

REPORT AND FINANCIAL STATEMENTS for the year ended 31 July 2008

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UNIVERSITY OF WESTMINSTER

OPERATING AND FINANCIAL REVIEW

The University performed satisfactorily during the 2007-08 financial year, reporting an operating surplus of £7.1m on turnover that increased by 4.5% to £153m. Total reserves including pensions increased marginally by £0.4m to £41.4m and the total of cash and investments also rose slightly to £27.3m.

The accounting treatment of the transfer of ownership of a number of halls of residence from the Quintin Hogg Trust to the University in April 2008 contributed significantly to this surplus as the value of land, net of the consideration paid to the Quintin Hogg Trust, associated with these properties was treated as a donation and as a result increased the surplus by approximately £6.1m. The value of the buildings transferred has been treated as a deferred capital grant which is taken to the balance sheet and released to the income and expenditure account over the estimated remaining life of the properties to offset the depreciation charge. The transfer was effected to simplify the ownership arrangements and to allow the University to pursue its strategy to expand and improve the quality of the provision of residential accommodation to students.

In November 2007, following Charity Commission approval, the University became the sole Trustee of the University of Westminster Prize and Scholarships Fund. Accordingly this is now accounted for as a wholly owned subsidiary with their accounts fully consolidated within the University Group. The effect of this has been to increase net assets by approximately £1.9m. This transfer was undertaken following a resolution by the Trustees and is intended to simplify the administration and accounting for these funds.

There are two charitable trusts remaining which are independent of the University but whose objects are for the support of the University and its students. These two trusts own the historic assets of the University including 309 Regent Street, a number of other buildings used for academic purposes and the University's sports ground at Chiswick. These are all leased to the University for its ongoing use. Transactions between the trusts and the University are reported as related party transactions in note 35 to the financial statements.

The adverse trend of student recruitment in the School of Informatics and the Harrow School of Computer Science resulted in a round of voluntary severances of a number of staff in these schools in consultation with the academic unions. The University incurred one-off costs of approximately £1.4m in July relating to these severances. This action was part of a plan to restore the financial performance of these Schools to a position of break-even or better within 3 years.

The underlying operating surplus for the University with these non-recurrent items removed was £1.4m as follows:

	2008	2007
	£m	£m
Operating surplus as reported	6.1	(3.0)
Less: gain on transfer of properties	(6.1)	-
Plus: cost of voluntary severances	1.4	-
Adjusted operating surplus	<u>1.4</u>	<u>(3.0)</u>

OPERATING AND FINANCIAL REVIEW (continued)

Pay

Basic pay costs increased by 6.4% (see note 13). This includes cost of living increases for staff, incremental progression and reflects an increase in the number of employees. The average number of employees increased by 2.4%, equating to 46 full time equivalent members of staff. Pension and social security costs however rose by 11.1% reflecting higher contribution rates.

The three-year national pay settlement agreed in 2006 provided for an increase of 3% in May 2008 and a final increase in October 2008 of the higher of 2.5% or RPI. The relevant RPI for September 2008 was 5.0% making this an exceptionally generous settlement given the current economic climate. The University honoured the agreement and paid this increase in full in October despite the fact that this is not affordable by contrast with the inflation uplift included in the HEFCE grant allocations for 2008-09 of 2.75%. This puts the achievement of the University's budgetary targets for 2008-09 at risk and will necessitate a further drive for more income generation, greater value for money in all activities and expenditure reductions. This will have an impact on the assessment of affordability of future pay settlements.

Accounting for retirement benefits

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

The underlying position of the Local Government Pension Scheme has deteriorated sharply during the past year with the University's share of the scheme deficit increasing from £26.7m to £36.2m – very close to the position of two years ago. The deterioration has been caused in the main by unfavourable changes in the data underpinning the actuarial assumptions used to assess scheme liabilities.

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

Universities UK is working with the Universities and Colleges Employers Association to consider long-term solutions to the need to offer sustainable pension provision in higher education.

UNIVERSITY OF WESTMINSTER

OPERATING AND FINANCIAL REVIEW (continued)

Balance sheet

The University's trade debtors fell from £5.7m to £4.2m. This represents a substantial improvement in the University's performance in collecting outstanding debts, principally tuition fee debtors. This was the result of a co-ordinated plan and concerted management action, with the support of improved IT systems capability. The intention is to achieve a further improvement in performance in 2008-09. The number of students choosing to defer paying their tuition fees until after graduation by taking a loan from the Student Loans Company has also increased. The improvement in debt collection has resulted in the release of £1.3m from the provision for bad and doubtful debts from £4.9m to £3.6m.

The increase in reserves attributable to the surplus for the year and acquisition of the University of Westminster Prizes and Scholarships Fund is offset by the increase in the University's share of the local government pension scheme deficit.

Deferred capital grants increased by £33.3m as a result of the transfer of halls of residence to the University by Quintin Hogg Trust. This will be released over the life of the donated assets in line with the charge for depreciation of these buildings.

Capital expenditure and assets

The main capital project in 2007-08 has been the major refurbishment of the Marylebone hall of residence. This block comprises 226 rooms over 21 floors and the project involved a full upgrade of all rooms and common areas including en suite conversion. The budget was £11.2m and the project was completed within budget and on schedule in September 2008 in time for occupation at the start of term. At the balance sheet date £9.1m had been expended and was shown under assets in the course of construction.

The University is close to completing work on a revised estates strategy that will set the framework for the management of and investment in the University's buildings and locations for the next 10 years to 2018. The strategy is set firmly within the context of the University's academic planning and envisages no major acquisitions but contains critical programmes of work in the following areas:

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

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

OPERATING AND FINANCIAL REVIEW (continued)

Cash and investments

The total of cash and investments increased marginally to £27.3m at the balance sheet date. The University's cash balances are managed in accordance with the Investment Policy that was approved by the Court of Governors in October 2007. The treasury management strategy is reviewed at least annually and the University continues to invest funds in the money markets for short term periods (up to 1 year) and with top-rated counterparties. The turbulence in the financial markets in 2008 is a source of concern and although the University at the present time has no exposure to banks that have failed or are at short-term risk of failure, the situation is being carefully monitored.

The University has only a small direct exposure to equity markets being around £300k of the Prize and Scholarships Fund balances. The pension schemes in which the University participates are however substantially equity invested – 59% for the LPFA for example.

Policy Studies Institute

The Policy Studies Institute (PSI) is a wholly owned subsidiary and its results are consolidated with those of the University. In 2007-08 PSI reported a trading deficit before interest of £156k which is a marked improvement over the previous year's trading deficit of £407k. The aim is to return PSI to a profitable trading position. In order to offer greater support to PSI and to ensure more effective integration of its research activities with those of the rest of the University, the Trustees of PSI have agreed in principal to closer integration with the University and to becoming a research unit within the School of Social Sciences, Humanities and Languages. This will result in PSI no longer being a separate legal entity but retaining the PSI brand and trading under that name. It is envisaged that this will be complete by July 2009.

Fire loss at Harrow

The loss in the University of block H at the Harrow campus as a result of the fires that occurred at the end of June 2007 was recognised in 2006-07 as a permanent diminution equivalent to the valuation of that part of the property that could not be recovered, approximately £1.4m. 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 at £6.1m with a matching receipt from the insurers who have made a number of payments on account totalling £4.5m to date. The shortfall of £1.6m which has been incurred but not reimbursed is reflected in accrued income. The claim to the insurers for this expenditure and for the replacement of the lost block of property is close to being settled and a recommendation for acceptance is due to be made to the Court of Governors shortly. The University will report an exceptional gain in 2008-09 when the settlement has been approved and the balance due has been received.

