

15. (DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR BEFORE TRANSFERS FROM RESERVES

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

	2007 £'000	2006 £'000
Auditors remuneration:		
audit fee	35	33
University		
Subsidiary Companies	11	10
non-audit services	39	32
Operating lease rentals:		
property rents	5,041	5,105
Depreciation:		
owned assets	3,154	2,934
leased assets	307	307

NOTES TO THE FINANCIAL STATEMENTS

16. EXCEPTIONAL ITEMS

	2007 £'000	2006 £'000
Exceptional loss arising on the destruction of fixed assets by fire	1,366	-
Loss arising on disposal of fixed asset investment	36	-
	<u>1,402</u>	<u>-</u>

On 30 June and 2 July 2007 the University suffered fires at its Harrow campus which destroyed one building and a large quantity of equipment and damaged two other buildings. The University has comprehensive insurance cover in respect of the consequences of the fire. Insurance income has been accrued to match costs incurred in the year ended 31 July 2007. The loss represents the net book value of fixed assets destroyed. No capital expenditure was incurred as a result of the fire during the year ended 31 July 2007.

17. 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 deficit for the financial year amounted to £3.469m (2006: £2.178m surplus).

The parent company's deficit for the financial year includes exceptional losses of £0.716m (2006 £nil), which may be analysed as follows:

	2007 £'000
Exceptional profit arising as a result of the members' voluntary liquidation of a former subsidiary undertaking, Polytechnic of Central London Ltd	(650)
Exceptional loss arising on the destruction of fixed assets by fire (see note 16)	<u>1,366</u>
	<u>716</u>

NOTES TO THE FINANCIAL STATEMENTS

18. 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, equipment £'000	Computers £'000	Motor vehicles £'000	Total £'000
At 1 August 2006	105,279	9,455	6,886	21,606	1,256	5,199	135	149,816
Additions	313	-	2,563	368	-	177	-	3,421
Transfers	8,607	-	(8,607)	-	-	-	-	-
Disposals	(1,368)	-	-	(19,125)	(1,116)	(4,560)	(86)	(26,255)
At 31 July 2007	112,831	9,455	842	2,849	140	816	49	126,982
Accumulated depreciation								
At 1 August 2006	17,580	2,784	-	20,263	1,145	4,832	110	46,714
Charge for the year	2,257	307	-	585	28	272	12	3,461
Disposals	(29)	-	-	(19,098)	(1,116)	(4,560)	(86)	(24,889)
At 31 July 2007	19,808	3,091	-	1,750	57	544	36	25,286
Net book value at 31 July 2007	93,023	6,364	842	1,099	83	272	13	101,696
Net book value at 31 July 2006	87,699	6,671	6,886	1,343	111	367	25	103,102
Inherited	-	-	-	-	-	-	-	-
Financed by capital grant	24,707	2,620	-	838	-	22	-	28,187
Other	68,316	3,744	842	261	83	250	13	73,509
Net book value at 31 July 2007	93,023	6,364	842	1,099	83	272	13	101,696

NOTES TO THE FINANCIAL STATEMENTS

18. TANGIBLE ASSETS

(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, equipment £'000	Computers £'000	Motor vehicles £'000	Total £'000
At 1 August 2006	79,029	9,455	6,886	21,606	1,116	5,185	135	123,412
Additions	12,500	-	2,563	368	-	177	-	15,608
Transfers	8,607	-	(8,607)	-	-	-	-	-
Disposals	(1,368)	-	-	(19,125)	(1,116)	(4,560)	(86)	(26,255)
At 31 July 2007	98,768	9,455	842	2,849	-	802	49	112,765
Accumulated depreciation								
At 1 August 2006	9,424	2,784	-	20,263	1,116	4,828	110	38,525
Charge for the year	1,965	307	-	585	-	268	12	3,137
Disposals	(29)	-	-	(19,098)	(1,116)	(4,560)	(86)	(24,889)
At 31 July 2007	11,360	3,091	-	1,750	-	536	36	16,773
Net book value at 31 July 2007	87,408	6,364	842	1,099	-	266	13	95,992
Net book value at 31 July 2006	69,605	6,671	6,886	1,343	-	357	25	84,887
Inherited	-	-	-	-	-	-	-	-
Financed by capital grant	22,644	2,620	-	838	-	22	-	26,124
Other	64,764	3,744	842	261	-	244	13	69,868
Net book value at 31 July 2007	87,408	6,364	842	1,099	-	266	13	95,992

