

UNIVERSITY OF WESTMINSTER



# Financial Statements

for the year ended 31 July 2005

**The University of Westminster**  
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Internal ref: 3293\_12/05 KB/Gemini



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# UNIVERSITY OF WESTMINSTER

## REPORT AND FINANCIAL STATEMENTS For the year ended 31 July 2005

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## UNIVERSITY OF WESTMINSTER

### CHAIRMAN'S STATEMENT

On behalf of the Court of Governors and Board of Directors, I am pleased to report, in this my first Chairman's Statement, another successful year for the University. Higher education continues to change at a rapid pace and I am encouraged by the positive reaction of the University. The new tuition fee and funding system beginning next year will bring new challenges and opportunities but I am confident Westminster is preparing well.

A key strategic goal of improving our students' experience with us is vital as we move to this changed higher education market. Another vital objective is the continuing development of new courses which enable our graduates to hit the ground running in the jobs market and which meet the need for professional development of those already working.

The University continues to meet its targets for student recruitment and widening participation while maintaining quality standards. What is particularly pleasing is our continuing success in international markets, where the University's reputation is one of which we can all be proud. The award of a second successive Queen's Award for Enterprise (International Trade) in April recognises our profile in delivering both education and consultancy services around the globe. Increasing collaboration with business and other agencies, both overseas and within the UK, is another major strategic goal.

Our success in international markets is one of the contributing factors to this year's satisfactory financial results. The historical cost surplus for the year was £5.12m (2004: £4.07m), on a total income of £129.0m (2004: £124.5). I am satisfied that the balance sheet continues to be robust.

We have continued to develop Westminster's buildings whilst carefully controlling our debt. The new Copland Building - named in honour of our Vice-Chancellor - was officially opened in March by the then higher education minister Dr Kim Howells. Ongoing work on new social spaces signals the final chapter in the redevelopment of the Cavendish Campus, while new halls of residence at the Harrow Campus are also an indication of the continuing drive to improve our accommodation for students and staff.

My first year as Chairman of the Court has coincided with the retirement of a number of our governors and I would wish to thank them all for their valuable contributions. I am pleased that we have appointed their replacements and that these new governors bring a wealth of new experience to what is now a full-strength Court. In particular I would like to thank the retiring Chairman, Sir Alan Thomas, for all of his very valuable contributions over many years to the success of the University. Finally, I would like to thank the Vice-Chancellor and all University staff for the enthusiasm and hard work that is helping us to build on Westminster's distinguished past by looking so confidently to the future.

**Dr Terence Wright**

November 2005

## UNIVERSITY OF WESTMINSTER

### VICE-CHANCELLOR'S REPORT

The year since my last Financial Statements report has seen the 2004 Higher Education Act reach the statute book, heralding a new financial reality for the sector. Variable tuition fees will result in Westminster, like most universities, setting undergraduate full-time home and EU fees at £3,000 from September 2006.

New student funding arrangements, including loans, grants and university bursaries and scholarships, should mean greater opportunity for those from financially disadvantaged backgrounds to study.

However, there are fears that this message is not getting across. That is why I have been playing a full part in efforts by Universities UK, the body representing universities to government, to publicise the fact that these changes in fees and funding should not deter anyone from entering higher education. Indeed, the changes will offer improved financial arrangements for many as well as providing much-needed resources to help maintain standards of education at our universities.

Here at Westminster, the year has again been marked by royal recognition. We were awarded a second successive Queen's Award for Enterprise for our success in international markets. This award is greatly sought after and it is a tribute to our innovative and ethical work with overseas partners from around the world.

Continuing the pattern of recent years, the University has delivered another strong performance in the 166th year since we were founded as the Royal Polytechnic Institution.

Student numbers remained very stable last year, with around 23,800 people studying with us. Reflecting our international reputation for excellence, however, the percentage coming to us from overseas increased. It now constitutes around 20 per cent of our total. We have students representing 150 nations and are one of the 10 most popular UK universities for non-British students.

Our students have again proven their value in the marketplace: this year 83.4 per cent of our full-time, first degree graduates were in employment or further study six months after leaving us, a small but encouraging increase on last year's figure.

We also continued to make Westminster a byword for quality. Writing about the University, The Sunday Times noted "no modern university can beat its four world-class research ratings, covering media studies, law, Asian studies and linguistics". This was referring to our national rankings for research which carry an excellent rating of 5. In fact, no research area at the University is ranked lower than a 3b.

Another indication of this quality came with the Higher Education Funding Council decision in January to award us a grant of £4.5m over five years to establish a new Centre of Excellence in Teaching and Learning. This will develop best practice in professional learning for the work place that will then be disseminated across higher education. It builds on excellent work by three of our

## UNIVERSITY OF WESTMINSTER

### VICE-CHANCELLOR'S REPORT (continued)

schools - Biosciences, Integrated Health and Media Arts and Design - in developing work-based learning for students in specific courses.

Further evidence of our quality came in March with the completion of the Quality Assurance Agency (QAA) institutional audit. I am delighted to report that the QAA concluded "broad confidence can be placed in the soundness of the institution's current and likely future management of the quality of its academic programmes and the academic standards of its awards". This is the strongest endorsement that the QAA is permitted to deliver.

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

Contributing to this has been continuing progress on our estate. We exchanged contracts in July 2005 on Park Village East. This building was previously occupied by our subsidiary Policy Studies Institute, which moved into our new Copland Building in October 2005 on completion of the sale. This transaction gave rise to the exceptional profit of £2.481m recorded in the consolidated income and expenditure account, and further concentrates our activity on core sites.

None of our financial achievements would, however, have been possible without the commitment, enthusiasm and energy of our staff – I thank each and every one for their contribution during the year. With the University now facing up to the challenges of the new student fees and funding regime - heralding as it does a changed higher education marketplace – 2005-06 promises to be an exciting year. I look forward to success in these new challenges as we build on the strong base and robust performance summarised in these Statements.

Dr Geoffrey Copland

Vice-Chancellor and Rector

November 2005

## UNIVERSITY OF WESTMINSTER

### MISSION STATEMENT

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

## UNIVERSITY OF WESTMINSTER

(A Company Limited by Guarantee and an Exempt Charity)

## GENERAL INFORMATION

**Chairman of the Court of Governors***Dr Terence Wright MA DPhil CSci FRSC***Vice-Chancellor and Rector***Dr Geoffrey M. Copland MA(Oxon) DPhil(Oxon) CPhys FInstP FRSA***Company Secretary***Carole Mainstone MA MBA***Director of Finance***Philip Harding MSc FCMA***Auditors***KPMG LLP**1 Forest Gate**Brighton Road**Crawley**West Sussex**RH11 9PT***Bankers***National Westminster Bank plc**Lloyds TSB Bank plc**Societe Generale***Solicitors***Eversheds LLP**Mills & Reeve**Beachcroft Wansbroughs**Nabarro Nathanson***Registered Office***309 Regent Street**London**W1B 2UW***Registered Number***977818 England and Wales*

## UNIVERSITY OF WESTMINSTER

## COURT OF GOVERNORS

The following were Governors (Directors) of the University during the year ended 31 July 2005:

|                        | Appointed                                      | Resigned   |
|------------------------|--|------------|
| <b>Chairman</b>        | Sir Alan Thomas                                | 31.12.2004 |
|                        | Dr Terence Wright                              | 01.01.2005 |
| <b>Deputy Chairmen</b> | Mr D Lovett                                    |            |
|                        | Dr T Wright                                    | 31.12.2004 |
|                        | Ms C Allen                                     | 04.07.2005 |
|                        | Mr M Chambers                                  | 04.07.2005 |
|                        | Mr G Cole                                      |            |
|                        | Dr G Copland (Vice-Chancellor and Rector)      |            |
|                        | Ms M Grinfeld                                  | 28.02.2005 |
|                        | Mr D Haddock                                   | 28.02.2005 |
|                        | The Hon Dame Mary Hogg                         |            |
|                        | Cllr A Hooper                                  | 04.07.2005 |
|                        | Mr P Hopper                                    |            |
|                        | Dr M Kimberley                                 |            |
|                        | Mr P Kyle                                      |            |
|                        | Mr R Lane                                      |            |
|                        | Ms M Lee                                       |            |
|                        | Dr D Lloyd                                     | 03.11.2004 |
|                        | Ms I Macpherson                                |            |
|                        | Professor E Morgan-Tamosunas                   | 28.02.2005 |
|                        | Mr I Newton                                    |            |
|                        | Mr V Patel                                     | 04.07.2005 |
|                        | Professor K Phillips                           | 31.12.2004 |
|                        | Ms H Scott                                     |            |
|                        | Mr P Snell                                     | 29.10.2004 |
|                        | Mr R Sockett                                   | 31.12.2004 |
|                        | Mr M Staples                                   | 09.05.2005 |
|                        | Mr G Sutton                                    | 28.02.2005 |
|                        | Dr M Tyler (Deputy Vice-Chancellor and Rector) |            |
|                        | Dr S Walton                                    | 09.05.2005 |

## UNIVERSITY OF WESTMINSTER COURT OF GOVERNORS (continued)

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

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

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

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

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

**Mr David Haddock BSocSci** is Manager of the Admissions and Marketing Office at the Harrow Campus.

**The Hon Dame Mary Hogg DBE, FRSA** has an honorary LL.D 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.

**Councillor Angela Hooper CBE, DL** is a Westminster City Councillor and Chairman of Planning & City Development.

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

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

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

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

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

**Dr Donald Lloyd MSc, PhD, CEng** was Risk Services Director of Amersham plc and External Risk Management Advisor to two Research Councils.