UNIVERSITY OF WESTMINSTER

OPERATING AND FINANCIAL REVIEW (continued)

Student recruitment

Student recruitment in most Schools has met the target for 2008 entry though it remains early in the process to be clear about the outcome. Recruitment to the two computing schools has not met target and the achievability of their financial contribution target for this year is now in question. As mentioned earlier these schools were the subject of a programme of voluntary severance in July 2008 and work is continuing to explore all opportunities to improve their financial performance. The two schools are due to merge fully by July 2009 under the leadership of a new Dean who takes up his post from January 2009.

Future outlook

The University has established a vision of where it aspires to be by 2015. This involves some strategic repositioning and significant organisational change. The ten existing Schools are merging to reduce to seven and professional support structures are being reshaped. Processes for planning, staff development, resource allocation, marketing and IT support will ensure that Schools contribute effectively to the achievement of the vision.

The Court of Governors has set a budget aimed at achieving a surplus of £4.5m in 2008-09. This will be challenging to achieve given the unexpected cost of the October 2008 pay award and the shortfall in student recruitment in computing. The University remains positive about the medium and longer term outlook and the programme of investment that is to be shaped by the estate strategy reaffirms the optimism that the University has many strengths on which to build a successful future.

Philip Harding
Director of Finance

MISSION STATEMENT

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

UNIVERSITY OF WESTMINSTER

A Company Limited by Guarantee and an Exempt Charity

GENERAL INFORMATION

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 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

COURT OF GOVERNORS

The following were Governors (Directors) of the University during the year ended 31 July 2008:

	Appointed or Re-appointed	Resigned
Chairman	Dr T Wright	
Deputy Chairmen	Dr M Kimberley Mr D Lovett	
Ms R Bellamy-James		
Mr M Chambers		
Ms M Grinfeld	10.03.08	
Mr D Haddock		10.03.08
Mr S Hart		
The Hon Dame Mary Hogg		
Mr P Hopper		
Mr P Kyle		
Mr R Lane		
Ms S Lanquaye		07.07.08
Ms M Lee		
Dr D Lloyd	12.05.08	
Professor E Morgan-Tamosunas		10.03.08
Ms S Newell	07.07.08	
Mr I Newton		
Professor G Petts (Vice-Chancellor and Rector)	01.08.07	
Ms H Scott		
Mr M Staples		
Dr S Walton		
Dr D Wright	10.03.08	
Mr J Youngs	10.03.08	

UNIVERSITY OF WESTMINSTER

COURT OF GOVERNORS (continued)

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

Mr Mark Chambers MA is General Counsel and Group Company Secretary for RSA Insurance Group Plc.

Ms Mónica Grinfeld BSc, MSc, FHEA, FICPD is a lecturer at the University of Westminster and the Disability Tutor for the School of Architecture and the Built Environment. She is also a professional consultant and Trustee of GAD (Greenwich Association for the Disabled). Mónica is a qualified building surveyor, an architect and has post graduate qualifications in Land Management. She is the elected representative of the University's academic staff.

Mr David Haddock BSocSci is Manager of the Admissions and Marketing Office at Harrow. He is the Branch Co-ordinator for the Association of University Administrators and was the elected representative of the University's support staff.

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

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

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

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

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

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

Ms Salima Lanquaye was the 2007/8 sabbatical President of the University Westminster Students' Union.

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

Mr David Lovett BA Honours, FCA, FIFT is a Managing Director with AlixPartners Ltd, a specialist Turnaround and Performance Improvement Firm. He is Chair of the Finance and Property Committee.

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

COURT OF GOVERNORS (continued)

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

Ms Shoni Newell is the 2008/9 sabbatical President of the University of Westminster Students' Union.

Mr Ian Newton FCA is a Director of UPP Projects Limited and Powerstrand Limited. He is Chairman of the Audit Committee.

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

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

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

Dr Terence Wright MA, DPhil, CSci, CChem, FRSC was elected Chair of the Court of Governors from 1 January 2005. He has been a Director of Kodak Limited, Director of R & D in Europe and Venture Relations for The Eastman Kodak Company, a Director of Pixology Plc and a Director of Zogix Ltd.

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

UNIVERSITY OF WESTMINSTER

THE WORK OF THE COURT OF GOVERNORS

All Governors of the University are Directors of the Company. A list of Governors who served during the year to 31 July 2008 appears on page 9. 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 35 (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 2008)

Mr Ian Newton (Chair)

Mr Mark Chambers

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.

THE WORK OF THE COURT OF GOVERNORS (continued)

Finance and Property Committee

(membership as at 31 July 2008)

Mr David Lovett (Chair)
Mr Richard Lane
Professor Geoffrey Petts
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 2008)

Dr Marion Kimberley (Chair)
Ms Rita Bellamy-James
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's Human Resources policies and related legislation; to consider the framework for pay and conditions of staff; and to receive and discuss reports on associated matters, including staff training and development and diversity.

Remuneration Committee

(membership as at 31 July 2008)

Dr Terence Wright (Chair)
Dr Marion Kimberley
Mr David Lovett
Professor Geoffrey Petts
Dr Suzy Walton

UNIVERSITY OF WESTMINSTER

THE WORK OF THE COURT OF GOVERNORS (continued)

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

Nominations Committee (membership as at 31 July 2008)

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

This Committee meets at least twice a year to make recommendations on the appointment of new Governors 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.

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The University complies with CUC guidance in its Governance and Management processes.

The Vice-Chancellor, Professor Geoffrey Petts, completed his first year in post at 31 July 2008. During the year, he made a number of presentations to Governors and staff on his vision for the future of the University as an efficient, forward moving, research active, and financially sound institution which delivers an excellent experience to its students. The Vice-Chancellor's proposals, which are underpinned by a restructuring of the University's four campuses into seven Schools and the integration of the Campus-based support services with the University's Corporate Services, have been discussed with the Governors at their regular meetings. One of the Governors attended the residential meeting of the University's senior team in April 2008 to provide advice on change management.

A new Strategic Planning and Resources Committee, jointly reporting to the Court of Governors and the Academic Council, chaired by the Vice-Chancellor, has been created to lead the development and implementation of the emerging strategic plan.

The University has provided during the year a number of information and 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 Research Strategy, the Fundraising plan, and the initial outline of the new Estates Strategy. Governors have also been involved in a workshop to consider the effectiveness of the Court of Governors, and to discuss how this may be optimised.

One independent and three staff Governors have been appointed during the year.

Governors and senior management have been briefed on the impact of the Corporate Manslaughter and Corporate Homicide Act 2007 and the arrangements made by the University to ensure compliance.

A review of the University's Memorandum and Articles is currently in progress. 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 schedule of meetings of the Court of Governors and its committees is due to change in the coming financial year in order to comply with the new reporting requirements of the Higher Education Funding Council for England. Regular meetings of the Court will now take place four, rather than five, times during the year.

Internal Audit

The University has joined the Kingston City Group, a consortium providing internal audit and management assurance services to a number of Higher Education institutions in London. The Kingston City Group has included an audit of the University's governance arrangements in its first schedule of work. This report has been considered at the second meeting of the Audit Committee in the new financial year. The Audit Committee is also due to review the University's continued membership of the consortium in December 2008.