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

18. TANGIBLE ASSETS (continued)

(c) The Group and the University

	The Group		The University	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
(i) Analysis of land and buildings at cost or valuation:				
At cost	86,311	79,071	79,334	59,593
Revaluation increase	26,208	26,208	19,436	19,436
At valuation: 31 July 1995	<u>112,519</u>	<u>105,279</u>	<u>98,770</u>	<u>79,029</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	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
(ii) If freehold land and buildings had not been revalued, they would have been included at the following amounts:				
Cost	86,311	79,071	79,334	59,593
Aggregate depreciation	(13,345)	(11,617)	(6,489)	(4,912)
Net book value	<u>72,966</u>	<u>67,454</u>	<u>72,845</u>	<u>54,681</u>

(iii) The value of freehold land and buildings includes £5.704 million in respect of land that is not depreciated (2006: £5.704 million).

NOTES TO THE FINANCIAL STATEMENTS

19. FIXED ASSET INVESTMENTS

	The Group		The University	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
COST				
Share in subsidiary undertakings:				
At 1 August	-	-	10,414	10,413
Additions	-	-	-	1
Subsidiary placed into members' voluntary liquidation	-	-	(10,413)	-
At 31 July	-	-	1	10,414
Other shareholdings:				
At 1 August	181	181	181	181
Additions	75	-	75	-
At 31 July	256	181	256	181
Total cost	256	181	257	10,595
PROVISION FOR IMPAIRMENT IN VALUE				
At 1 August and 31 July	(144)	(144)	(144)	(144)
NET BOOK VALUE	112	37	113	10,451

(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) The University and Group held one fully paid Ordinary £1 share in Klenzyme Ltd. It was an unquoted company. During the year Klenzyme was placed into a members' voluntary liquidation.

(3) 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 (2006 £nil).

(4) During the year the University and Group invested in Hypha Discovery Ltd, an unquoted company. The University and group hold 357,143 Ordinary 0.0001 pence shares.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

19. FIXED ASSET INVESTMENTS (continued)

(5) The following companies were all held as investments by the University of Westminster on 31 July 2007. They are all subsidiary undertakings of the University and all companies operate in the UK.

	Voting rights %	Nature of Business
Policy Studies Institute	100	Research relating to political, economic and social science
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 (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.

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.

During the year end 31 July 2007, the University placed Polytechnic of Central London Ltd, a former subsidiary into members' voluntary liquidation. The balance of the proceeds to be received from the liquidation have been accrued in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

20. DEBTORS

	The Group		The University	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
HEFCE	36	36	36	36
Trade and sundry debtors	5,665	3,583	4,480	2,850
Amounts owed by subsidiary companies		-	118	810
Other debtors	1,639	1,254	1,635	1,246
Prepayments and accrued income	3,474	12,248	3,237	12,948
Assets awaiting disposal	-	312	-	312
Total debtors	10,814	17,433	9,506	18,202

21. INVESTMENTS HELD AS CURRENT ASSETS

	The Group		The University	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Short term deposits	19,023	20,576	15,023	20,576
Equities at valuation at 31 July	2	2	2	2
	19,025	20,578	15,025	20,578

Equities consist of the following:

At 31 July 2007 the University held 209 shares in HBOS plc (2006: 209 shares), with a market value at that date of £2,027 (2006: £2,037).

The Group also holds £494 of 12% Exchequer stock, the market value of which was £667 as at 31 July 2007 (2006: £717).

