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# BOARD OF GOVERNORS' REPORT

ON THE

2005/06 FINANCIAL STATEMENTS

## 1. SCOPE OF THE FINANCIAL STATEMENTS

The statements comprise the results of the activities channelled through the University as a legal entity and give the consolidated results of the University and its subsidiary companies – Kingston University Service Company Limited (KUSCO), Kingston University Enterprises Limited (KUDEL), Kingston University Campus Enterprises Limited (KUCCEL), Kingston University Innovations Limited (KUIL) and Hadleigh Products Limited. The subsidiary, KUEL, exists to undertake activities which, for legal or commercial reasons, are more appropriately channelled through a limited company. KUCCEL was established to further develop conference and vacation letting activities. KUSCO was established to provide certain support services to the University and its subsidiaries. Hadleigh Products Limited exists to handle a range of property transactions. KUIL was established during 2004/05 to hold investments in spin out and spin in activities. The statements also include an apportionment of the activities of a joint arrangement with St Georges University of London.

## 2. RESULT FOR THE YEAR

The University's consolidated income and expenditure account for the year to 31 July 2006 is summarised as follows:

	2005/06 £000s	2004/05 £000s restated
Total Income	132,332	121,160
Total Expenditure	<u>(131,612)</u>	<u>(121,433)</u>
Surplus for the Year	<u>720</u>	<u>187</u>

The financial statements for 2005/06 reflect the reporting requirements of Financial Reporting Standard 17, retirement benefits, and therefore the result for 2004/05 has been restated. Of the £11m increase in income in 2005/06, £8m came from the funding and fee income generated through increased student numbers with £4.6m attributable to an increase in recurrent grant. Tuition Fees increased by £3.5m the income growth coming equally from Home/EU and overseas students. Although the overseas income increase was slightly above the previous year it did not fully meet the planned increase. The remainder of the income increase came from HEFCE specific grants and an increase in Residential Income.

Total expenditure increased by £10m of which staff costs are £5.5m and other operating expenses £4.4m. Increased depreciation was largely off set by a reduction in interest payable. Staff costs increased 8% over the previous year of which 3% represented increased staff numbers to support growth in student numbers and other activities. The £4.4m increase in other operating expenditure was due to increased franchising cost for activities in associate colleges, increased cost of residences and increased in consultancy costs from estates and IT projects. The cost of internal audit through a consortium also contributes to the increase although there is a corresponding pay cost decrease.

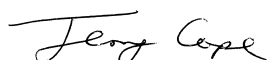
The overall surplus for 2005/06 is significantly better than that projected in the forecast outturn. Of the improvement of £1.8m it is estimated that there will be a requirement to spend £1m in 2006/07. The consolidated cash flow statement shows an improved position from previous year for cash from operating activities with an overall increase in cash in the period of £2m. The lower level of capital expenditure and financial investment masks the level of investment actually taking place (£10.9m) through receipt of a higher level deferred capital grant. This is clarified in the notes to the accounts particularly notes 24 and 25.

## 3. NEW UNIVERSITY PROJECT

During the year the University Board approved three major building projects that will increase space for teaching, learning and research by 12,000 square metres at a cost of £30m (including fees and associated works). The two largest projects will be completed before the end of 2006/07 with the third completing in September 2007. These developments represented the first stage of the New University Project and were largely commissioned to provide the facilities necessary to accommodate the planned student number growth. The plans for the second stage are in the process of being reviewed due to the non availability of a proposed replacement site. The total investment to complete the NUP is assessed at £70m. The University has secured a borrowing facility of £35m for which it has fixed the rate of interest for 23 years from 2008.

## 4. SUMMARY OF FINANCIAL DEVELOPMENTS

Once again it can be reported that the University had a successful year both in academic and financial terms. It is essential that the strong financial management continues to support the challenging objectives set for the future. It is also important that the growth in income proceeds in line with plan to enable investment in key areas of academic development and the University's assets.



**Jerry Cope**  
Chairman of the Board of Governors



**Peter Scott**  
Vice-Chancellor

# RESPONSIBILITIES

## OF THE BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

In accordance with the Education Reform Act 1988, the Board of Governors of Kingston University is responsible for the administration and management of the affairs of Kingston University and its subsidiaries, and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and its subsidiaries, and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988 and relevant accounting standards. In addition, within the terms and conditions of the Financial memorandum dated December 2003 agreed between the Higher Education Funding Council for England and the Board of Governors of Kingston University, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Kingston University and its subsidiaries, and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on a going concern basis unless it is inappropriate to presume that Kingston University will continue in operation.