UNIVERSITY OF WESTMINSTER

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROLS (continued)

Risk Management

The identification and management of risk is an ongoing process and the University has continued to operate its established procedures in accordance with its Risk Management policy. The policy, which is published on the University's website, defines risk as an event or action, or a combination or series of these, which could significantly impede the University's ability to achieve its current or future objectives and to execute its strategy effectively.

The University Strategic Risk Register has been constructed on the basis set out in the policy and is also available on the University's website. Each of the nineteen risks currently listed in the Register is evaluated for impact and likelihood, and a score assigned. Risks with the highest scores are subject to the most rigorous level of monitoring. The Register is subject to ongoing review as part of the University's planning processes. The risks cover business, financial, operational, and compliance issues. An annual report is provided to the Audit Committee and to the Court of Governors. The ongoing oversight of the maintenance and review of the Register is part of the responsibilities of the Strategic Planning and Resources Committee. The Audit Committee is responsible for monitoring and advising Court on the adequacy of risk management arrangements.

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

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

Board of Inquiry

The Board of Inquiry into the fires on the Harrow site in 2007 has concluded its work. Its report will be considered by the Governors at their first meeting in the coming financial year. The membership of the Board included two Governors and was chaired by the University Secretary.

Management Information

Three major projects undertaken over the last four years to improve student, staff, and financial management information have now been completed. All the projects have been successfully managed using formal project management methodology.

Diversity

The University's Race Equality Policy has been updated and was approved by the Court of Governors in July 2008. Its implementation will continue to be monitored by the Diversity Audit Group.

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 provides regular briefings to staff on the University's performance and plans.

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

UNIVERSITY OF WESTMINSTER

STATEMENT OF GOVERNORS' RESPONSIBILITIES (continued)

Diversity Policy

The University of Westminster is committed to promoting diversity in all its dealings with employees and job applicants. The Equal Opportunities Policy is binding on all appointments, irrespective of category. The policy seeks to ensure that no employee or applicant receives less favourable treatment on the grounds of race or colour, nationality, ethnic or national origins, gender, marital status, sexual orientation, disability, age, family responsibility, trade union activity, political or religious belief.

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

Health and Safety

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

Insurance for officers

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

Auditors

A resolution to reappoint KPMG LLP as auditors for the year ending 31 July 2009 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
24 November 2008

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 2008 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group Statement of Consolidated Historical Cost Surpluses and Deficits and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out therein.

This report is made solely to the Court of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Court of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Court of Governors, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the University's Court of Governors and the auditors

The University Court of Governors' responsibilities for preparing the Operating and Financial Review and the financial statements in accordance with the Accounting Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 17 - 18.

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

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

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

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

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

UNIVERSITY OF WESTMINSTER

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

Basis of Opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the University's affairs as at 31 July 2008 and of the Group's surplus of income over expenditure for the year then ended
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education
- in all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2008 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2008 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
November 2008

1 Forest Gate
Brighton Road
Crawley
West Sussex RH11 9PT

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT For the year ended 31 July 2008

	Note	2008 Total £'000	2007 Total (restated note 33) £'000
INCOME FROM CONTINUING ACTIVITIES			
Funding council grants	5	63,933	66,496
Tuition fees and support grants	6	56,713	55,821
Research grants and contracts	7	6,054	6,995
Other income	8	24,128	15,330
Endowment and investment income	9	1,917	1,583
Total income		152,745	146,225
EXPENDITURE ON CONTINUING ACTIVITIES			
Staff costs	10,13	91,070	84,960
Depreciation	12	4,345	3,461
Other operating expenses	10	48,876	58,488
Interest payable	11	2,326	2,258
Total expenditure		146,617	149,167
Surplus/(deficit) after depreciation of tangible assets at valuation and before tax		6,128	(2,942)
Taxation	15	-	-
Surplus/(deficit) after depreciation of assets at valuation and tax		6,128	(2,942)
Exceptional Items	17	848	(1,402)
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and exceptional items and tax		6,976	(4,344)
Surplus for the year transferred to accumulated income in endowment funds	26	97	116
Surplus/(deficit) for the year retained within general reserves	16	7,073	(4,228)

All activities relate to continuing operations.

UNIVERSITY OF WESTMINSTER

NOTE OF CONSOLIDATED HISTORICAL COST SURPLUSES AND DEFICITS For the year ended 31 July 2008

		2008	2007
	Note	£'000	(restated note 33) £'000
Surplus/(deficit) on continuing operations before taxation		6,976	(4,344)
Difference between historical cost depreciation and the actual depreciation charge for the year calculated on the re-valued amount	28	510	510
Historical cost surplus/(deficit) for the year before and after taxation		<u>7,486</u>	<u>(3,834)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 July 2008

Note	£'000	2008 £'000	2007 (restated note 33)
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and exceptional items and tax		7,073	(4,228)
Surplus arising on the acquisition of the University of Westminster Prize and Scholarship Fund:			
- Reserves		1,230	-
- Endowments		632	-
Endowment income retained in the year		23	7
Endowments withdrawn		(120)	(123)
New endowments	26	109	263
Depreciation of endowment asset investments	21	(58)	-
Actuarial (loss)/gain in respect of pension schemes	34	(7,892)	10,079
Total recognised gains relating to the year		997	5,998
Reconciliation			
Opening Reserves and Endowments		41,259	35,261
Total Recognised gains/(losses) for the year		997	5,998
Closing reserves and endowments		42,256	41,259

UNIVERSITY OF WESTMINSTER

BALANCE SHEETS
As at 31 July 2008

		Group	University	Group (restated)	University (restated)
		2008	2008	2007	2007
	Note	£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	19	163,624	157,397	101,696	95,992
Investments	20	222	213	112	113
		163,846	157,610	101,808	96,105
Endowment assets	21	855	270	269	269
Current Assets					
Debtors due within one year	22	9,815	8,787	10,814	9,506
Investments	23	24,446	19,161	19,025	15,025
Cash at bank and in hand		2,895	1,420	7,660	6,588
		37,156	29,368	37,499	31,119
Creditors					
Amounts falling due within one year	24	(29,279)	(24,492)	(26,043)	(21,133)
Net Current Assets		7,877	4,876	11,456	9,986
Total assets less current liabilities		172,578	162,756	113,533	106,360
Creditors					
Amounts falling due after more than one year	24	(32,644)	(31,132)	(17,371)	(15,778)
Total net assets excluding pension liability		139,934	131,624	96,162	90,582
Pension liability	34	(36,234)	(36,234)	(26,717)	(26,717)
Net assets including pension liability		103,700	95,390	69,445	63,865
Represented by:					
Deferred capital grants	25	61,444	59,435	28,186	26,123
Endowments Funds					
Expendable	26	405	270	269	269
Permanent	26	450	-	-	-
Total endowments		855	270	269	269
Reserves					
Revenue reserve excluding pension liability	28	51,558	49,714	41,120	41,595
Pension reserve	28	(36,234)	(36,234)	(26,717)	(26,717)
Revenue reserve including pension liability		15,324	13,480	14,403	14,878
Revaluation reserve	28	26,077	22,205	26,587	22,595
Total reserves	28	41,401	35,685	40,990	37,473
Total funds		103,700	95,390	69,445	63,865

Approved by the Court of Governors on 24 November 2008 and signed on its behalf by:

Dr Terence Wright
Chairman

Prof Geoffrey Petts
Vice-Chancellor and Rector

CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 July 2008

	Note	2008 £'000	2007 (restated) £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	31	8,172	590
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from endowments	9	23	7
Interest received	9	1,894	1,576
Interest paid	11	(1,810)	(1,535)
Net cash inflow from returns on investments and servicing of finance		107	48
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(24,265)	(3,421)
Purchase of investments	20	(100)	(75)
Deferred capital grants received	25	226	2,816
Net cash outflow from capital expenditure and financial investment		(24,139)	(680)
CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(15,680)	(42)
MANAGEMENT OF LIQUID RESOURCES			
Cash transferred (to)/from short term deposits		(5,422)	1,553
FINANCING			
New unsecured loan		15,500	-
Loan repayments		(194)	(127)
Net cash inflow/(outflow) from financing		15,306	(127)
(DECREASE)/INCREASE IN CASH	32	(5,976)	1,384

UNIVERSITY OF WESTMINSTER

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Note	2008		2007	
		£'000	£'000	£'000	£'000
(Decrease)/increase in cash in period		(5,976)		1,384	
Cash inflow/(outflow) from movement in liquid resources		5,422		(1,553)	
Cash outflow from increase in endowment cash		12		147	
Cash outflow from decrease in debt and lease financing		(15,306)		127	
Change in net funds resulting from cash flows			(15,848)		105
Movement in net funds arising from acquisition of University of Westminster Prize and Scholarship Fund			1,469		-
Movement in net funds in the period			(14,379)		105
Net funds at 1 August			10,975		10,870
Net funds at 31 July	32		(3,404)		10,975

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2008

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 whilst being a member, or within one year after ceasing to be a member, an amount not exceeding one pound.

2. BASIS OF ACCOUNTING

i) The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and applicable Accounting Standards (2007).

ii) The financial statements are intended to meet, as appropriate, the requirements of the Companies Act 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 2008.

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

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES

a. Income recognition

i) HEFCE Grants

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

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

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

ii) Bursaries and scholarships

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

iii) Charitable donations and endowments

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

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

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

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 separate charitable trusts. With the exception of rent payments and other running costs associated with these properties and leasehold improvements made to the properties at 309 Regent Street and 4-12 Little Titchfield Street, these assets are not reflected in the accounts.

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

Individual assets costing over £10,000 are capitalised.

iii) Depreciation

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

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

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

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.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES (continued)

d. Deferred Taxation

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

e. Pension Costs

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES (continued)

g. Leases

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

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

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

l. Interest Capitalisation

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

m. Provisions

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

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

5. FUNDING COUNCIL GRANTS

	Note	2008 £'000	2007 £'000
(a) Recurrent grant from HEFCE			
Teaching		57,748	55,525
Research		2,409	2,719
Other (including special initiatives)		2,235	2,159
Pension liabilities		437	430
Capital project grants		51	4,665
		<u>62,880</u>	<u>65,498</u>
(b) Release of HEFCE capital grants	25	<u>1,053</u>	<u>998</u>
		<u><u>63,933</u></u>	<u><u>66,496</u></u>

NOTES TO THE FINANCIAL STATEMENTS

6. TUITION FEES AND SUPPORT GRANTS

	2008 £'000	2007 £'000
Full-time Home and EU students	25,705	23,364
Part-time Home and EU students	8,475	8,106
Non-EU students	19,716	20,907
	<u>53,896</u>	<u>52,377</u>
Research Training Support Grant	32	6
Non credit bearing courses	2,785	3,438
	<u>56,713</u>	<u>55,821</u>

In 2007 non-EU students included an amount of £613k which was derived from international collaborations in Asia.

7. RESEARCH GRANTS AND CONTRACTS

	2008 £'000	2007 £'000
Income		
Government departments	3,307	3,753
Research councils	927	1,244
UK based charities	380	466
European Commission	637	914
Other bodies	803	618
	<u>6,054</u>	<u>6,995</u>
Expenditure		
Staff costs	2,687	2,690
Other operating expenses	3,331	4,009
	<u>6,018</u>	<u>6,699</u>
Surplus	<u>36</u>	<u>296</u>

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER INCOME

	2008	2007
	£'000	Restated £'000
Residences, catering and conferences	7,454	8,156
Recreation	550	389
Rents and lettings	1,828	1,240
Photocopier income	196	332
Sundry sales	360	260
Miscellaneous	3,419	3,445
Donations	9,296	1,370
Release of non- HEFCE deferred capital grants (note 25)	1,025	138
	<u>24,128</u>	<u>15,330</u>

Miscellaneous income includes £26k (2007: £50k) derived from activities in the Middle East.

In 2008 donations includes £6,050k following the transfer of the beneficial interest in a number of halls of residence from the Quintin Hogg Trust, a related party (note 35).

9. ENDOWMENT AND INVESTMENT INCOME

	2008	2007
	£'000	£'000
Income from expendable endowments (note 26)	23	7
Income from short-time investments	1,894	1,576
	<u>1,917</u>	<u>1,583</u>

NOTES TO THE FINANCIAL STATEMENTS

10. EXPENDITURE BY ACTIVITY

	2008			2007 Restated		
	Staff Costs	Other Operating Expenses	Total	Staff Costs	Other Operating Expenses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	63,635	9,400	73,035	60,234	9,682	69,916
Academic support services	4,720	4,494	9,214	4,543	4,023	8,566
Research	2,687	3,331	6,018	2,690	4,009	6,699
Administration and central services	13,703	11,956	25,659	12,846	14,446	27,292
Premises	2,742	13,990	16,732	2,591	18,797	21,388
Residences and catering	1,075	5,686	6,761	1,081	7,524	8,605
Other expenditure	2,508	19	2,527	975	7	982
	91,070	48,876	139,946	84,960	58,488	143,448

Other expenditure includes £1,109k (2007: £939k) in respect of FRS17 adjustments to staff costs.

During the year two schools at the university implemented a recovery plan in order to address a decline in student numbers for their courses. One of the elements in the plan was a rationalisation of the staffing of the two schools, which was effected by a programme of voluntary early retirements and voluntary severances. The total shown for other expenditure staff costs includes an amount of £1,399k which relates to voluntary severance payments arising as a result of this programme.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

11. INTEREST PAYABLE

	2008 £'000	2007 £'000
Promissory note	1,524	1,535
Net interest cost on pension scheme liabilities (note 34)	516	723
Bank loans repayable after 5 years	286	-
	<u>2,326</u>	<u>2,258</u>

12. DEPRECIATION

	2008 £'000	2007 £'000
The depreciation charge has been funded by:		
Release of deferred capital grants	2,078	1,136
Release of revaluation reserve	510	510
General income	1,757	1,815
	<u>4,345</u>	<u>3,461</u>

13. INFORMATION REGARDING EMPLOYEES

	2008 £'000	2007 £'000
(a) Employee costs		
Wages and salaries	74,611	70,150
Social security costs	6,207	5,782
Other pension costs	10,252	9,028
	<u>91,070</u>	<u>84,960</u>

NOTES TO THE FINANCIAL STATEMENTS

13. INFORMATION REGARDING EMPLOYEES (continued)

	2008 No.	2007 No.
(b) Average number of people employed by the group in the year, expressed as full-time equivalents, was:		
Teaching and research staff	877	870
Visiting lecturers	169	158
Support staff	881	853
	<u>1,927</u>	<u>1,881</u>
(c) Emoluments of higher paid staff (excluding Governors)	No.	No.
The following staff received emoluments of £100,000 or over		
£100,000 - £109,999	3	2
£110,000 - £119,999	-	1
£120,000 - £129,999	3	1
	<u>6</u>	<u>4</u>

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

14. EMOLUMENTS OF GOVERNORS

	2008 £'000	2007 £'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)	409	471
(b) The emoluments of the chairman and executive Governors are:		
Chairman: Dr T Wright	-	-
Highest paid Governor: Professor G Petts, Vice-Chancellor and Rector (2007 Dr G M Copland):		
Remuneration	205	208
Pension contributions	26	26
Total emoluments	<u>231</u>	<u>234</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.