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

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

## UNIVERSITY OF WESTMINSTER COURT OF GOVERNORS (continued)

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

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

**Mr Vinesh Patel** was the 2004/5 sabbatical President of the University of Westminster Students' Union.

**Professor Keith Phillips MA, PhD, AFBPS** is a Chartered Health Psychologist and Provost of the Harrow Campus at the University of Westminster. He was a staff representative as nominated by the Academic Council.

**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 Phillip Snell BA, MA, FRSA** retired Headmaster of Kingsbury High School. He is an advisor to the London Borough of Brent's Education Department, a consultant to the Institute of Education, and vice-president of the British Association of Local History.

**Mr Richard Sockett BSocSci, MSc** is a member of AUA. He is the undergraduate office manager at the Cavendish Campus.

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

**Mr Graham Sutton FRICS, IRRV** was a Partner in Freeth Melhuish Chartered Surveyors and a director of two property companies.

**Sir Alan Thomas BSc, FCMA, CEng, FIEE, CIMgt** was Chairman of the Court of Governors until 31 December 2004. He is chairman of Hyder Consulting plc, Three Valleys Water plc and Chelverton Asset Management Ltd. He was formerly President and CEO of Raytheon Europe International, a member of the Engineering Council and a director of Powergen plc.

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

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

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

## UNIVERSITY OF WESTMINSTER

### THE WORK OF THE COURT OF GOVERNORS

All Governors of the University are Directors of the Company. A list of Governors who served during the year to 31 July 2005 appears on page 7. None of the Governors had an interest in any contract which subsisted during the period of this report, other than those who are full-time members of staff and those associated with the transactions disclosed in note 32 (related party transactions) to the accounts.

The Court of Governors, which meets formally five times a year, currently comprises three executive and nineteen non-executive Governors with a clear separation of the roles of the non-executive chairman, Dr Terence Wright and the chief executive, Dr Geoffrey Copland (Vice-Chancellor and Rector). The Court 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 2005)

Mr Ian Newton (Chairman)  
Mr Mark Chambers  
Mr Godfrey Cole  
Mr Paul Hopper  
Dr Donald Lloyd

The Audit Committee meets at least four times a year and reviews the work of the external and internal auditors of the University. The Committee considers detailed reports on risk management, control, governance and value for money, together with recommendations for the improvement of the University's systems of internal control and management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England (HEFCE) and how they affect the University's business and monitors adherence with the regulatory requirements. It reviews the University's annual financial statements, together with the accounting policies. The Committee reports on its work to the Court of Governors. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee and the Committee does meet with the external auditors on their own for independent discussion.

## UNIVERSITY OF WESTMINSTER

### THE WORK OF THE COURT OF GOVERNORS (continued)

#### Finance and Property Committee (membership as at 31 July 2005)

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

This Committee meets at least four times a year and recommends to the Court of Governors the University's annual revenue and capital budgets (including the estates strategy) and monitors performance in relation to approved budgets. Furthermore, it also recommends to the Court the annual financial statements, having been satisfied that management is properly discharging its responsibilities to control and account for the income, expenditure and assets of the University in compliance with the guidelines of HEFCE and the applicable laws.

#### Personnel Committee

(membership as at 31 July 2005)

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

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

## UNIVERSITY OF WESTMINSTER

**THE WORK OF THE COURT OF GOVERNORS (Continued)****Remuneration Committee****(membership as at 31 July 2005)**

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

This Committee meets when appropriate to consider the framework for pay and conditions of staff; 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 2005)**

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

This Committee meets at least twice a year to make recommendations on the appointment of new Governors in accordance with procedures devised by the Committee and approved by the Court. It is responsible for the procedures for nominating individuals for the award of Honorary Degrees and Fellowships of the University, for considering nominations and making recommendations to the Court.

## UNIVERSITY OF WESTMINSTER

**CORPORATE GOVERNANCE STATEMENT**

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

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

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

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

## UNIVERSITY OF WESTMINSTER

### CORPORATE GOVERNANCE STATEMENT (Continued)

The Risk Management Policy, approved by the Court of Governors in October 2002, was reviewed and updated in May 2005. The policy requires the University to identify and assess the main risks to meeting the University's objectives; to assign an agreed order of priority to the risks; to focus attention and effort in accordance with that order of priority; and to put in place control systems to cover the risks. The Vice Chancellor's Executive Group is responsible for maintaining, reviewing and updating a Strategic Risk Register, which is approved by the Court of Governors. Individual members of the senior management team are assigned responsibility for developing, implementing and reporting on an action plan in relation to each of the risks in the Register.

The University's work on risk management during the year received a fully satisfactory audit opinion following review by the University's internal auditors. A formal report on the process was received by the Court of Governors in May 2005.

The Court of Governors is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks; that it has been in place throughout the year ending 31 July 2005 and up to the date of approval of the annual report and accounts; that it is regularly reviewed by the Court of Governors; and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for Higher Education.

## UNIVERSITY OF WESTMINSTER

### STATEMENT OF GOVERNORS' RESPONSIBILITIES

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

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

The Governors have taken reasonable steps to:

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

### EMPLOYEE PARTICIPATION

The University's committee structure ensures staff participation in the decision-making processes of the University. Meetings of the Joint Consultative and Negotiating Committees (with representation from management and trade unions) are held at frequent intervals. The Vice-Chancellor issues a regular briefing to all staff, providing information on the University's performance and plans, and a magazine is distributed to all employees.

## 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.

During the year ending 31 July 2005, the University has put in place an important staff development initiative entitled Respect for People, which aims to improve awareness and understanding of diversity issues in the workplace.

#### HEALTH AND SAFETY

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

#### INSURANCE FOR OFFICERS

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

#### AUDITORS

A resolution to reappoint KPMG as auditors for the year ending 31 July 2006 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  
12 December 2005

## UNIVERSITY OF WESTMINSTER

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

#### Report of the independent auditors to the Court of Governors of the University of Westminster

We have audited the financial statements on pages 19 to 55.

This report is made solely to the Court of Governors, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Court of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Court of Governors, for our audit work, for this report, or for the opinions we have formed.

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

The University's Court of Governors, who are also the directors of the University of Westminster for the purpose of company law, are responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

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 on Accounting in Further and Higher Education Institutions and Companies Act 1985. 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 if, in our opinion, the Court of Governors' Report is not consistent with the financial statements, if the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Court of Governors' Report (including the corporate governance statement), and consider the implications for our report if we become aware of any apparent misstatements within it.

## UNIVERSITY OF WESTMINSTER

## Basis of Opinion

We conducted our audit in accordance with Auditing Standards 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 institution'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 us 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 of the state of affairs of the University and the group as at 31 July 2005 and of the Group's surplus of income over expenditure, recognised gains and losses and cashflows for the year then ended, and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and Companies Act 1985;
- 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 2005 have been applied for the purposes for which they were received;
- in all material respects, income during the year ended 31 July 2005 has been applied in accordance with the University's statutes and, where appropriate, with the financial memoranda (00/25 and 03/54) with the Higher Education Funding Council for England.

KPMG LLP  
Chartered Accountants  
Registered Auditor

1 Forest Gate  
Brighton Road  
Crawley  
Sussex  
RH11 9PT

## UNIVERSITY OF WESTMINSTER

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 July 2005

|   | Note | 2005                           |                      |                | 2004                           |                      |                |
|---|------|--------------------------------|----------------------|----------------|--------------------------------|----------------------|----------------|
|   |      | Before<br>Exceptional<br>Items | Exceptional<br>Items | Total          | Before<br>Exceptional<br>Items | Exceptional<br>Items | Total          |
|   |      | £'000                          | £'000                | £'000          | £'000                          | £'000                | £'000          |
| <b>INCOME FROM CONTINUING ACTIVITIES</b>    |      |                                |                      |                |                                |                      |                |
| Funding council grants                      | 5    | 58,740                         | -                    | 58,740         | 58,598                         | -                    | 58,598         |
| Academic fees and support grants            | 6    | 45,358                         | -                    | 45,358         | 43,787                         | -                    | 43,787         |
| Research grants and contracts               | 7    | 6,525                          | -                    | 6,525          | 5,380                          | -                    | 5,380          |
| Other operating income                      | 8    | 14,812                         | 2,481                | 17,293         | 15,805                         | -                    | 15,805         |
| Interest receivable                         |      | 1,064                          | -                    | 1,064          | 935                            | -                    | 935            |
| <b>Total income</b>                         |      | <b>126,499</b>                 | <b>2,481</b>         | <b>128,980</b> | <b>124,505</b>                 | <b>-</b>             | <b>124,505</b> |
| <b>EXPENDITURE ON CONTINUING ACTIVITIES</b> |      |                                |                      |                |                                |                      |                |
| Staff costs                                 | 9,12 | 71,835                         | -                    | 71,835         | 69,186                         | -                    | 69,186         |
| Depreciation                                | 11   | 3,506                          | -                    | 3,506          | 3,251                          | -                    | 3,251          |
| Other operating expenses                    | 9    | 46,883                         | -                    | 46,883         | 46,488                         | -                    | 46,488         |
| Interest payable                            | 10   | 2,067                          | -                    | 2,067          | 2,083                          | -                    | 2,083          |
| <b>Total expenditure</b>                    |      | <b>124,291</b>                 | <b>-</b>             | <b>124,291</b> | <b>121,008</b>                 | <b>-</b>             | <b>121,008</b> |
| <b>Surplus before taxation</b>              |      | <b>2,208</b>                   | <b>2,481</b>         | <b>4,689</b>   | <b>3,497</b>                   | <b>-</b>             | <b>3,497</b>   |
| Tax on surplus                              | 14   | (76)                           | -                    | (76)           | -                              | -                    | -              |
| <b>Surplus for the financial year</b>       | 15   | <b>2,132</b>                   | <b>2,481</b>         | <b>4,613</b>   | <b>3,497</b>                   | <b>-</b>             | <b>3,497</b>   |

All activities relate to continuing operations.