The Board of Governors has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and Further Education Funding Council, and Teacher Training Agency grants and income are used only for the purpose for which they have been given and in accordance with the Financial memorandum dated December 2003 with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that income has been applied in accordance with the Education Reform Act 1988;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of Kingston University and to prevent and detect fraud; and
- secure the economical, efficient and effective management of the resources and expenditure of Kingston University and its subsidiaries.

# CORPORATE GOVERNANCE

## OF KINGSTON UNIVERSITY

As the governing body of Kingston University, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the instrument of Governance for 'Kingston University Higher Education Corporation' which provides for Kingston University's Articles of Governance and the Financial Memorandum with the HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place during the year ended 31 July 2006 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

As the governing body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- a. We meet at regular intervals six times a year to consider the plans and strategic direction of the institution.  
.....
- b. We receive periodic reports from the chairman of the Audit Committee concerning internal control and risk management.  
.....
- c. We have established a Risk Management Committee to oversee risk management, which met two times during the year, reporting to the Audit Committee as well as the University Executive.  
.....
- d. The Audit Committee meets four times a year and receives regular reports from the Head of Internal Assurance and Advisory Services (formerly Internal Audit Services), which include an independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement.  
.....
- e. A regular programme of facilitated risk workshops is held to identify and keep up to date the record of risks facing the organisation at both strategic and operational levels.  
.....
- f. A robust risk prioritisation methodology based on risk ranking has been established in the identification and evaluation of risks.  
.....
- g. A series of organisation-wide risk registers is now maintained on an on-going basis by nominated risk managers across the institution.  
.....

- h. A programme of risk awareness training has also been started and will continue as part of the annual Risk Management programme.  
.....
- i. A system of key performance and risk indicators has been developed and incorporated in detailed strategic and operational monitoring modules, which derive from risk registers across the institution; these modules track the progress made with implementing agreed actions for the mitigation of identified risks.  
.....
- j. The process of risk management is fully embedded and integrated within the institution's planning processes, at both strategic (institutional) and operational (Faculty and Departmental) levels.  
.....

Our review of the effectiveness of the system of internal control is informed by Internal Assurance and Advisory Services, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in February 2000. Internal Assurance and Advisory Services submit regular reports which include the Head of Internal Assurance's independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.

Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter, other reports and attendance at certain Audit Committee meetings.

# INDEPENDENT AUDITORS' REPORT

## TO THE BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

We have audited the financial statements of Kingston University for the year ended 31 July 2006 which comprise the consolidated income and expenditure account, the consolidated balance sheet, the University balance sheet, the consolidated cash flow statement, the statement of total recognised gains and losses, the note of consolidated historical cost surpluses and deficits, the reconciliation of net cash flow to movement in net funds/(debt) and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Board of Governors of the University, as a body, in accordance with the Financial Memoranda dated December 2003. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditors' 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 Board and the Board's members as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF THE BOARD OF GOVERNORS AND AUDITORS

As described in the responsibilities of the Board of Governors, the Board of Governors is responsible for the preparation of the financial statements in accordance with the University's statute, the Statement of Recommended Practice on Accounting for Further and Higher Education and other applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. We also report whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by Kingston University have been properly applied only for the purposes for which they were received and whether 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 if, in our opinion, the Board 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 Board of Governors' report, including the corporate governance statement, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### BASIS OF OPINION

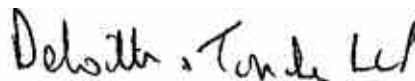
We conducted our audit in accordance with International Standards on Auditing issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures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

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

### OPINION

In our opinion:

- (a) the financial statements give a true and fair view of the state of affairs of the University and the Group as at 31 July 2006 and of the surplus of the Group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions;  
.....
- (b) in all material respects income from Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received; and  
.....
- (c) in all material respects income has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memoranda, dated December 2003 with the Higher Education Funding Council for England.  
.....



Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Reading, UK  
15 November 2006

CONSOLIDATED

**INCOME AND EXPENDITURE ACCOUNT**

FOR THE YEAR ENDED 31 JULY 2006

	NOTES	YEAR ENDED 31 JULY 2006 £000s	YEAR ENDED 31 JULY 2005 £000s
<b>INCOME</b>			
Funding Council grants	2	63,829	57,858
Tuition fees and education contracts	3	43,691	39,916
Research grants and contracts	4	2,416	2,443
Other income	5	20,949	19,862
Endowment and investment income	6	1,447	1,541
<b>Total Income</b>		<u>132,332</u>	<u>121,620</u>
<b>EXPENDITURE</b>			
Staff costs	7	77,700	72,148
Other operating expenses	8	41,624	37,239
Depreciation	9-10	8,531	7,964
Interest payable		3,757	4,082
<b>Total Expenditure</b>		<u>131,612</u>	<u>121,433</u>
Surplus on continuing operations after depreciation of assets, disposal of assets and tax	21	<u>720</u>	<u>187</u>

The income and expenditure account is in respect of continuing activities.