Four executive governors (2007: five) are members of the University's defined benefit pension scheme and accrued benefits during the year under that scheme.

NOTES TO THE FINANCIAL STATEMENTS

15. TAXATION

Factors affecting tax charge for the current period

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 29.33% (last period 30%). The differences are explained below:

	2008 £'000	2007 £'000
Consolidated surplus/(deficit) on ordinary activities	6,976	(4,344)
Surplus/(deficit) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007: 30%):	2,047	(1,303)
Effects of:		
- Expenses not deductible for tax purposes	-	58
- Capital allowances in excess of depreciation	1	455
- Carried forward tax losses	(34)	37
- Non-taxable (profit) /loss	(2014)	753
Current tax credit/(charge) for the year	-	-

Factors that may affect future tax charge

There is a deferred tax asset which has not been recognised as it is not expected to crystallise in the future. The amount of the asset not recognised is £481,306 (2007: £550,013 liability).

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

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

	2008 £'000	2007 £'000
Auditors remuneration:		
audit fee University	38	35
Subsidiary Companies	12	11
non-audit services	26	39
Operating lease rentals:		
property rents	4,471	5,041
Depreciation:		
owned assets	4,007	3,154
leased assets	338	307

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

17. EXCEPTIONAL ITEMS

	2008 £'000	2007 £'000
Exceptional adjustment arising on the destruction of fixed assets by fire	848	(1,366)
Loss arising on disposal of fixed asset investment	-	(36)
Exceptional expenditure	(6,074)	-
Exceptional income	6,074	-
	<u>848</u>	<u>(1,402)</u>

On 30 June and 2 July 2007 the University suffered fires at Harrow 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 and to date has received interim payments on account totalling £4.5m from the insurers which has been off set against costs incurred of £6.1m in the year ended 31 July 2008. The shortfall between the expenditure incurred to date and insurance receipts has been accrued up to the value of incurred costs in the year ended 31 July 2008 in anticipation of further income receivable from the insurance company, on settlement of the final claim. Accordingly exceptional income is reported as £6.1m. The reported exceptional adjustment arises on consolidation, there is no cash flow impact arising from this adjustment (refer note 31).

18. SURPLUS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the income and expenditure account of the parent company is not presented as part of these accounts. The parent company's surplus for the financial year amounted to £6.104m (2007: £3.469m deficit).

The parent company's surplus/(deficit) for the financial year includes exceptional losses of £nil (2007 £0.716m), which may be analysed as follows:

	2008 £'000	2007 Restated £'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 17)	-	1,366
	<u>-</u>	<u>716</u>

NOTES TO THE FINANCIAL STATEMENTS

19. TANGIBLE ASSETS

(a) The Group

Cost or Valuation	Freehold land and buildings £'000	Leasehold buildings and 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 2007	112,831	9,455	842	2,849	140	816	49	126,982
Additions	55,329	1,330	8,296	211	-	259	-	65,425
Exceptional item (refer note 17)	638	-	-	-	-	-	-	638
At 31 July 2008	168,798	10,785	9,138	3,060	140	1,075	49	193,045
Accumulated depreciation								
At 1 August 2007	19,808	3,091	-	1,750	57	544	36	25,286
Charge for the year	3,084	338	-	583	28	299	13	4,345
Exceptional item (refer note 17)	(210)	-	-	-	-	-	-	(210)
At 31 July 2008	22,682	3,429	-	2,333	85	843	49	29,421
Net book value at 31 July 2008	146,116	7,356	9,138	727	55	232	-	163,624
Net book value at 31 July 2007	93,023	6,364	842	1,099	83	272	13	101,696
Inherited	32,924	1,298	-	-	-	-	-	34,222
Financed by capital grant	24,110	2,511	-	600	-	-	-	27,222
Other	89,082	3,547	9,138	127	55	232	-	102,180
Net book value at 31 July 2008	146,116	7,356	9,138	727	55	232	-	163,624

On 4 April 2008, the Quintin Hogg Trust transferred the beneficial interest in five halls of residence (comprised of one leasehold and four freehold buildings) to the University (refer to Related Party Transactions note 35).

The halls of residence buildings were valued as at the date of transfer by Philip Hillman FRICS. The valuation was executed using an existing use value for accounts purposes.

NOTES TO THE FINANCIAL STATEMENTS

19. TANGIBLE ASSETS (continued)

(b) The University

Cost or Valuation	Freehold land and buildings £'000	Leasehold buildings and 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 2007	98,768	9,455	842	2,849	-	802	49	112,765
Additions	55,330	1,330	8,296	211	-	259	-	65,426
At 31 July 2008	154,098	10,785	9,138	3,060	-	1,061	49	178,191
Accumulated depreciation								
At 1 August 2007	11,360	3,091	-	1,750	-	536	36	16,773
Charge for the year	2,793	338	-	583	-	294	13	4,021
Disposals	-	-	-	-	-	-	-	-
At 31 July 2008	14,153	3,429	-	2,333	-	830	49	20,794
Net book value at 31 July 2008	139,945	7,356	9,138	727	-	231	-	157,397
Net book value at 31 July 2007	87,408	6,364	842	1,099	-	266	13	95,992
Inherited	32,924	1,298	-	-	-	-	-	34,222
Financed by capital grant	22,102	2,511	-	600	-	-	-	25,213
Other	84,919	3,547	9,138	127	-	231	-	97,962
Net book value at 31 July 2008	139,945	7,356	9,138	727	-	231	-	157,397

NOTES TO THE FINANCIAL STATEMENTS

19. TANGIBLE ASSETS (continued)

(c) The Group and the University

	The Group		The University	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
(i) Analysis of land and buildings at cost or valuation: At cost	142,590	86,623	134,662	79,332
Revaluation increase	26,208	26,208	19,436	19,436
At valuation: 31 July 1995	<u>168,798</u>	<u>112,831</u>	<u>154,098</u>	<u>98,768</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	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
(ii) If freehold land and buildings had not been revalued, they would have been included at the following amounts:				
Cost	142,590	86,623	134,662	79,332
Aggregate depreciation	(15,955)	(13,351)	(8,921)	(6,489)
Net book value	<u>126,635</u>	<u>73,272</u>	<u>125,741</u>	<u>72,843</u>

(iii) The value of freehold land and buildings includes £27.254 million in respect of land that is not depreciated (2007: £5.704 million).

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

20. FIXED ASSET INVESTMENTS

	The Group		The University	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
COST				
Share in subsidiary undertakings:				
At 1 August	-	-	1	10,414
Additions	-	-	-	-
Subsidiary placed into members' voluntary liquidation	-	-	-	(10,413)
At 31 July	-	-	1	1
Other shareholdings:				
At 1 August	256	181	256	181
Additions	110	75	100	75
At 31 July	366	256	356	256
Total cost	366	256	357	257
PROVISION FOR IMPAIRMENT IN VALUE				
At 1 August and 31 July	(144)	(144)	(144)	(144)
NET BOOK VALUE	222	112	213	113

(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 ending 31 July 2007 Klenzyme was liquidated.

(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 (2007 £nil).