A statement of total recognised gains and losses has not been included as part of these financial statements as the group made no gains or losses in the year other than disclosed above in the Income and Expenditure Account.

## UNIVERSITY OF WESTMINSTER

NOTE OF CONSOLIDATED HISTORICAL COST SURPLUSES AND DEFICITS  
For the year ended 31 July 2005

|   | 2005<br>£'000       | 2004<br>£'000       |
|---|---------------------|---------------------|
| Surplus for the financial year  | 4,613               | 3,497               |
| Difference between historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount | 510                 | 572                 |
| <b>Historical cost surplus</b>  | <b><u>5,123</u></b> | <b><u>4,069</u></b> |

## UNIVERSITY OF WESTMINSTER

CONSOLIDATED BALANCE SHEET  
For the year ended 31 July 2005

|  | Note | 2005<br>£'000   |                      | 2004<br>£'000   |                      |
|--|------|-----------------|----------------------|-----------------|----------------------|
| <b>Fixed Assets</b>                          |      |                 |                      |                 |                      |
| Tangible assets                              | 17   | 99,832          |                      | 100,211         |                      |
| Investments                                  | 18   | <u>37</u>       |                      | <u>181</u>      |                      |
|  |      |                 | 99,869               |                 | 100,392              |
| <b>Current Assets</b>                        |      |                 |                      |                 |                      |
| Stocks                                       | 19   | -               |                      | 1               |                      |
| Debtors due within one year                  | 20   | 11,649          |                      | 8,393           |                      |
| Investments                                  | 21   | 1,275           |                      | 14,534          |                      |
| Cash at bank and in hand                     |      | <u>21,615</u>   |                      | <u>1,536</u>    |                      |
|  |      | 34,539          |                      | 24,464          |                      |
| <b>Creditors</b>                             |      |                 |                      |                 |                      |
| Amounts falling due within one year          | 22   | <u>(23,370)</u> |                      | <u>(23,735)</u> |                      |
| <b>Net Current Assets</b>                    |      |                 | 11,169               |                 | 729                  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |      |                 | 111,038              |                 | 101,121              |
| <b>Creditors</b>                             |      |                 |                      |                 |                      |
| Amounts falling due after more than one year | 22   |                 | (24,615)             |                 | (25,399)             |
| <b>TOTAL NET ASSETS</b>                      |      |                 | <b><u>86,423</u></b> |                 | <b><u>75,722</u></b> |
| Represented by:                              |      |                 |                      |                 |                      |
| <b>Deferred capital grants</b>               | 24   |                 | 25,251               |                 | 19,388               |
| <b>Reserves</b>                              |      |                 |                      |                 |                      |
| Revaluation reserve                          | 26   | 21,860          |                      | 22,145          |                      |
| Specific reserve                             | 26   | 1,571           |                      | 1,844           |                      |
| Revenue reserve                              | 26   | <u>37,741</u>   |                      | <u>32,345</u>   |                      |
|  |      |                 | 61,172               |                 | 56,334               |
| <b>TOTAL FUNDS</b>                           |      |                 | <b><u>86,423</u></b> |                 | <b><u>75,722</u></b> |

Approved by the Court of Governors on 12 December 2005 and signed on its behalf by:

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

## UNIVERSITY OF WESTMINSTER

UNIVERSITY BALANCE SHEET  
For the year ended 31 July 2005

|  | Note | 2005            |                      | 2004            |                      |
|--|------|-----------------|----------------------|-----------------|----------------------|
|  |      | £'000           | £'000                | £'000           | £'000                |
| <b>Fixed Assets</b>                          |      |                 |                      |                 |                      |
| Tangible assets                              | 17   | 81,622          |                      | 69,118          |                      |
| Investments                                  | 18   | <u>10,450</u>   |                      | <u>20,353</u>   |                      |
|  |      |                 | 92,072               |                 | 89,471               |
| <b>Current Assets</b>                        |      |                 |                      |                 |                      |
| Debtors due within one year                  | 20   | 14,857          |                      | 8,504           |                      |
| Debtors due after more than one year         | 20   | -               |                      | 2,114           |                      |
| Investments                                  | 21   | 1,275           |                      | 14,533          |                      |
| Cash at bank and in hand                     |      | <u>15,605</u>   |                      | <u>1,528</u>    |                      |
|  |      | 31,737          |                      | 26,679          |                      |
| <b>Creditors</b>                             |      |                 |                      |                 |                      |
| Amounts falling due within one year          | 22   | <u>(21,185)</u> |                      | <u>(23,546)</u> |                      |
| <b>Net Current Assets</b>                    |      |                 | <u>10,552</u>        |                 | <u>3,133</u>         |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |      |                 | 102,624              |                 | 92,604               |
| <b>Creditors</b>                             |      |                 |                      |                 |                      |
| Amounts falling due after more than one year | 22   |                 | (22,897)             |                 | (26,341)             |
| <b>TOTAL NET ASSETS</b>                      |      |                 | <u><u>79,727</u></u> |                 | <u><u>66,263</u></u> |
| Represented by:                              |      |                 |                      |                 |                      |
| <b>Deferred capital grants</b>               | 24   |                 | 23,079               |                 | 17,162               |
| <b>Reserves</b>                              |      |                 |                      |                 |                      |
| Revaluation reserve                          | 26   | 17,626          |                      | 17,790          |                      |
| Specific reserve                             | 26   | 687             |                      | 954             |                      |
| Revenue reserve                              | 26   | <u>38,335</u>   |                      | <u>30,357</u>   |                      |
|  |      |                 | 56,648               |                 | 49,101               |
| <b>TOTAL FUNDS</b>                           |      |                 | <u><u>79,727</u></u> |                 | <u><u>66,263</u></u> |

Approved by the Court of Governors on 12 December 2005 and signed on its behalf by:

Dr Terence Wright  
Chairman

Dr Geoffrey M Copland  
Vice-Chancellor and Rector

## UNIVERSITY OF WESTMINSTER

CONSOLIDATED CASH FLOW STATEMENT  
For the year ended 31 July 2005

|  | Note | 2005                 | 2004             |
|--|------|----------------------|------------------|
|  |      | £'000                | £'000            |
| <b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>                                   | 29   | <u>5,732</u>         | <u>9,500</u>     |
| <b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>                             |      |                      |                  |
| Interest received  |      | 1,064                | 935              |
| Interest paid  |      | (2,067)              | (2,083)          |
| <b>Net cash outflow from returns on investments and servicing of finance</b>       |      | <u>(1,003)</u>       | <u>(1,148)</u>   |
| <b>TAXATION</b>  |      | (22)                 | -                |
| <b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>                                |      |                      |                  |
| Purchase of tangible fixed assets  |      | (4,482)              | (14,862)         |
| Purchase of fixed asset investments  |      | -                    | (34)             |
| Receipts from sale of assets   |      | -                    | 289              |
| Deferred capital grants received   |      | 6,828                | 497              |
| <b>Net cash inflow/(outflow) from capital expenditure and financial investment</b> |      | <u>2,346</u>         | <u>(14,110)</u>  |
| <b>CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>   |      | <u>7,053</u>         | <u>(5,758)</u>   |
| <b>MANAGEMENT OF LIQUID RESOURCES</b>  |      |                      |                  |
| Cash transferred from short term deposits  |      | <u>13,259</u>        | <u>5,994</u>     |
| <b>FINANCING</b>   |      |                      |                  |
| Capital element of loan repayments   |      | (233)                | (218)            |
| Loans acquired   |      | -                    | 48               |
| <b>Net cash outflow from financing</b>   |      | <u>(233)</u>         | <u>(170)</u>     |
| <b>INCREASE IN CASH</b>  | 30   | <u><u>20,079</u></u> | <u><u>66</u></u> |

UNIVERSITY OF WESTMINSTER

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

|   | Note | 2005     |         | 2004    |         |
|---|------|----------|---------|---------|---------|
|   |      | £'000    | £'000   | £'000   | £'000   |
| Increase in cash in period                                  |      | 20,079   |         | 66      |         |
| Cash outflow from movement in liquid resources              |      | (13,259) |         | (5,994) |         |
| Cash outflow from decrease in debt and lease financing      |      | 233      |         | 170     |         |
| <b>Change in net funds/(debt) resulting from cash flows</b> |      |          | 7,053   |         | (5,758) |
| <b>Movement in net funds/(debt) in the period</b>           |      |          | 7,053   |         | (5,758) |
| Net debt at 1 August  |      |          | (6,473) |         | (715)   |
| <b>Net funds/(debt) at 31 July</b>                          | 30   |          | 580     |         | (6,473) |

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2005

1. COMPANY STATUS

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

Each of the 21 members of the University has undertaken to contribute to the assets of the University in the event of its being wound up while he/she is a member, or within one year after he/she ceases to be a member, an amount not exceeding one pound.

2. BASIS OF ACCOUNTING

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

ii) The financial statements are intended to meet, as appropriate, the requirements of the Companies Act 1985.

iii) The financial statements have been prepared under the historical cost basis as modified by the valuation of land and buildings and of assets transferred from the former Inner London Education Authority (ILEA) on 1 April 1989 and the London Borough of Harrow on 1 April 1990.

3. BASIS OF CONSOLIDATION

The consolidated financial statements consolidate the financial statements of the University and its subsidiary undertakings for the financial year ended 31 July 2005.

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

4. ACCOUNTING POLICIES

a. HEFCE Grants

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

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

## UNIVERSITY OF WESTMINSTER

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

### b. Tangible Assets

#### i) Land and Buildings

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

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

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

Individual assets costing over £10,000 are capitalised.