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CONSOLIDATED STATEMENT OF

**HISTORICAL COST SURPLUSES & DEFICITS**

FOR THE YEAR ENDED 31 JULY 2006

	YEAR ENDED 31 JULY 2006 £000s	YEAR ENDED 31 JULY 2005 £000s (RESTATED)
Surplus on continuing operations before taxation	720	187
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	713	713
Historical cost surplus for the period before taxation	<u>1,433</u>	<u>900</u>
Historical cost surplus for the period after taxation	<u>1,433</u>	<u>900</u>

## STATEMENT OF

**TOTAL RECOGNISED GAINS AND LOSSES**

FOR THE YEAR ENDED 31 JULY 2006

	<b>YEAR ENDED 31 JULY 2006 £000s</b>	<b>YEAR ENDED 31 JULY 2005 £000s</b>
Surplus on continuing operations after depreciation of assets, disposal of assets and tax	720	187
Movement in restricted and endowment reserves	25	(53)
Reimbursement of inherited debt (capital element)	3,750	434
<b>Adjustments associated with local government pension scheme:</b>		
Actual return less expected return on pension scheme assets	2,750	3,696
Experience gains and losses arising on the scheme liabilities	(118)	(887)
Changes in the assumptions underlying the present value of the scheme liabilities	(3,526)	(7,941)
Total recognised gains and losses for the year	<u>3,601</u>	<u>(4,564)</u>
Prior year adjustment (see note 30)	(37,999)	
Total recognised gains and losses since last annual report	<u>(34,398)</u>	
<b>Reconciliation</b>		
Opening reserves and endowments as previously stated	103,146	101,521
Prior year adjustments (see note 30)	<u>(37,999)</u>	<u>(31,810)</u>
Opening reserves and endowments as restated	65,147	69,711
Total recognised gains and losses for the year	3,601	(4,564)
Closing reserves and endowments	<u>68,748</u>	<u>65,147</u>

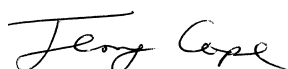
# BALANCE SHEET

AS AT 31 JULY 2006

		CONSOLIDATED 2005/06 £000s	UNIVERSITY 2005/06 £000s	CONSOLIDATED 2004/05 £000s	UNIVERSITY 2004/05 £000s
	Notes				
<b>Fixed Assets</b>					
Tangible assets	9	146,671	136,197	140,076	129,490
Investments	9	57	12,168	35	12,983
		<u>146,728</u>	<u>148,365</u>	<u>140,111</u>	<u>142,473</u>
<b>Endowment Assets</b>	10	1,546	1,546	1,509	1,509
<b>Current Assets</b>					
Stock	12	153	153	140	140
Debtors	13	5,303	5,564	4,589	4,040
Cash at bank and in hand		<u>30,540</u>	<u>27,373</u>	<u>28,570</u>	<u>24,809</u>
		35,996	33,090	33,299	28,989
<b>Creditors: amounts falling due within one year</b>	14	<u>(20,375)</u>	<u>(18,526)</u>	<u>(19,209)</u>	<u>(16,482)</u>
<b>Net current assets</b>		<u>15,621</u>	<u>14,564</u>	<u>14,090</u>	<u>12,507</u>
<b>Total assets less current liabilities</b>		163,895	164,475	155,710	156,489
<b>Creditors: amounts falling due after more than one year</b>	15	(31,193)	(31,193)	(32,937)	(32,937)
<b>Net Assets excluding pension liability</b>		132,702	133,282	122,773	123,552
<b>Pension Liability</b>	16	(42,987)	(40,723)	(41,320)	(39,165)
<b>Net Assets including pension liability</b>		<u>89,715</u>	<u>92,559</u>	<u>81,453</u>	<u>84,387</u>
<b>Deferred capital grants</b>	17	20,967	20,967	16,306	16,306
<b>Endowment</b>					
Specific	18	1,546	1,546	1,509	1,509
<b>Reserves</b>					
Revaluation reserve	19	58,061	58,061	55,024	55,024
Restricted reserve	20	110	110	122	122
General reserve	21	<u>52,018</u>	<u>52,598</u>	<u>49,812</u>	<u>50,591</u>
Total reserves excluding pension liability reserve		110,189	110,769	104,958	105,737
Pension liability reserve		<u>(42,987)</u>	<u>(40,723)</u>	<u>(41,320)</u>	<u>(39,165)</u>
Total reserves including pension liability reserve		<u>67,202</u>	<u>70,046</u>	<u>63,638</u>	<u>66,572</u>
<b>TOTAL</b>		<u>89,715</u>	<u>92,559</u>	<u>81,453</u>	<u>84,387</u>