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

22. CREDITORS

	The Group		The University	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade creditors	6,077	5,139	5,897	4,808
Bank and other borrowings – promissory note	195	127	-	-
Access funds (see note 24)	136	6	136	6
Taxation and social security	1,936	1,754	1,881	1,709
Corporation tax payable	-	-	-	-
Provision for enhanced future pensions	109	108	109	108
Other creditors	7,173	5,804	4,307	3,568
Amounts due to subsidiary undertakings	-	-	843	611
Accruals and deferred income	10,686	20,299	8,229	18,315
	<u>26,312</u>	<u>33,237</u>	<u>21,402</u>	<u>29,125</u>
Amounts falling due between one and two years:				
Bank and other borrowings – promissory note	281	195	-	-
Provision for enhanced future pensions	109	108	109	108
	<u>390</u>	<u>303</u>	<u>109</u>	<u>108</u>
Amounts falling due between two and five years:				
Bank and other borrowings – promissory note	1,440	1,132	-	-
Provision for enhanced future pensions	218	325	218	325
	<u>1,658</u>	<u>1,457</u>	<u>218</u>	<u>325</u>
Amounts falling due over five years:				
Bank and other borrowings – promissory note	14,063	14,653	-	-
Provision for enhanced future pensions	1,260	1,119	1,260	1,119
Amounts due to subsidiary undertakings	-	-	14,191	14,322
	<u>15,323</u>	<u>15,772</u>	<u>15,451</u>	<u>15,441</u>
Total due after more than one year	<u>17,371</u>	<u>17,532</u>	<u>15,778</u>	<u>15,874</u>
Total creditors	<u><u>43,683</u></u>	<u><u>50,769</u></u>	<u><u>37,180</u></u>	<u><u>44,999</u></u>

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.

NOTES TO THE FINANCIAL STATEMENTS

23. DEFERRED CAPITAL GRANTS

(a) The Group

	Buildings HEFCE	Equip HEFCE	Buildings Other grants	Total £'000
Balance at 1 August 2006	18,827	1,079	6,600	26,506
Grants received	2,605	211	-	2,816
	21,432	1,290	6,600	29,322
Release to income and expenditure account	(568)	(430)	(138)	(1,136)
Balance at 31 July 2007	20,864	860	6,462	28,186

(b) The University

	Buildings HEFCE	Equip HEFCE	Buildings Other grants	Total £'000
Balance at 1 August 2006	16,710	1,079	6,600	24,389
Grants received	2,605	211	-	2,816
	19,315	1,290	6,600	27,205
Release to income and expenditure account	(514)	(430)	(138)	(1,082)
Balance at 31 July 2007	18,801	860	6,462	26,123

24. ACCESS FUNDS FOR STUDENTS

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

	2007 £'000	2006 £'000
At 1 August	6	236
Received	771	854
Interest accrued	18	15
Distributed	(659)	(1,099)
At 31 July	136	6

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 22).

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

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 2006	27,097	1,256	41,920	(35,134)	35,139
Deficit for the year	-	-	(2,566)	(1,662)	(4,228)
Actuarial gain in respect of pension scheme	-	-	-	10,079	10,079
Transfer for depreciation relating to revaluation	(510)	-	510	-	-
Surplus on research grants and international activities transfer to specific reserve	-	726	(726)	-	-
Balance at 31 July 2007	26,587	1,982	39,138	(26,717)	40,990

(b) The University

	Revaluation Reserve £'000	Specific Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total Reserves £'000
Balance at 1 August 2006	22,984	379	42,634	(35,134)	30,863
Deficit for the year	-	-	(1,807)	(1,662)	(3,469)
Actuarial gain in respect of pension scheme	-	-	-	10,079	10,079
Transfer for depreciation relating to revaluation	(389)	-	389	-	-
Surplus on research grants and international activities transfer to specific reserve	-	726	(726)	-	-
Balance at 31 July 2007	22,595	1,105	40,490	(26,717)	37,473

NOTES TO THE FINANCIAL STATEMENTS

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 2007 £'000	Land and Buildings 2006 £000
Leases which expire:		
Between 1 and 2 years	-	26
After 5 years	5,140	5,002
	<u>5,140</u>	<u>5,028</u>

27. CAPITAL AND OTHER FINANCIAL COMMITMENTS

Capital expenditure authorised and contracted for but not provided in the accounts amounts to £10.357m for the Group and University (2006: £3.052m).

Contracts placed for future expenditure not provided in the accounts in respect of other financial commitments amount to £0.553m for the Group and University (2006: £4.118m).