#### iii) Depreciation

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

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

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

## UNIVERSITY OF WESTMINSTER

### c. Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506 (1) Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax.

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

### d. Deferred Taxation

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

### e. Pension Costs

The Group operates four pension schemes, the London Pensions Fund Authority (Local Government) Superannuation Scheme, the Teachers' Pension Scheme, the Universities Superannuation Scheme and the Superannuation Arrangements of the University of London. The Teachers' Pension Scheme is an unfunded, defined benefit scheme, the other three are all funded, defined benefit schemes and are contracted out of the State Earnings Related Pension Scheme. The financial position and income and expenditure of these funds are disclosed in their annual audited financial statements. The rate of employers' contributions is reviewed periodically on the basis of advice from independent actuaries, and contributions to the schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is at a substantially constant percentage of present and future pensionable payroll.

### f. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. Exchange differences are dealt with in the income and expenditure account for the financial year.

## UNIVERSITY OF WESTMINSTER

### g. Leases

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

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

### h. Stocks

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

### i. Investments

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

### j. Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

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

### k. Revaluation Reserve

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

### l. Specific Reserve

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

### m. Interest Capitalisation

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

### n. Provisions

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

## UNIVERSITY OF WESTMINSTER

### 5. FUNDING COUNCIL GRANTS

|  | Note | 2005<br>£'000 | 2004<br>£'000 |
|--|------|---------------|---------------|
| <b>(a) Recurrent grant from HEFCE</b>      |      |               |               |
| Teaching                                   |      | 51,504        | 49,397        |
| Research                                   |      | 1,625         | 2,123         |
| Other (including special initiatives)      |      | 1,337         | 493           |
| Pension liabilities                        |      | 433           | 420           |
| Inherited liabilities (capital related):   |      |               |               |
| Premises rents                             |      | 43            | 64            |
| Debt charges                               |      | 524           | 538           |
| Capital project grants                     |      | 2,384         | 5,089         |
|  |      | <u>57,850</u> | <u>58,124</u> |
| <b>(b) Release of HEFCE capital grants</b> | 24   | 890           | 474           |
|  |      | <u>58,740</u> | <u>58,598</u> |

### (c) HEFCE reimbursement of debt charges

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

However, as a body funded by central government, the policy of HEFCE reimbursing the principal and interest element of debt charges can never be guaranteed beyond one financial year. The outstanding amount of the loan debt is included in creditors.

## UNIVERSITY OF WESTMINSTER

## 6. ACADEMIC FEES AND SUPPORT GRANTS

|  | 2005          | 2004          |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Tuition fees for full, part-time and sandwich courses: |               |               |
| Home and EC  | 17,550        | 15,326        |
| Overseas   | 16,637        | 15,775        |
| Full cost courses                                      | 8,143         | 9,711         |
| Short courses  | 3,028         | 2,975         |
|  | <u>45,358</u> | <u>43,787</u> |

Full cost courses includes an amount of £941k (2004: £1,149k) which is derived from International collaborations in Asia.

## 7. RESEARCH GRANTS AND CONTRACTS

|                          | 2005         | 2004         |
|--------------------------|--------------|--------------|
|                          | £'000        | £'000        |
| <b>Income</b>            |              |              |
| Government departments   | 3,351        | 2,947        |
| Research councils        | 1,110        | 733          |
| UK based charities       | 450          | 464          |
| European commission      | 1,151        | 822          |
| Other bodies             | 463          | 414          |
|                          | <u>6,525</u> | <u>5,380</u> |
| <b>Expenditure</b>       |              |              |
| Staff costs              | 2,662        | 2,402        |
| Other operating expenses | 3,169        | 2,608        |
|                          | <u>5,831</u> | <u>5,010</u> |
| <b>Surplus</b>           | <u>694</u>   | <u>370</u>   |

## UNIVERSITY OF WESTMINSTER

## 8. OTHER OPERATING INCOME

|  | 2005          | 2004          |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Residences and catering                        | 7,382         | 7,925         |
| Recreation                                     | 401           | 492           |
| Rents and lettings                             | 2,221         | 2,323         |
| Photocopier income                             | 259           | 235           |
| Sundry sales                                   | 298           | 385           |
| Knowledge transfer partnerships                | 120           | 82            |
| Miscellaneous                                  | 2,877         | 3,114         |
| Donations                                      | 1,179         | 1,249         |
| Release of deferred capital grants - non-HEFCE | 75            | -             |
|  | <u>14,812</u> | <u>15,805</u> |
| Exceptional profit on disposal of fixed assets | 2,481         | -             |
|  | <u>17,293</u> | <u>15,805</u> |

Miscellaneous income includes an amount of £136k (2004: £998k) which is derived from activities in Africa.

## 9. EXPENDITURE BY ACTIVITY

|                                     | 2005          |                          |                | 2004          |                          |                |
|-------------------------------------|---------------|--------------------------|----------------|---------------|--------------------------|----------------|
|                                     | Staff Costs   | Other Operating Expenses | Total          | Staff Costs   | Other Operating Expenses | Total          |
|                                     | £'000         | £'000                    | £'000          | £'000         | £'000                    | £'000          |
| Academic departments                | 51,400        | 8,965                    | 60,365         | 49,869        | 8,876                    | 58,745         |
| Academic support services           | 3,599         | 3,739                    | 7,338          | 3,122         | 4,103                    | 7,225          |
| Research                            | 2,662         | 3,169                    | 5,831          | 2,402         | 2,608                    | 5,010          |
| Administration and central services | 10,941        | 8,925                    | 19,866         | 10,402        | 8,231                    | 18,633         |
| Premises                            | 2,261         | 15,767                   | 18,028         | 1,938         | 15,960                   | 17,898         |
| Residences and catering             | 865           | 6,029                    | 6,894          | 969           | 6,192                    | 7,161          |
| Other expenditure                   | 107           | 289                      | 396            | 484           | 518                      | 1,002          |
|                                     | <u>71,835</u> | <u>46,883</u>            | <u>118,718</u> | <u>69,186</u> | <u>46,488</u>            | <u>115,674</u> |

Costs relating to all staff in the group in respect of whom Class 1 National Insurance contributions are paid, have been classified as staff costs in the current financial year and the comparatives have been restated to reflect this. Costs reported in staff costs as 'other staff related costs' in the previous financial year have been reclassified as 'other operating expenses' in the comparative totals.

## UNIVERSITY OF WESTMINSTER

## 10. INTEREST PAYABLE

|                 | 2005         | 2004         |
|-----------------|--------------|--------------|
|                 | £'000        | £'000        |
| Inherited debt  | 524          | 539          |
| Promissory note | 1,543        | 1,544        |
|                 | <u>2,067</u> | <u>2,083</u> |

## 11. DEPRECIATION

|   | 2005         | 2004         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| The depreciation charge has been funded by: |              |              |
| Release of deferred capital grants          | 965          | 474          |
| Release of revaluation reserve              | 510          | 572          |
| General income                              | 2,031        | 2,205        |
|   | <u>3,506</u> | <u>3,251</u> |

## 12. INFORMATION REGARDING EMPLOYEES

|                           | 2005          | 2004          |
|---------------------------|---------------|---------------|
|                           | £'000         | £'000         |
| <b>(a) Employee costs</b> |               |               |
| Wages and salaries        | 60,394        | 58,400        |
| Social security costs     | 5,110         | 4,815         |
| Other pension costs       | 6,331         | 5,971         |
|                           | <u>71,835</u> | <u>69,186</u> |

**(b) Average number of people employed by the group in the year**

|                            | No.          | No.          |
|----------------------------|--------------|--------------|
| Teaching and support staff | 1,358        | 1,356        |
| Part-time teachers         | 561          | 600          |
| Premises and grounds staff | 92           | 93           |
| Administrative staff       | 397          | 376          |
|                            | <u>2,408</u> | <u>2,425</u> |

## UNIVERSITY OF WESTMINSTER

## 12. INFORMATION REGARDING EMPLOYEES (continued)

|  | 2005         | 2004         |
|--|--------------|--------------|
|  | No.          | No.          |
| <b>(c) Emoluments of higher paid staff (excluding Governors)</b> |              |              |
| The following staff received emoluments of £70,000 or over       |              |              |
| £70,000 - £79,999  | 7            | 14           |
| £80,000 - £89,999  | 15           | 2            |
| £90,000 - £99,999  | 3            | 3            |
| £100,000 - £109,999  | 3            | 1            |
| £110,000 - £119,999  | 1            | 1            |
|  | <u>29</u>    | <u>21</u>    |
|  | £'000        | £'000        |
| Remuneration (including PRP refer to note 13 below)              | 2,207        | 1,564        |
| Pension contributions  | 174          | 179          |
| Total emoluments   | <u>2,481</u> | <u>1,743</u> |

## 13. EMOLUMENTS OF GOVERNORS

|   | 2005       | 2004       |
|---|------------|------------|
|   | £'000      | £'000      |
| <b>(a) The emoluments of the governors of the University are:</b>                   |            |            |
| In respect of service as Governors  | -          | -          |
| Other emoluments (including pension contributions on behalf of executive Governors) | 462        | 441        |
| <b>(b) The emoluments of the chairman and executive governors are:</b>              |            |            |
| Chairman: Sir Alan Thomas (resigned 31.12.2004)                                     | -          | -          |
| Dr Terence Wright (appointed 01.01.2005)  | -          | -          |
| Highest paid Governor: Dr G M Copland as Vice-Chancellor and Rector:                |            |            |
| Remuneration  | 172        | 148        |
| Pension contributions   | 23         | 19         |
| Total emoluments  | <u>195</u> | <u>167</u> |

The remuneration of the Vice-Chancellor and Rector are shown on the same basis as for higher paid staff, and includes performance-related pay (PRP). Historically, PRP has been disclosed in the year in which it is determined and subsequently paid. Exceptionally, the 2005 disclosure reflects both the decision to consolidate PRP into basic pay and the payment of PRP in respect of 2004. The University's pension contributions to Teachers' Pension Agency are paid at the same rates as for other academic staff.