(4) During the year ending July 2007 the University and Group invested £75k in Hypha Discovery Ltd, an unquoted company and acquired 357,143 Ordinary 0.0001 pence shares. In 2008 a further purchase of 428,660 Ordinary shares was made at a cost of £100k. At 31 July 2008 the University holds 20.99 per cent of the issued share capital of Hypha Discovery Ltd and represents a participating interest with no significant influence exercised over the company.

(5) The additions in the Group for the year include an investment of £10k in the Charities Official Investment Fund held by the University of Westminster Prize and Scholarship Fund, which became part of the Group during the year, as stated below.

NOTES TO THE FINANCIAL STATEMENTS

20. FIXED ASSET INVESTMENTS (continued)

The following companies and Trust were all held as investments by the University of Westminster on 31 July 2008. They are all subsidiary undertakings of the University and all 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 Prize and Scholarships Fund	100	Advancement of education by the awarding of prizes and scholarships tenable at the University of Westminster

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

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

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

During the year ending 31 July 2007, the University placed Polytechnic of Central London Ltd, a former subsidiary into members' voluntary liquidation. The balance of the proceeds from the liquidation were received during the financial year 2008.

On 28 November 2007, following Charity Commission consent, the Trustees of the University of Westminster Prize and Scholarships Fund used their power of amendment as contained in the Fund Scheme to appoint the University of Westminster as the sole Trustee of the fund.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

21. ENDOWMENT ASSET INVESTMENTS

	The Group		The University	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Investments				
Market value at 1 August	269	122	269	122
Group acquisition of University of Westminster Prize and Scholarship Fund	508	-	-	-
Depreciation in the value of endowment asset investments	(58)	-	-	-
Increase in cash balances	136	147	1	147
Balance at 31 July	855	269	270	269
Fixed interest stocks	2	-	-	-
Charities Official Investment Fund	313	-	-	-
Cash	540	269	270	269
Total endowment asset investments	855	269	270	269

22. DEBTORS

	The Group		The University	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Amounts falling due within one year:				
HEFCE	37	36	37	36
Trade and sundry debtors	4,173	5,665	2,966	4,480
Amounts owed by subsidiary companies	-	-	71	118
Other debtors	956	1,639	952	1,635
Prepayments and accrued income	4,649	3,474	4,761	3,237
Total debtors	9,815	10,814	8,787	9,506

NOTES TO THE FINANCIAL STATEMENTS

23. INVESTMENTS HELD AS CURRENT ASSETS

	The Group		The University	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Short term deposits	24,445	19,023	19,160	15,023
Equities at valuation at 31 July	1	2	1	2
	<u>24,446</u>	<u>19,025</u>	<u>19,161</u>	<u>15,025</u>

Equities consist of the following:

At 31 July 2008 the University held 209 shares in HBOS plc (2007: 209 shares), with a market value at that date of £607 (2007: £2,027).

The Group also holds £494 of 12% Exchequer stock, the market value of which was £658 as at 31 July 2008 (2007: £667).

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

24. CREDITORS

	The Group		The University	
	2008	2007	2008	2007
	£'000	Restated £'000	£'000	Restated £'000
Amounts falling due within one year:				
Trade creditors	7,648	6,077	7,429	5,897
Bank and other borrowings – promissory note	281	195	-	-
Access funds (see note 27)	99	136	99	136
Taxation and social security	2,058	1,936	1,965	1,881
Provision for enhanced future pensions	111	109	111	109
Other creditors	6,098	6,904	3,881	4,038
Amounts due to subsidiary undertakings	-	-	1,241	843
Accruals and deferred income	12,984	10,686	9,766	8,229
	<u>29,279</u>	<u>26,043</u>	<u>24,492</u>	<u>21,133</u>
Amounts falling due between one and two years:				
Bank and other borrowings – promissory note	373	281	-	-
Provision for enhanced future pensions	111	109	111	109
	<u>484</u>	<u>390</u>	<u>111</u>	<u>109</u>
Amounts falling due between two and five years:				
Bank and other borrowings – promissory note	1,789	1,440	-	-
Bank and other borrowings – other loan	602	-	602	-
Provision for enhanced future pensions	332	218	332	218
	<u>2,723</u>	<u>1,658</u>	<u>934</u>	<u>218</u>
Amounts falling due over five years:				
Bank and other borrowings – promissory note	13,342	14,063	-	-
Bank and other borrowings – other loan	14,898	-	14,898	-
Provision for enhanced future pensions	1,197	1,260	1,197	1,260
Amounts due to subsidiary undertakings	-	-	13,992	14,191
	<u>29,437</u>	<u>15,323</u>	<u>30,087</u>	<u>15,451</u>
Total due after more than one year	<u>32,644</u>	<u>17,371</u>	<u>31,132</u>	<u>15,778</u>
Total creditors	<u>65,263</u>	<u>43,414</u>	<u>55,624</u>	<u>36,911</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.

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

NOTES TO THE FINANCIAL STATEMENTS

25. DEFERRED CAPITAL GRANTS

(a) The Group

	Buildings HEFCE	Equipment HEFCE	Buildings Other grants	Total £'000
Balance at 1 August 2007	20,864	860	6,462	28,186
Grants received	-	226	35,110	35,336
	<u>20,864</u>	<u>1,086</u>	<u>41,572</u>	<u>63,522</u>
Release to income and expenditure account	(568)	(485)	(1,025)	(2,078)
Balance at 31 July 2008	<u>20,296</u>	<u>601</u>	<u>40,547</u>	<u>61,444</u>

(b) The University

	Buildings HEFCE	Equip HEFCE	Buildings Other grants	Total £'000
Balance at 1 August 2007	18,801	860	6,462	26,123
Grants received	-	226	35,110	35,336
	<u>18,801</u>	<u>1,086</u>	<u>41,572</u>	<u>61,459</u>
Release to income and expenditure account	(514)	(485)	(1,025)	(2,024)
Balance at 31 July 2008	<u>18,287</u>	<u>601</u>	<u>40,547</u>	<u>59,435</u>

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

26. ENDOWMENTS

(a) The Group

	Restricted expendable £'000	Restricted permanent £'000	Total £'000
Balance at 1 August 2007	269	-	269
Additions	109	-	109
Group acquisition of University of Westminster Prize and Scholarship Fund	124	508	632
Depreciation of endowment asset investments	-	(58)	(58)
Income for year	23	-	23
Qualifying expenditure	(120)	-	(120)
Balance at 31 July 2008	405	450	855

(b) The University

	Restricted expendable £'000	Restricted permanent £'000	Total £'000
Balance at 1 August 2007	269	-	269
Additions	107	-	107
Depreciation of endowment asset investments	-	-	-
Income for year	12	-	12
Qualifying expenditure	(118)	-	(118)
Balance at 31 July 2008	270	-	270

27. ACCESS FUNDS FOR STUDENTS

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

	2008 £'000	2007 £'000
At 1 August	136	6
Received	567	771
Interest accrued	15	18
Distributed	(619)	(659)
At 31 July	99	136

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

NOTES TO THE FINANCIAL STATEMENTS

28. RECONCILIATION OF MOVEMENTS ON RESERVES

(a) The Group

	Revaluation Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total Reserve £'000
Balance at 1 August 2007	26,587	41,120	(26,717)	40,990
Prize and Scholarship Fund	-	1,230	-	1,230
Surplus for the year	-	8,698	(1,625)	7,073
Actuarial loss in respect of pension scheme	-	-	(7,892)	(7,892)
Transfer for depreciation relating to revaluation	(510)	510	-	-
Balance at 31 July 2008	26,077	51,558	(36,234)	41,401

(b) The University

	Revaluation Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total Reserve £'000
Balance at 1 August 2007	22,595	41,595	(26,717)	37,473
Surplus for the year	-	7,729	(1,625)	6,104
Actuarial loss in respect of pension scheme	-	-	(7,892)	(7,892)
Transfer for depreciation relating to revaluation	(390)	-	390	-
Balance at 31 July 2008	22,205	49,714	(36,234)	35,685

In previous years the University and Group have both reported separate balances for the Specific Reserve which recognised the accumulated surpluses and deficits on research grants and contracts and international activities. In accordance with the SORP, this internally designated fund has been absorbed into the Revenue Reserve.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL COMMITMENTS

Operating leases

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

	Land and Buildings 2008 £'000	Land and Buildings 2007 £000
Leases which expire:		
After 5 years	<u>3,565</u>	<u>5,140</u>

30. CAPITAL AND OTHER FINANCIAL COMMITMENTS

Capital expenditure authorised and contracted for but not provided in the accounts amounts to £1.180m for the Group and University (2007: £10.357m).