28. CASHFLOW FROM OPERATING ACTIVITIES

	2007 £'000	2006 £'000
(Deficit)/surplus from Operating Activities	(4,228)	1,900
Depreciation	3,461	3,241
Deferred capital grants released to income (note 23)	(1,136)	(957)
Investment income	(1,576)	(1,519)
Interest payable (note 10)	1,535	3,248
Decrease/(increase) in debtors	6,619	(5,472)
(Decrease)/increase in creditors	(6,959)	9,042
Capital reimbursement transferred to reserves	-	5,747
Exceptional loss on fixed assets destroyed by fire	1,366	-
Net pension cost	1,662	1,424
Net Cash Inflow from Operating Activities	<u>744</u>	<u>16,654</u>

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

29. ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2006	Cash Flows	Other Changes	At 31 July 2007
	£'000	£'000	£'000	£'000
Cash at bank and in hand	6,398	1,531	-	7,929
	<u>6,398</u>	<u>1,531</u>	<u>-</u>	<u>7,929</u>
Liquid Resources:				
Current asset investment	2	-	-	2
Short term deposits	20,576	(1,553)	-	19,023
	<u>20,578</u>	<u>(1,553)</u>	<u>-</u>	<u>19,025</u>
Debt:				
Loans due within one year	(127)	(68)	-	(195)
Loans due after more than one year	(15,979)	195	-	(15,784)
	<u>(16,106)</u>	<u>127</u>	<u>-</u>	<u>(15,979)</u>
Net debt	<u>10,870</u>	<u>105</u>	<u>-</u>	<u>10,975</u>

30. PRIOR YEAR ADJUSTMENT

During the year ended 31 July 2006 the University adopted the requirements of FRS17 (Retirement Benefits). Under the provisions of FRS3 this constituted a change in accounting policy and was therefore accounted for as a prior year adjustment in 2006.

NOTES TO THE FINANCIAL STATEMENTS

31. 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 five 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 2007 contributions by the Group to the scheme were £4,398,970 (31 July 2006: £3,939,243).

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 FRS17 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 FRS17 in order to assess the liabilities of the scheme as at 31 July 2007. The next formal valuation is due as at 31 March 2007.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

31. PENSION COSTS (continued)

The financial assumptions used by the actuary for the funding valuation under FRS17 as at 31 July 2007 were:

Assumptions as at:	2007 % per annum	2006 % per annum	2005 % per annum
Price increases	3.3	3.1	2.8
Salary increases	4.8	4.6	4.3
Pension increases	3.3	3.1	2.8
Discount rate	5.8	5.1	5.0

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 2007 % per annum	Fund value 2007 £'000	Long term rate 2006 % per annum	Fund value 2006 £'000	Long term rate 2005 % per annum	Fund value 2005 £'000
Equities	7.9	1,449,200	7.6	1,225,500	7.3	1,389,000
Target return funds ¹	6.6	515,100	6.3	386,500	4.7	169,800
Alternative assets ²	7.0	314,700	6.7	238,800	5.4	119,600
Cash	5.1	75,300	4.8	157,800	4.5	82,400
Total		2,354,300		2,008,600		1,760,800

Note:

(1) 2005 bonds

(2) 2005 property

NOTES TO THE FINANCIAL STATEMENTS

31. PENSION COSTS (continued)

The University's net pension assets were as follows:

Net pension assets as at	2007	2006	2005 (as restated)
	£'000	£'000	£'000
Estimated asset share (a)	64,593	55,836	48,634
Present value of scheme liabilities	(85,709)	(85,258)	(75,480)
Present value of unfunded liabilities	(5,601)	(5,712)	(5,750)
Total value of liabilities (b)	(91,310)	(90,970)	(81,230)
Deficit in the scheme (a) – (b)	(26,717)	(35,134)	(32,596)

	2007		2006	
Analysis of amounts charged to income and expenditure account:	Funded £'000	Unfunded £'000	Funded £'000	Unfunded £'000
Current service cost	4,145	-	3,505	-
Past service cost	-	-	7	-
Impact of curtailments and settlements	-	-	81	-
Total operating charge	4,145	-	3,593	-
Financing:				
– expected return on pension assets	3,989	-	3,354	-
– interest on pension scheme liabilities	(4,410)	(302)	(3,840)	(277)
Net return	(421)	(302)	(486)	(277)

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

31. PENSION COSTS (continued)

Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL):	2007		2006	
	Funded £'000	Unfunded £'000	Funded £'000	Unfunded £'000
Actual return less expected return on pension scheme assets	2,812	-	2,246	-
Experience gains and (losses) arising on the scheme liabilities	(97)	(48)	(184)	157
Changes in assumptions underlying the present value of the scheme liabilities	7,316	96	(3,242)	(91)
Total actuarial gain/(loss) recognised	10,031	48	(1,180)	66

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

Movement in deficit during the year:	2007	2006
	£'000	£'000
Deficit at beginning of the year	(35,134)	(32,596)
Current service cost	(4,145)	(3,505)
University contributions	2,767	2,498
Contributions in respect of unfunded benefits	439	434
Past service cost	-	(7)
Impact of settlements and curtailments	-	(81)
Net return on assets	(723)	(763)
Actuarial gains/(losses)	10,079	(1,114)
Deficit on the scheme at 31 July	(26,717)	(35,134)

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. The next formal valuation is due as at 31 March 2007.