Six governors (2004: four) are members of the University's defined benefit pension scheme and accrued benefits during the year under that scheme.

## UNIVERSITY OF WESTMINSTER

## 14. TAXATION

## Factors affecting tax charge for the current period

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

|   | 2005    | 2004    |
|---|---------|---------|
|   | £'000   | £'000   |
| Consolidated profit on ordinary activities  | 4,689   | 3,497   |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%) | (1,407) | (1,049) |
| Effects of:   |         |         |
| - Expenses not deductible for tax purposes  | (211)   | (275)   |
| - Adjustments relating to the difference between depreciation and capital allowances                      | (1,152) | 72      |
| - Utilisation of tax losses   | -       | -       |
| - Movement in short timing differences  | -       | -       |
| - Non-taxable profit  | 2,770   | 1,252   |
| Adjustments in respect of prior periods   | 76      | -       |
| Current tax charge for the year   | 76      | -       |

## Factors that may affect future tax charge

A deferred tax liability has not been recognised in respect of accelerated capital allowances, as the liability is not expected to crystallise in the future. The amount of the liability not recognised is £129,745 (2004: £1,035,978).

## UNIVERSITY OF WESTMINSTER

## 15. SURPLUS FOR THE FINANCIAL YEAR BEFORE TRANSFERS FROM RESERVES

The surplus before transfers from reserves for the financial year is disclosed after charging:

|   | 2005    | 2004  |
|---|---------|-------|
|   | £'000   | £'000 |
| <b>Auditors remuneration:</b>                         |         |       |
| audit fee University                                  | 28      | 48    |
| Subsidiary Companies                                  | 10      | 3     |
| non-audit services                                    | 39      | 29    |
| <b>Operating lease rentals:</b>                       |         |       |
| property rents  | 6,017   | 6,650 |
| <b>Depreciation:</b>                                  |         |       |
| owned assets  | 3,199   | 2,944 |
| leased assets   | 307     | 307   |
| <b>Loss on disposal of fixed assets</b>               | -       | 7     |
| <b>Exceptional profit on disposal of fixed assets</b> | (2,481) | -     |

## 16. SURPLUS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the income and expenditure account of the parent company is not presented as part of these accounts. The parent company's surplus for the financial year amounted to £7.322m (2004: £4.507m).

The Parent Company's surplus for the financial year includes an exceptional profit of £5.550m (2004: £nil) arising as a result of the members' voluntary liquidation of a former subsidiary undertaking, Uniwest (Developments) Ltd.

## UNIVERSITY OF WESTMINSTER

## 17. TANGIBLE ASSETS

## (a) The Group

| Cost or valuation                     | Freehold land and buildings £'000 | Leasehold improvements £'000 | Assets in course of construction £'000 | Plant and machinery £'000 | Fixtures, fittings and equipment £'000 | Computers £'000 | Motor vehicles £'000 | Total £'000    |
|---------------------------------------|-----------------------------------|------------------------------|--|---------------------------|--|-----------------|----------------------|----------------|
| At 1 August 2004                      | 85,022                            | 9,455                        | 20,081                                 | 20,064                    | 1,116                                  | 4,560           | 86                   | 140,384        |
| Additions                             | -                                 | -                            | 4,100                                  | 155                       | -                                      | 178             | 49                   | 4,482          |
| Transfers                             | 21,234                            | -                            | (22,378)                               | 1,144                     | -                                      | -               | -                    | -              |
| Disposals                             | (1,561)                           | -                            | -                                      | -                         | -                                      | -               | -                    | (1,561)        |
| <b>At 31 July 2005</b>                | <b>104,695</b>                    | <b>9,455</b>                 | <b>1,803</b>                           | <b>21,363</b>             | <b>1,116</b>                           | <b>4,738</b>    | <b>135</b>           | <b>143,305</b> |
| <b>Accumulated depreciation</b>       |                                   |                              |  |                           |  |                 |                      |                |
| At 1 August 2004                      | 13,683                            | 2,170                        | -                                      | 19,121                    | 1,109                                  | 4,004           | 86                   | 40,173         |
| Charge for the year                   | 2,046                             | 307                          | -                                      | 578                       | 4                                      | 559             | 12                   | 3,506          |
| Disposals                             | (206)                             | -                            | -                                      | -                         | -                                      | -               | -                    | (206)          |
| <b>At 31 July 2005</b>                | <b>15,523</b>                     | <b>2,477</b>                 | <b>-</b>                               | <b>19,699</b>             | <b>1,113</b>                           | <b>4,563</b>    | <b>98</b>            | <b>43,473</b>  |
| <b>Net book value at 31 July 2005</b> | <b>89,172</b>                     | <b>6,978</b>                 | <b>1,803</b>                           | <b>1,664</b>              | <b>3</b>                               | <b>175</b>      | <b>37</b>            | <b>99,832</b>  |
| <b>Net book value at 31 July 2004</b> | <b>71,339</b>                     | <b>7,285</b>                 | <b>20,081</b>                          | <b>943</b>                | <b>7</b>                               | <b>556</b>      | <b>-</b>             | <b>100,211</b> |

## UNIVERSITY OF WESTMINSTER

## 17. TANGIBLE ASSETS (continued)

## (b) The University

| Cost or valuation                     | Freehold land and buildings £'000 | Leasehold improvements £'000 | Assets in course of construction £'000 | Plant and machinery £'000 | Fixtures, fittings and equipment £'000 | Computers £'000 | Motor vehicles £'000 | Total £'000    |
|---------------------------------------|-----------------------------------|------------------------------|--|---------------------------|--|-----------------|----------------------|----------------|
| At 1 August 2004                      | 46,631                            | 9,455                        | 20,081                                 | 20,064                    | 1,116                                  | 4,560           | 86                   | 101,993        |
| Additions                             | 11,000                            | -                            | 4,100                                  | 155                       | -                                      | 178             | 49                   | 15,482         |
| Transfers                             | 21,234                            | -                            | (22,378)                               | 1,144                     | -                                      | -               | -                    | -              |
| Disposals                             | -                                 | -                            | -                                      | -                         | -                                      | -               | -                    | -              |
| <b>At 31 July 2005</b>                | <b>78,865</b>                     | <b>9,455</b>                 | <b>1,803</b>                           | <b>21,363</b>             | <b>1,116</b>                           | <b>4,738</b>    | <b>135</b>           | <b>117,475</b> |
| <b>Accumulated depreciation</b>       |                                   |                              |  |                           |  |                 |                      |                |
| At 1 August 2004                      | 6,385                             | 2,170                        | -                                      | 19,121                    | 1,109                                  | 4,004           | 86                   | 32,875         |
| Charge for the year                   | 1,518                             | 307                          | -                                      | 578                       | 4                                      | 559             | 12                   | 2,978          |
| Disposals                             | -                                 | -                            | -                                      | -                         | -                                      | -               | -                    | -              |
| <b>At 31 July 2005</b>                | <b>7,903</b>                      | <b>2,477</b>                 | <b>-</b>                               | <b>19,699</b>             | <b>1,113</b>                           | <b>4,563</b>    | <b>98</b>            | <b>35,853</b>  |
| <b>Net book value at 31 July 2005</b> | <b>70,962</b>                     | <b>6,978</b>                 | <b>1,803</b>                           | <b>1,664</b>              | <b>3</b>                               | <b>175</b>      | <b>37</b>            | <b>81,622</b>  |
| <b>Net book value at 31 July 2004</b> | <b>40,246</b>                     | <b>7,285</b>                 | <b>20,081</b>                          | <b>943</b>                | <b>7</b>                               | <b>556</b>      | <b>-</b>             | <b>69,118</b>  |

## UNIVERSITY OF WESTMINSTER

## 17. TANGIBLE ASSETS (continued)

| (c) The Group and the University                         | The Group      |               | The University |               |
|--|----------------|---------------|----------------|---------------|
|  | 2005<br>£'000  | 2004<br>£'000 | 2005<br>£'000  | 2004<br>£'000 |
| (i) Analysis of land and buildings at cost or valuation: |                |               |                |               |
| At cost  | 78,487         | 58,814        | 59,429         | 27,195        |
| Revaluation increase                                     | 26,208         | 26,208        | 19,436         | 19,436        |
| At valuation: 31 July 1995                               | <u>104,695</u> | <u>85,022</u> | <u>78,865</u>  | <u>46,631</u> |

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

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

| (ii) If freehold land and buildings had not been revalued, they would have been included at the following amounts: | The Group     |               | The University |               |
|--|---------------|---------------|----------------|---------------|
|  | 2005<br>£'000 | 2004<br>£'000 | 2005<br>£'000  | 2004<br>£'000 |
| At cost  | 78,487        | 58,814        | 59,429         | 27,195        |
| Aggregate depreciation   | (10,053)      | (8,704)       | (3,750)        | (2,591)       |
| Net book value   | <u>68,434</u> | <u>50,110</u> | <u>55,679</u>  | <u>24,604</u> |

(iii) The value of freehold land and buildings includes £5.704 million in respect of land that is not depreciated (2004: £5.704 million).