Contracts placed for future expenditure not provided in the accounts in respect of other financial commitments amount to £1.244m for the Group and University (2007: £0.553m).

31. RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO NET CASH FROM OPERATING ACTIVITIES

	2008 £'000	2007 £'000
Surplus/(deficit) from Operating Activities	6,976	(4,344)
Depreciation (note 12)	4,345	3,461
Receipt of donated land (note 35)	(6,050)	-
Deferred capital grants released to income (note 25)	(2,078)	(1,136)
Investment income (note 9)	(1,917)	(1,583)
Interest payable (note 11)	1,810	1,535
Decrease in debtors	1,010	6,619
Increase/(decrease) in creditors	3,202	(7,106)
Endowment transfer	97	116
Exceptional adjustment relating to fixed assets destroyed by fire (note 17)	(848)	1,366
Net pension cost	1,625	1,662
Net Cash Inflow from Operating Activities	<u>8,172</u>	<u>590</u>

NOTES TO THE FINANCIAL STATEMENTS

32. ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2007 £'000	Cash Flows £'000	Other Changes £'000	At 31 July 2008 £'000
Cash at bank and in hand:				
Endowment assets	269	12	259	540
Other	7,660	(5,976)	1,211	2,895
	<u>7,929</u>	<u>(5,964)</u>	<u>1,470</u>	<u>3,435</u>
Liquid Resources:				
Current asset investment	2	-	(1)	1
Short term deposits	19,023	5,422	-	24,445
	<u>19,025</u>	<u>5,422</u>	<u>(1)</u>	<u>24,446</u>
Debt:				
Loans due within one year	(195)	(86)	-	(281)
Loans due after more than one year	(15,784)	(15,220)	-	(31,004)
	<u>(15,979)</u>	<u>(15,306)</u>	<u>-</u>	<u>(31,285)</u>
Net debt	<u>10,975</u>	<u>(15,848)</u>	<u>1,469</u>	<u>(3,404)</u>

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

33. PRIOR YEAR ADJUSTMENT

During the year ended 31 July 2008 the University adopted the requirements of the Statement of Recommended Practice: Accounting for Further and Higher Education (2007) relating to accounting for charitable donations. Under the provisions of FRS3 this constituted a change in accounting policy and was therefore accounted for as a prior year adjustment in 2008. The effect of the prior year adjustment on the position previously reported at 31 July 2007 is set out below.

	2007 Previously reported £'000	Prior year adjustment £'000	2007 Restated £'000
Income and expenditure account:			
Total income	146,352	(127)	146,225
Total expenditure	(149,178)	11	(149,167)
Deficit after depreciation of assets at valuation and tax	(2,826)	(116)	(2,942)
Exceptional items	(1,402)	-	(1,402)
Deficit for the financial year	(4,228)	(116)	(4,344)
Deficit for the year transferred to accumulated income in endowment funds	-	116	116
Deficit for the year retained within general reserves	(4,228)	-	(4,228)
Statement of total recognised gains and losses			
Deficit on continuing operations after depreciation of assets at valuation and exceptional items and tax	(4,228)	-	(4,228)
Endowments income	-	7	7
Endowments withdrawn	-	(123)	(123)
New endowments	-	263	263
Actuarial gain in respect of pension scheme	10,079	-	10,079
Total recognised gains relating to the year	5,851	147	5,998

NOTES TO THE FINANCIAL STATEMENTS

33. PRIOR YEAR ADJUSTMENT (continued)

	2007 Previously reported £'000	Prior year adjustment £'000	2007 Restated £'000
Consolidated balance sheet:			
Fixed assets	101,808	-	101,808
Endowment assets	-	269	269
Current assets	37,768	(269)	37,499
Current liabilities	(26,312)	269	26,043
Long term liabilities	(17,371)	-	(17,371)
Pension liability	(26,717)	-	(26,717)
Net assets	<u>69,176</u>	<u>269</u>	<u>69,445</u>
Deferred capital grants	28,186	-	28,186
Endowments	-	269	269
Reserves	40,990	-	40,990
Total reserves	<u>69,176</u>	<u>269</u>	<u>69,445</u>
University balance sheet			
Fixed assets	96,105	-	96,105
Endowment assets	-	269	269
Current assets	31,388	(269)	31,119
Current liabilities	(21,402)	269	(21,133)
Long term liabilities	(15,778)	-	(15,778)
Pension liability	(26,717)	-	(26,717)
Net assets	<u>63,596</u>	<u>269</u>	<u>63,865</u>
Deferred capital grants	26,123	-	26,123
Endowments	-	269	269
Reserves	37,473	-	37,473
Total reserves	<u>63,596</u>	<u>269</u>	<u>63,865</u>
Consolidated cash flow statement			
Net cash flow from operating activities	744	(147)	597
Returns on investment and servicing of finance	41	7	48
Capital expenditure and financial investment	(680)	140	(540)
Cash outflow before management of liquid resources and financing	105	-	105
Management of liquid resources	1,553	-	1,553
Financing	(127)	-	(127)
Increase in cash	<u>1,531</u>	<u>-</u>	<u>1,531</u>

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

34. PENSION COSTS

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

Teachers' Pension Scheme (England and Wales)

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

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

The following actuarial assumptions were applied:

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

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

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

It is not possible to identify the University's share of the underlying assets and liabilities of TPS. Therefore contributions are accounted for as if TPS were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8-12 of FRS17. In the year ending 31 July 2008 contributions by the Group to the scheme were £4,758,519 (2007: £4,398,970).

NOTES TO THE FINANCIAL STATEMENTS

34. PENSION COSTS (continued)

London Pensions Fund Authority

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

The valuation used for FRS17 disclosures has been based on the most recent actuarial valuation at 31 March 2007 and updated by Hymans Robertson to take account of the requirements of FRS17 in order to assess the liabilities of the scheme as at 31 July 2008. The next formal valuation is due as at 31 March 2010.