The employer's contribution was increased from 11.90% to 13.90% with effect from 1 April 2007.

NOTES TO THE FINANCIAL STATEMENTS

31. PENSION COSTS (Continued)

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

	2007	2006	2005	2004	2003
		(as restated)			
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets	2,812	2,246	5,004	25	(2,290)
Value of assets	64,593	55,836	48,634	42,145	38,050
Percentage of assets	4.4%	4.0%	10.3%	0.1%	(6.0%)
Experience gains/(losses) on liabilities	(145)	(27)	3,943	(51)	(510)
Present value of liabilities	(91,310)	(90,970)	(81,230)	(65,494)	(60,030)
Percentage of the present value of liabilities	(0.2%)	(0.0%)	(4.9%)	(0.1%)	(0.8%)
Actuarial gain/(loss) recognised in the STRGL	10,079	(1,114)	(8,386)	(108)	(9,440)
Percentage of the present value of liabilities	11.0%	(1.2%)	(10.3%)	(0.2%)	(15.7%)

In the year ending 31 July 2007, contributions by the Group to the scheme were £2,767,000 (2006: £2,498,458).

Superannuation Arrangements 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 2007, contributions by the Group to the scheme were £2,981 (2006: £2,326).

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

31. PENSION COSTS (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31. PENSION COSTS (Continued)

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 fund administered by the trustee, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the management committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

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 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 2005. The 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. 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 and a further amount of £800m of liabilities to reflect 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.

Standard mortality tables were used as follows:

Pre-retirement mortality	PA92 rated down 3 years
Post-retirement mortality	PA92 (c=2020) for all retired and non-retired members

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

31. PENSION COSTS (Continued)

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males 19.8 years

Females 22.8 years

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 actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have approximately 74% 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, the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005 the financial security of the scheme has improved and the actuary has estimated that the funding level has increased from 77% at 31 March 2005 to 91% at 31 March 2007. This improvement in the scheme's financial security is due primarily to the investment return on the scheme's assets since 31 March 2005 being higher than allowed for in the funding assumptions. On the FRS17 basis, the actuary estimated that the funding level at 31 March 2007 was above 109% and on a buy-out basis was approximately 84%.

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. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out at the top of the next page:

NOTES TO THE FINANCIAL STATEMENTS

31. PENSION COSTS (Continued)

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.7 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.5 billion
Rate of mortality	More prudent assumption (Mortality used at last actuarial valuation, rated down by a further year)	Increase by £0.8 billion

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.

The trustee believes that over the long term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund’s liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme’s cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the institution was £390,442 (2006: £356,434). This includes £34,098 (2006: £29,510) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY TRANSACTIONS

Three separate charitable trusts are established for the benefit of the students of the University of Westminster. Two of the six Trustees of these trusts were also governors of the University during the reported financial years.

The Trusts are: Quintin Hogg 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:

	2007 £'000	2006 £'000
Quintin Hogg Trust:		
Rent payable to Trust – academic buildings	(2,553)	(2,512)
Rent payable to Trust – halls of residence	(1,962)	(1,920)
Donations received by University	1,162	1,563
Donation received by University, included as deferred capital grants in the accounts	-	1,000
Amounts owed (by)/to University by related party:		
– other amounts	(19)	8
Disclosed as other (creditors)/debtors in the accounts	(19)	8
The Quintin Hogg Memorial Fund:		
Rent payable to Trust	73	73
Donation received by University	(169)	-
Amounts owed to University by related party:		
– balance of disposal proceeds	165	231
Disclosed as other debtors in the accounts	165	231
– donation approved but not paid to the University	611	-
Disclosed as accrued income in the accounts	611	-
The University of Westminster Prize and Scholarship Fund:	-	-

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY TRANSACTIONS (continued)

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.

33. POST BALANCE SHEET EVENTS

On 28 November 2007 the trustees of the Quintin Hogg Trust signed a declaration which transferred the beneficial interest and associated liabilities in certain residential properties to the University of Westminster.