## UNIVERSITY OF WESTMINSTER

## 18. FIXED ASSET INVESTMENTS

| COST  | The Group     |               | The University |               |
|---|---------------|---------------|----------------|---------------|
|   | 2005<br>£'000 | 2004<br>£'000 | 2005<br>£'000  | 2004<br>£'000 |
| <b>Share in subsidiary undertakings:</b>              |               |               |                |               |
| At 1 August   | -             | -             | 20,172         | 20,172        |
| Subsidiary placed into members' voluntary liquidation | -             | -             | (9,759)        | -             |
| At 31 July  | -             | -             | <u>10,413</u>  | <u>20,172</u> |
| <b>Other shareholdings:</b>                           |               |               |                |               |
| At 1 August   | 181           | 147           | 181            | 147           |
| Additions   | -             | 34            | -              | 34            |
| At 31 July  | -             | <u>181</u>    | <u>181</u>     | <u>181</u>    |
| <b>Total cost</b>                                     | <u>181</u>    | <u>181</u>    | <u>10,594</u>  | <u>20,353</u> |
| <b>PROVISION FOR PERMANENT DIMINUTION IN VALUE</b>    |               |               |                |               |
| At 1 August   | -             | -             | -              | -             |
| Provision for year - other shareholdings              | (144)         | -             | (144)          | -             |
| <b>Total Provision</b>                                | <u>(144)</u>  | <u>-</u>      | <u>(144)</u>   | <u>-</u>      |
| <b>NET BOOK VALUE</b>                                 | <u>37</u>     | <u>181</u>    | <u>10,450</u>  | <u>20,353</u> |

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

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

(iii) The University and Group hold 10,000 fully paid Ordinary £1 A shares, 50,000 Ordinary £1 B shares and 13,595 Ordinary £1 shares in Anglesey Natural Foods Ltd. It is an unquoted company. A full provision for permanent diminution in value has been made against the cost of this investment during the year ended 31 July 2005, reducing its net book value to £nil (2004 £144k).

iv) The following companies were all held as investments by the University of Westminster on 31 July 2005. They are all subsidiary undertakings of the University and all companies operate in the UK.

## UNIVERSITY OF WESTMINSTER

## 18. FIXED ASSET INVESTMENTS (continued)

|   | Voting rights | Nature of Business  |
|---|---------------|---|
|   | %             |   |
| Uniwest (Finance) Ltd                     | 100           | Issue of Promissory Note                                    |
| Uniwest (Investments) Ltd                 | 100           | Investment in Uniwest (Finance) Ltd                         |
| Uniwest (Property) Ltd                    | 100           | Leasing of properties                                       |
| University of Westminster (Trading) Ltd   | 100           | Research, vacation letting of halls of residence            |
| Polytechnic of Central London Ltd         | 100           | Leasing of a property                                       |
| University of Westminster (International) | 100           | Education, research and training overseas                   |
| Policy Studies Institute                  | 100           | Research relating to political, economic and social science |

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

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

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

During the year ended 31 July 2005, the University placed Uniwest (Developments) Ltd., a former subsidiary undertaking, into members' voluntary liquidation. The balance of the proceeds to be received from the liquidation have been accrued in the financial statements.

In addition, the University arranged for the dissolution of another former subsidiary undertaking, Westminster Business Consultants Ltd.

## UNIVERSITY OF WESTMINSTER

## 19. STOCKS

|                  | 2005  | 2004  |
|------------------|-------|-------|
|                  | £'000 | £'000 |
| The Group only   |       |       |
| Goods for resale | -     | 1     |

## 20. DEBTORS

|  | The Group     |              | The University |               |
|--|---------------|--------------|----------------|---------------|
|  | 2005          | 2004         | 2005           | 2004          |
|  | £'000         | £'000        | £'000          | £'000         |
| <b>Amounts falling due within one year:</b>          |               |              |                |               |
| HEFCE  | 466           | 467          | 466            | 467           |
| Trade and sundry debtors                             | 2,618         | 2,034        | 1,883          | 1,468         |
| Amounts owed by subsidiary companies                 | -             | -            | 7,878          | 120           |
| Other debtors  | 1,438         | 1,401        | 1,436          | 1,372         |
| Prepayments and accrued income                       | 7,127         | 4,491        | 3,194          | 5,077         |
|  | <u>11,649</u> | <u>8,393</u> | <u>14,857</u>  | <u>8,504</u>  |
| <b>Amounts falling due after more than one year:</b> |               |              |                |               |
| Amounts owed by subsidiary companies                 | -             | -            | -              | 2,114         |
|  | -             | -            | -              | <u>2,114</u>  |
| <b>Total debtors</b>                                 | <u>11,649</u> | <u>8,393</u> | <u>14,857</u>  | <u>10,618</u> |

## 21. INVESTMENTS HELD AS CURRENT ASSETS

|                                  | The Group    |               | The University |               |
|----------------------------------|--------------|---------------|----------------|---------------|
|                                  | 2005         | 2004          | 2005           | 2004          |
|                                  | £'000        | £'000         | £'000          | £'000         |
| Short term deposits              | 1,273        | 14,532        | 1,273          | 14,532        |
| Equities at valuation at 31 July | 2            | 2             | 2              | 1             |
|                                  | <u>1,275</u> | <u>14,534</u> | <u>1,275</u>   | <u>14,533</u> |

Equities consist of the following:

As at 31 July 2004 the University held 206 shares in HBOS plc. The market value was £1,468. The University received shares in lieu of dividends and as at 31 July 2005 held 209 shares in HBOS plc with a market value of £1,807.

The group also holds £494 of 12% Exchequer stock, the market value of which was £758 as at 31 July 2005 (2004: £744).

## UNIVERSITY OF WESTMINSTER

|  | The Group     |               | The University |               |
|--|---------------|---------------|----------------|---------------|
|  | 2005<br>£'000 | 2004<br>£'000 | 2005<br>£'000  | 2004<br>£'000 |
| <b>22. CREDITORS</b>                                   |               |               |                |               |
| <b>Amounts falling due within one year:</b>            |               |               |                |               |
| Trade creditors  | 3,914         | 4,276         | 3,600          | 3,784         |
| Bank and other borrowings (see note 23)                | 457           | 402           | 395            | 396           |
| Access funds (see note 25)                             | 236           | 111           | 236            | 111           |
| Taxation and social security                           | 2,385         | 2,214         | 2,348          | 2,181         |
| Corporation tax payable                                | 54            | -             | 54             | -             |
| Provision for enhanced future pensions                 | 213           | 210           | 213            | 210           |
| Other creditors  | 4,208         | 1,968         | 2,690          | 1,904         |
| Amounts due to subsidiary undertakings                 | -             | -             | 817            | 950           |
| Accruals and deferred income                           | 11,903        | 14,554        | 10,832         | 14,010        |
|  | <u>23,370</u> | <u>23,735</u> | <u>21,185</u>  | <u>23,546</u> |
| <b>Amounts falling due between one and two years:</b>  |               |               |                |               |
| Bank and other borrowings (see note 23)                | 364           | 288           | 237            | 225           |
| Provision for enhanced future pensions                 | 213           | 210           | 213            | 210           |
| Accruals and deferred income                           | -             | 371           | -              | 371           |
|  | <u>577</u>    | <u>869</u>    | <u>450</u>     | <u>806</u>    |
| <b>Amounts falling due between two and five years:</b> |               |               |                |               |
| Bank and other borrowings (see note 23)                | 1,650         | 1,359         | 801            | 756           |
| Provision for enhanced future pensions                 | 639           | 630           | 639            | 630           |
|  | <u>2,289</u>  | <u>1,989</u>  | <u>1,440</u>   | <u>1,386</u>  |
| <b>Amounts falling due over five years:</b>            |               |               |                |               |
| Bank and other borrowings (see note 23)                | 19,839        | 20,494        | 4,709          | 4,991         |
| Provision for enhanced future pensions                 | 1,910         | 2,047         | 1,910          | 2,047         |
| Amounts due to subsidiary undertakings                 | -             | -             | 14,388         | 17,111        |
|  | <u>21,749</u> | <u>22,541</u> | <u>21,007</u>  | <u>24,149</u> |
|  | <u>24,615</u> | <u>25,399</u> | <u>22,897</u>  | <u>26,341</u> |
| <b>Total creditors</b>                                 | <u>47,985</u> | <u>49,134</u> | <u>44,082</u>  | <u>49,887</u> |

## UNIVERSITY OF WESTMINSTER

|  | The Group     |               | The University |               |
|--|---------------|---------------|----------------|---------------|
|  | 2005<br>£'000 | 2004<br>£'000 | 2005<br>£'000  | 2004<br>£'000 |
| <b>23. BANK AND OTHER BORROWINGS</b>                               |               |               |                |               |
| <b>Bank and other borrowings due within one year or on demand:</b> |               |               |                |               |
| Other unsecured loans  | 394           | 396           | 395            | 396           |
| Promissory note  | 63            | 6             | -              | -             |
|  | <u>457</u>    | <u>402</u>    | <u>395</u>     | <u>396</u>    |
| <b>Bank and other borrowings due between one and two years:</b>    |               |               |                |               |
| Other unsecured loans  | 237           | 225           | 237            | 225           |
| Promissory note  | 127           | 63            | -              | -             |
|  | <u>364</u>    | <u>288</u>    | <u>237</u>     | <u>225</u>    |
| <b>Bank and other borrowings due between two and five years:</b>   |               |               |                |               |
| Other unsecured loans  | 801           | 756           | 801            | 756           |
| Promissory note  | 849           | 603           | -              | -             |
|  | <u>1,650</u>  | <u>1,359</u>  | <u>801</u>     | <u>756</u>    |
| <b>Bank and other borrowings due after more than five years:</b>   |               |               |                |               |
| Other unsecured loans  | 4,709         | 4,991         | 4,709          | 4,991         |
| Promissory note  | 15,130        | 15,503        | -              | -             |
|  | <u>19,839</u> | <u>20,494</u> | <u>4,709</u>   | <u>4,991</u>  |

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

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.