The financial assumptions used by the actuary for the funding valuation under FRS17 as at 31 July 2008 were:

Assumptions as at:	2008 % per annum	2007 % per annum
Expected Return on Assets	7.2	7.4
Salary increases	5.3	4.8
Pension increases	3.8	3.3
Discount rate	6.7	5.8

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

	2008
Current pensioners	
Males	19.6 years
Females	22.5 years
Future pensioners	
Males	20.7 years
Females	23.6 years

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

34. PENSION COSTS (continued)

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

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

Assets (Active fund)	Long term rate 2008 % per annum	Fund value 2008 £'000	Long term rate 2007 % per annum	Fund value 2007 £'000	Long term rate 2006 % per annum	Fund value 2006 £'000
Equities	7.6	36,981	7.9	39,761	7.6	34,067
Target return funds	6.3	12,400	6.6	14,132	6.3	10,744
Alternative assets	6.8	14,073	7.0	8,634	6.7	6,638
Cash	4.8	(243)	5.1	2,066	4.8	4,387
Total		<u>63,211</u>		<u>64,593</u>		<u>55,836</u>

NOTES TO THE FINANCIAL STATEMENTS

34. PENSION COSTS (continued)

The University's net pension assets were as follows:

Net pension assets as at	2008 £'000	2007 £'000
Estimated asset share (a)	63,211	64,593
Present value of scheme liabilities	(93,304)	(85,709)
Present value of unfunded liabilities	(6,141)	(5,601)
Total value of liabilities (b)	(99,445)	(91,310)
Deficit in the scheme (a) – (b)	(36,234)	(26,717)

Analysis of amounts charged to income and expenditure account:

	2008 £'000	2007 £'000
Current service cost	3,484	4,145
Past service cost	1,083	-
Impact of curtailments and settlements	91	-
Total operating charge	4,658	4,145
Financing:		
- expected return on pension assets	(4,863)	3,989
- interest on pension scheme liabilities	5,379	4,712
Net return	516	723

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

	2008 £'000	2007 restated £'000
Actual return less expected return on pension scheme assets	(8,034)	2,858
Experience gains and (losses) arising on the scheme liabilities	289	(144)
Changes in assumptions underlying the present value of the scheme liabilities	(147)	7,365
Total actuarial (loss)/gain recognised	(7,892)	10,079

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

34. PENSION COSTS (continued)

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

	2008 £'000	2007 £'000
Opening defined benefit obligation	91,310	90,970
Current service cost	3,484	4,145
Interest cost	5,379	4,712
Contributions by members	1,497	1,310
Actuarial gains	(142)	(7,221)
Past service costs	1,083	-
Losses on curtailments	91	-
Estimated unfunded benefits paid	(436)	(439)
Estimated benefits paid	(2,821)	(2,167)
Closing defined benefit obligation	<u>99,445</u>	<u>91,310</u>

Analysis of movement in the market value of the scheme assets:

	2008 £'000	2007 £'000
Opening fair value of employer assets	64,593	55,836
Expected return on assets	4,863	3,989
Contributions by members	1,497	1,310
Contributions by the employer	3,113	2,767
Contributions in respect of unfunded benefits	436	439
Actuarial gains/(losses)	(8,034)	2,858
Estimated unfunded benefits paid	(436)	(439)
Estimated benefits paid	(2,821)	(2,167)
Closing fair value of employer assets	<u>63,211</u>	<u>64,593</u>

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

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

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

The employer's contribution was increased from 13.90% to 15.00% with effect from 1 April 2008.

NOTES TO THE FINANCIAL STATEMENTS

34. PENSION COSTS (continued)

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

	2008	2007	2006	2005 (as restated)	2004
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets	(8,034)	2,858	2,246	5,004	25
Value of assets	63,211	64,593	55,836	48,634	42,145
Percentage of assets	(12.7%)	4.4%	4.0%	10.3%	0.1%
Experience gains/(losses) on liabilities	289	(144)	(27)	3,943	(51)
Present value of liabilities	(99,445)	(91,310)	(90,970)	(81,230)	(65,494)
Percentage of the present value of liabilities	(0.3%)	(0.2%)	(0.0%)	(4.9%)	(0.1%)
Actuarial gain/(loss) recognised in the STRGL	(7,892)	10,079	(1,114)	(8,386)	(108)
Percentage of the present value of liabilities	7.9%	11.0%	(1.2%)	(10.3%)	(0.2%)

In the year ending 31 July 2008, contributions by the Group to the scheme were £3,300,000 (2007: £2,767,000).

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

34. PENSION COSTS (continued)

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 FRS 17 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 FRS 17. In the year ending 31 July 2008, contributions by the Group to the scheme were £3,109 (2007: £2,981).

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 per cent 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.

NOTES TO THE FINANCIAL STATEMENTS

34. PENSION COSTS (continued)

Superannuation Arrangements of the University of London

Following this consultation, the Employers have agreed to contribute 13.0 per cent of salaries from August 2006 (currently 10.5 per cent of salaries), an increase of 2.5 per cent of salaries. Member contributions are also to increase, by 1.0 per cent of salaries to 6.0 per cent 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 per cent 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 2009 when the above rates will be reviewed.

Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate 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.

Because of the mutual nature of the scheme, 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.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

34. PENSION COSTS (continued)

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

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.

NOTES TO THE FINANCIAL STATEMENTS

34. PENSION COSTS (continued)

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 level of the scheme has undergone considerable volatility. The actuary has estimated that the funding level had increased to 91% at 31 March 2007 but that at 31 March 2008 it had fallen back to 77%. This fluctuation in the scheme's funding level is due to a combination of the volatility of the investment returns on the scheme's assets in the period since 31 March 2005 compared to the returns allowed for in the funding assumptions and also the changing gilt yields, which are used to place a value on the scheme's liabilities. These estimated funding levels are based on the funding levels at 31 March 2005, adjusted to reflect the fund's actual investment performance and changes in gilt yields (ie the valuation rate of interest). On the FRS17 basis, using a AA bond discount rate of 6% based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%. An estimate of the funding level measured on a buy-out basis was approximately 78%.

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, on the advice of the actuary, 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 below:

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.

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

34. PENSION COSTS (continued)

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 £475,450 (2007: £390,442). This includes £24,164 (2007: £34,098) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries.

35. RELATED PARTY TRANSACTIONS

In 2007 three separate charitable trusts existed 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 2007 financial year.

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

In November 2007, following Charity Commission consent, the Trustees of the University of Westminster Prize and Scholarship Fund used their power of amendment as contained in the Fund Scheme to appoint the University of Westminster as sole Trustee of the Fund. Accordingly in 2008 the University of Westminster Prize and Scholarship Fund is treated as a fixed asset investment and results for the year are consolidated into the Group (refer note 20). There were no related party transactions with this Fund during the year ended 2007.

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY TRANSACTIONS (continued)

Following the above amendment there are now two separate charitable trusts which exist for the benefit of the students and who are treated as Related Parties. One of the six Trustees of these trusts was also a Governor of the University during the 2008 financial year. The material transactions that have taken place during the financial year and the balances at the year end are as follows:

	2008 £'000	2007 £'000
Quintin Hogg Trust:		
Rent payable to Trust – academic buildings	(2,607)	(2,553)
Rent payable to Trust – halls of residence	(1,378)	(1,962)
Donations received by University recognised in the income and expenditure accounts	2,725	1,162
Donation received by University, included as deferred income in the accounts	191	-
Donation of leasehold halls of residence – at market value	1,330	-
Donation of freehold halls of residence – at market value	55,330	-
Contribution by University for halls of residence – bank loan	(15,500)	-
Donation of land, net of contribution, recognised as donations	6,050	-
Deferred capital grants – donated buildings at market value	(35,110)	-
Amounts owed (by)/to University by related party:		
- other amounts	23	(19)
The Quintin Hogg Memorial Fund:		
Rent payable to Trust	(56)	(73)
Donation received by University	19	169
Amounts owed to University by related party:		
- balance of disposal proceeds	109	165
Disclosed as other debtors in the accounts	109	165
- donation approved but not paid to the University	-	611
Disclosed as accrued income in the accounts	-	611

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.