## UNIVERSITY OF WESTMINSTER

## 24. DEFERRED CAPITAL GRANTS

| (a) The Group                             | Buildings<br>HEFCE   | Equip<br>HEFCE      | Buildings<br>Other<br>grants | Total<br>£'000       |
|---|----------------------|---------------------|------------------------------|----------------------|
| Balance at 1 August 2004                  | 18,277               | 361                 | 750                          | 19,388               |
| Grants received                           | <u>508</u>           | <u>1,320</u>        | <u>5,000</u>                 | <u>6,828</u>         |
|   | 18,785               | 1,681               | 5,750                        | 26,216               |
| Release to income and expenditure account | <u>(470)</u>         | <u>(420)</u>        | <u>(75)</u>                  | <u>(965)</u>         |
| <b>Balance at 31 July 2005</b>            | <b><u>18,315</u></b> | <b><u>1,261</u></b> | <b><u>5,675</u></b>          | <b><u>25,251</u></b> |

| (b) The University                        | Buildings<br>HEFCE   | Equip<br>HEFCE      | Buildings<br>Other<br>grants | Total<br>£'000       |
|---|----------------------|---------------------|------------------------------|----------------------|
| Balance at 1 August 2004                  | 16,051               | 361                 | 750                          | 17,162               |
| Grants received                           | <u>508</u>           | <u>1,320</u>        | <u>5,000</u>                 | <u>6,828</u>         |
|   | 16,559               | 1,681               | 5,750                        | 23,990               |
| Release to income and expenditure account | <u>(416)</u>         | <u>(420)</u>        | <u>(75)</u>                  | <u>(911)</u>         |
| <b>Balance at 31 July 2005</b>            | <b><u>16,143</u></b> | <b><u>1,261</u></b> | <b><u>5,675</u></b>          | <b><u>23,079</u></b> |

## 25. ACCESS FUNDS FOR STUDENTS

The University received and distributed HEFCE access funds as follows:

|                   | 2005<br>£'000     | 2004<br>£'000     |
|-------------------|-------------------|-------------------|
| At 1 August       | 111               | 236               |
| Received          | 1,121             | 1,307             |
| Interest accrued  | 20                | 19                |
| Distributed       | <u>(1,016)</u>    | <u>(1,451)</u>    |
| <b>At 31 July</b> | <b><u>236</u></b> | <b><u>111</u></b> |

The University acts only as a paying agent. The grants and related disbursements are, therefore, excluded from the income and expenditure account. The outstanding balance at the year end is included in creditors (see note 22).

## UNIVERSITY OF WESTMINSTER

## 26. RECONCILIATION OF MOVEMENTS ON RESERVES

| (a) The Group   | Revaluation<br>Reserve<br>£'000 | Specific<br>Reserve<br>£'000 | Revenue<br>Reserve<br>£'000 | Total<br>Reserves<br>£'000 |
|---|---------------------------------|------------------------------|-----------------------------|----------------------------|
| Balance at 1 August 2004  | 22,145                          | 1,844                        | 32,345                      | 56,334                     |
| Surplus for the year  | -                               | -                            | 4,613                       | 4,613                      |
| Reimbursement of capital element of debt inherited from local authority | 225                             | -                            | -                           | 225                        |
| Transfer (from)/to reserves   | (510)                           | (273)                        | 783                         | -                          |
| <b>Balance at 31 July 2005</b>  | <b><u>21,860</u></b>            | <b><u>1,571</u></b>          | <b><u>37,741</u></b>        | <b><u>61,172</u></b>       |

| (b) The University  | Revaluation<br>Reserve<br>£'000 | Specific<br>Reserve<br>£'000 | Revenue<br>Reserve<br>£'000 | Total<br>Reserves<br>£'000 |
|---|---------------------------------|------------------------------|-----------------------------|----------------------------|
| Balance at 1 August 2004  | 17,790                          | 954                          | 30,357                      | 49,101                     |
| Surplus for the year  | -                               | -                            | 7,322                       | 7,322                      |
| Reimbursement of capital element of debt inherited from local authority | 225                             | -                            | -                           | 225                        |
| Transfer (from)/to reserves   | (389)                           | (267)                        | 656                         | -                          |
| <b>Balance at 31 July 2005</b>  | <b><u>17,626</u></b>            | <b><u>687</u></b>            | <b><u>38,335</u></b>        | <b><u>56,648</u></b>       |

## 27. FINANCIAL COMMITMENTS

## Operating leases

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

|                       | Land and<br>Buildings<br>2005<br>£'000 | Land and<br>Buildings<br>2004<br>£'000 |
|-----------------------|--|--|
| Leases which expire:  |  |  |
| Between 1 and 2 years | 450                                    | -                                      |
| Between 2 and 5 years | -                                      | 450                                    |
| After 5 years         | <u>4,655</u>                           | <u>5,901</u>                           |
|                       | <b><u>5,105</u></b>                    | <b><u>6,351</u></b>                    |

## UNIVERSITY OF WESTMINSTER

## 28. CAPITAL AND OTHER FINANCIAL COMMITMENTS

Capital expenditure authorised and contracted for but not provided in the accounts amounts to £3.316 million for the Group and University (2004: £5.296 million).

Contracts placed for future expenditure not provided in the accounts in respect of other financial commitments amount to £3.708 million for the Group and University (2004: £0.612 million).

## 29. CASH FLOW FROM OPERATING ACTIVITIES

|  | 2005<br>£'000 | 2004<br>£'000 |
|--|---------------|---------------|
| Surplus from Operating Activities                          | 4,689         | 3,497         |
| Depreciation   | 3,506         | 3,251         |
| Provision for permanent diminution in value of investments | 144           | -             |
| Deferred capital grants released to income                 | (965)         | (474)         |
| Investment income  | (1,064)       | (935)         |
| Interest payable   | 2,067         | 2,083         |
| Decrease/(increase) in debtors                             | 580           | (1,094)       |
| (Decrease)/increase in creditors                           | (970)         | 2,942         |
| Decrease in stocks   | 1             | 2             |
| Capital reimbursement transferred to reserves              | 225           | 221           |
| Loss on disposal of fixed assets                           | -             | 7             |
| Exceptional profit on disposal of fixed assets             | (2,481)       | -             |
| <b>Net Cash Inflow from Operating Activities</b>           | <b>5,732</b>  | <b>9,500</b>  |

## 30. ANALYSIS OF CHANGES IN NET DEBT

|                                    | At August<br>2004<br>£'000 | Cash<br>Flow<br>£'000 | Other<br>Changes<br>£'000 | At July<br>2005<br>£'000 |
|------------------------------------|----------------------------|-----------------------|---------------------------|--------------------------|
| Cash at the bank and in hand       | 1,536                      | 20,079                | -                         | 21,615                   |
|                                    | <u>1,536</u>               | <u>20,079</u>         | <u>-</u>                  | <u>21,615</u>            |
| <b>Liquid Resources</b>            |                            |                       |                           |                          |
| Current asset investment           | 2                          |                       |                           | 2                        |
| Short term deposits                | 14,532                     | (13,259)              | -                         | 1,273                    |
|                                    | <u>14,534</u>              | <u>(13,259)</u>       | <u>-</u>                  | <u>1,275</u>             |
| <b>Debt</b>                        |                            |                       |                           |                          |
| Loans due within one year          | (402)                      | 402                   | (457)                     | (457)                    |
| Loans due after more than one year | (22,141)                   | (169)                 | 457                       | (21,853)                 |
|                                    | <u>(22,543)</u>            | <u>233</u>            | <u>-</u>                  | <u>(22,310)</u>          |
| <b>Net debt</b>                    | <u>(6,473)</u>             | <u>7,053</u>          | <u>-</u>                  | <u>580</u>               |

## UNIVERSITY OF WESTMINSTER

## 31. PENSION COSTS

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

## Teachers' Pension Scheme (England and Wales)

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

The fund is administered by the Teacher's Pension Agency. The scheme is subject to an actuarial review not less than every five years. The last published actuarial valuation on the Teachers' Pension Scheme (England and Wales) was performed by the Government Actuary on 31 March 2003 and covered the period 1 April 1996 to 31 March 2001.

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

|                                   |                |
|-----------------------------------|----------------|
| Gross rate of return              | 7.0% per annum |
| Real rate of return in excess of: |                |
| Prices                            | 3.5% per annum |
| Earnings                          | 2.0% per annum |
| Rate of real earnings growth*     | 1.5% per annum |

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

In the year ending 31 July 2005 contributions by the Group to the scheme were £3,665,170, (31 July 2004: £3,477,956).

## UNIVERSITY OF WESTMINSTER

## 31. PENSION COSTS (continued)

## London Pensions Fund Authority

This defined benefit scheme is subject to a triennial valuation by independent actuaries. The last full actuarial valuation was carried out on the 31 March 2004 using the projected unit credit method, in which the actuarial liability makes allowance for projected earnings.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 31 March 2004 and updated by Hymans Robertson to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme as at 31 July 2005. The next formal valuation is due as at 31 March 2007.

The financial assumptions used by the actuary for the funding valuation under FRS 17 as at 31 July 2005 were:

| Assumptions as at: | 2005<br>% per annum | 2004<br>% per annum | 2003<br>% per annum |
|--------------------|---------------------|---------------------|---------------------|
| Price increases    | 2.8                 | 2.9                 | 2.6                 |
| Salary increases   | 4.3                 | 4.4                 | 4.1                 |
| Pension increases  | 2.8                 | 2.9                 | 2.6                 |
| Discount rate      | 5.0                 | 5.8                 | 5.5                 |

The assets in the scheme and the expected rate of return were:

| Assets (Active fund) | 2005                          |                     | 2004                          |                     | 2003                          |                     |
|----------------------|-------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|
|                      | Long term rate<br>% per annum | Fund value<br>£'000 | Long term rate<br>% per annum | Fund value<br>£'000 | Long term rate<br>% per annum | Fund value<br>£'000 |
| Equities             | 7.3                           | 1,389,000           | 7.9                           | 1,093,000           | 8.0                           | 1,052,900           |
| Bonds                | 4.7                           | 169,800             | 5.4                           | 159,000             | 5.0                           | 169,800             |
| Property             | 5.4                           | 119,600             | 6.7                           | 105,000             | 6.0                           | 65,800              |
| Cash                 | 4.5                           | 82,400              | 4.5                           | 17,000              | 3.5                           | -                   |
| <b>Total</b>         | <b>6.8</b>                    | <b>1,760,800</b>    | <b>7.5</b>                    | <b>1,374,000</b>    | <b>7.5</b>                    | <b>1,288,500</b>    |

## UNIVERSITY OF WESTMINSTER

## 31. PENSION COSTS (continued)

The University's net pension assets were as follows:

|  | 2005<br>£'000   | 2004<br>£'000   | 2003<br>£'000   |
|--|-----------------|-----------------|-----------------|
| Net pension assets as at                                       |                 |                 |                 |
| Estimated asset share (a)                                      | 48,593          | 42,145          | 38,050          |
| Present value of scheme liabilities                            | (75,480)        | (63,780)        | (58,370)        |
| Present value of unfunded liabilities                          | (1,718)         | (1,714)         | (1,660)         |
| Total value of liabilities (b)                                 | (77,198)        | (65,494)        | (60,030)        |
| <b>Deficit in the scheme - net pension liability (a) - (b)</b> | <b>(28,605)</b> | <b>(23,349)</b> | <b>(21,980)</b> |

If the above had been recognised in the financial statements, the University's net assets and profit and loss reserves would be as follows:

|   | 2005<br>£'000 | 2004<br>£'000 |
|---|---------------|---------------|
| Net assets excluding pension liability              | 86,423        | 75,722        |
| Pension liability                                   | (28,605)      | (23,349)      |
| Net assets including pension liability              | <u>57,818</u> | <u>52,373</u> |
| Profit and loss reserve excluding pension liability | 37,741        | 32,345        |
| Pension reserve                                     | (28,605)      | (23,349)      |
| Profit and loss reserve including pension liability | <u>9,136</u>  | <u>8,996</u>  |

Additionally, if pension costs had been recognised in accordance with FRS17, the following components of the pension charge would have been recognised in the income and expenditure accounts and statement of recognised gains and losses:

## UNIVERSITY OF WESTMINSTER

## 31. PENSION COSTS (continued)

|   | 2005           | 2004         |
|---|----------------|--------------|
|   | £'000          | £'000        |
| <b>Analysis of amounts charged to income and expenditure account:</b>                           |                |              |
| Current service cost  | 2,447          | 2,575        |
| Past service cost   | 38             | -            |
| Curtailment and settlements   | 135            | 34           |
| Financing:  |                |              |
| - expected return on pension assets   | 3,182          | 2,897        |
| - interest on pension scheme liabilities  | (3,843)        | (3,362)      |
| <b>Net return</b>   | <b>(661)</b>   | <b>(465)</b> |
|   |                |              |
| <b>Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL):</b> | <b>2005</b>    | <b>2004</b>  |
|   | £'000          | £'000        |
| Actual return less expected return on pension scheme assets                                     | 5,004          | 25           |
| Experience gains and losses arising on the scheme liabilities                                   | 183            | (51)         |
| Changes in assumptions underlying the present value of the scheme liabilities                   | (9,225)        | (82)         |
| <b>Total actuarial loss recognised</b>  | <b>(4,038)</b> | <b>(108)</b> |

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

|   | 2005            | 2004            |
|---|-----------------|-----------------|
|   | £'000           | £'000           |
| <b>Movement in deficit during the year:</b>   |                 |                 |
| <b>Deficit at beginning of the year</b>       | <b>(23,349)</b> | <b>(21,980)</b> |
| Current service cost                          | (2,447)         | (2,575)         |
| University contributions                      | 1,935           | 1,693           |
| Contributions in respect of unfunded benefits | 128             | 120             |
| Past service cost                             | (38)            | -               |
| Impact of settlements and curtailments        | (135)           | (34)            |
| Net return on assets                          | (661)           | (465)           |
| Actuarial losses                              | (4,038)         | (108)           |
| <b>Deficit on the scheme at 31 July</b>       | <b>(28,605)</b> | <b>(23,349)</b> |

## UNIVERSITY OF WESTMINSTER

## 31. PENSION COSTS (continued)

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

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

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

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

|   | 2005           | 2004         | 2003           |
|---|----------------|--------------|----------------|
|   | £'000          | £'000        | £'000          |
| <b>Difference between the expected and actual return on scheme assets</b> | <b>5,004</b>   | <b>25</b>    | <b>(2,290)</b> |
| Value of assets   | 48,593         | 42,145       | 38,050         |
| Percentage of assets  | 10.3%          | 0.1%         | (6.0%)         |
| <b>Experience losses on liabilities</b>                                   | <b>183</b>     | <b>(51)</b>  | <b>(510)</b>   |
| Present value of liabilities  | (77,198)       | (65,494)     | (60,030)       |
| Percentage of the present value of liabilities                            | (0.2%)         | (0.1%)       | (0.8%)         |
| <b>Actuarial loss recognised in the STRGL</b>                             | <b>(4,038)</b> | <b>(108)</b> | <b>(9,440)</b> |
| Percentage of the present value of liabilities                            | (5.2%)         | (0.2%)       | (15.7%)        |

In the year ending 31 July 2005, contributions by the Group to the scheme were £1,934,493, (2004: £1,682,495).

## UNIVERSITY OF WESTMINSTER

## 31. 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 the transitional arrangements under FRS17 for accounting for pension costs. It is not possible to identify the University's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8-12 of FRS17. In the year ending 31 July 2005, contributions by the Group to the scheme were £2,257 (2004: £1,323).

The scheme is subject to triennial valuation by professionally qualified and independent actuaries. The last available valuation was carried out on 31 March 2002 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<br>% per annum | Future Service<br>% per annum |
| Investment return on liabilities |                             |                               |
| - before retirement              | 6.0                         | 7.0                           |
| - after retirement               | 5.0                         | 5.0                           |
| Salary growth*                   | 4.2                         | 4.2                           |
| Pension increases                | 2.7                         | 2.7                           |

\* excluding an allowance for promotional increases.

## UNIVERSITY OF WESTMINSTER

## 31. PENSION COSTS (continued)

The actuarial valuation applies to the scheme as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of the scheme's assets was £941 million representing 121% of the liability for benefits after allowing for expected future increases in salaries.

The contribution rate required for future service benefits alone at the date of the valuation was 17.4% of salaries per annum.

Employers who have recently joined SAUL ("New Employers") and certain employee groups (as agreed by the Trustee of SAUL), pay 17.4% of salaries per annum until the second actuarial valuation after entry (or some other period as agreed with the Trustee). The past service surplus allows all other employers to pay contributions at the rate of 10.5% of pensionable salaries per annum, subject to review at future valuations. The surplus also supports the continuation of the Employee contribution rate of 5% of salaries per annum, again subject to review.

A formal actuarial valuation, in which the above rates were reviewed, was carried out as at 31 March 2005, but the valuation report will not be finalised until early in 2006.

## Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 2002. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 5.0% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.0% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. The valuation was carried out using the projected unit method.

## UNIVERSITY OF WESTMINSTER

## 31. PENSION COSTS (continued)

At the valuation date, the market value of the assets of the scheme was £19,938 million and the value of the past service liabilities was £19,776 million leaving a surplus of assets of £162 million. The assets therefore were sufficient to cover 101% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 million of the surplus. This left a past service surplus of £79.5 million (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A formal actuarial valuation, in which the above rates were reviewed, was carried out as at 31 March 2005, but the report is not yet available.

The total pension cost for the institution was £286,967, (2004: £229,858). The contribution rate payable by the institution was 14% of pensionable salaries.

## UNIVERSITY OF WESTMINSTER

## 32. RELATED PARTY TRANSACTIONS

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

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

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

|   | 2005<br>£'000 | 2004<br>£'000 |
|---|---------------|---------------|
| Quintin Hogg Trust:   |               |               |
| Rent payable to Trust - academic buildings  | (2,552)       | (2,580)       |
| Rent payable to Trust - halls of residence  | (1,488)       | (1,380)       |
| Donations received by University  | 1,048         | 1,152         |
| Donations received by University, included as deferred capital grants in the accounts | 2,000         | -             |
| Contribution to halls maintenance   | -             | 681           |
| Amounts owed to related party:  |               |               |
| - other amounts   | <u>18</u>     | <u>186</u>    |
| Disclosed as other debtors in the accounts  | <u>18</u>     | <u>186</u>    |
| The Regent Street Polytechnic Trust:  |               |               |
| Donation received by University, included as deferred capital grants in the accounts  | -             | 150           |
| The Quintin Hogg Memorial Fund:   |               |               |
| Rent payable to Trust   | 73            | 73            |
| Amounts owed by related party:  |               |               |
| - balance of disposal proceeds  | 303           | 373           |
| - other amounts   | <u>(1)</u>    | <u>(114)</u>  |
| Disclosed as other debtors in the accounts  | <u>302</u>    | <u>259</u>    |
| The University of Westminster Prize and Scholarship Fund:                             |               |               |
| Amounts owed to related party:  |               |               |
| - other amounts   | -             | (1)           |
| Disclosed as other (creditors)/debtors in the accounts                                | <u>-</u>      | <u>(1)</u>    |

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.