The financial statements on pages 7 to 30 were approved by the governing body on 15 November 2006 and were signed on its behalf by:

Jerry Cope  
Chairman of the Board of Governors



Peter Scott  
Vice-Chancellor and Chief Executive





CONSOLIDATED

**CASH FLOW STATEMENT**

FOR THE YEAR ENDED 31 JULY 2006

	NOTES	YEAR ENDED 31 JULY 2006 £000s	YEAR ENDED 31 JULY 2005 £000s RESTATED (see note 30)
Cash flow from operating activities	22	9,059	7,341
Returns on investments and servicing of finance	23	(973)	(952)
Capital expenditure and financial investment	24	(2,791)	(4,497)
Financing	25	(3,325)	(542)
Increase in cash in the period		<u>1,970</u>	<u>1,350</u>
<b>Reconciliation of net cash flow to movement in net funds/(debt)</b>			
Increase in cash in the period		1,970	1,350
Movement in endowment asset		53	(41)
Change in net debt resulting from cash flows		<u>7,076</u>	<u>975</u>
Movement in net debt in period		9,099	2,284
Net debt at 1 August		(1,387)	(3,671)
Net funds/(debt) at 31 July	26	<u>7,712</u>	<u>(1,387)</u>

## NOTES TO THE

# ACCOUNTS

YEAR ENDED 31 JULY 2006

### 1. STATEMENT OF ACCOUNTING POLICIES

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

#### A BASIS OF ACCOUNTING

The Financial Statements are prepared on the historical cost basis, as modified by the revaluation of land and buildings.

#### B BASIS OF CONSOLIDATION

The University entered into joint arrangements with St George's Hospital Medical School on 1 January 1996 to set up a Joint Faculty of Healthcare Sciences.

As the Joint Faculty is a joint arrangement that is not a separate entity, income, expenditure, assets and liabilities are apportioned between the University and the Medical School under a strict contractual basis in accordance with Financial Reporting Standard 9.

The consolidated financial statements consolidate the financial statements of the University and all subsidiary undertakings, and, as stated above, the Joint Faculty, for the financial years to 31 July 2006 and 2005. The consolidated financial statements exclude the financial statements of Kingston University Students' Union (formerly Kingston University Guild of Students) as the Union does not constitute a subsidiary or quasi-subsidiary undertaking under the definitions of Financial Reporting Standards 2 and 5.

#### C TANGIBLE FIXED ASSETS

##### Land and Buildings

Freehold land is stated at a clear site land value based upon a valuation report prepared by the Chartered Surveyors, Dunphys, as at 31 July 1993. Assumptions made in preparing the report include planning permission for development for a use prevailing in the vicinity of each site and no unusual costs in developing any of the sites. Given the specialist nature of the usage of the land, these assumptions give a best approximation of existing use land value.

Freehold Buildings inherited from the Local Authority on 1 April 1989 are stated in the accounts at depreciated replacement cost in accordance with the Royal Institute of Chartered Surveyors' Guidance notes concerning asset valuation. This value is based upon a valuation report prepared by the Chartered Surveyors, Dunphys, as at 31 July 1993. Under the transitional provisions of FRS15 the valuation has not been updated since this date.

All other buildings are shown in the accounts at cost less accumulated depreciation.

##### Other Tangible Fixed Assets

Other tangible fixed assets are stated at cost less accumulated depreciation.

The historical cost of tangible fixed assets included in the balance sheet at valuation is not available and therefore cannot be disclosed.

#### D DEPRECIATION

Land is held freehold and is not depreciated as it is considered to have an indefinite useful economic life.

Freehold buildings are depreciated on a straight line basis over the estimated remaining useful economic life of each asset. The useful economic lives of main buildings range between fifty and one hundred years. Minor works projects are deemed to have a useful economic life between five and fifteen years.

Plant, machinery and other equipment has a capitalisation threshold of £1,000 and is depreciated on a straight line basis as follows:

Major Plant	-	10 years
Fixtures & Fittings	-	6 years
Minor Plant	-	5 years
Vehicles	-	5 years
Educational Equipment	-	5 years
Computer Equipment - Mainframe	-	5 years
Computer Equipment - Minor	-	3 years

The Dorich art collection is not depreciated as it is considered that the carrying value of the asset will continue to be at least equal to the residual value of the asset.

#### E INVESTMENTS

Other investments are shown at cost less any provision for impairment.

#### F STOCKS

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

#### G GRANTS

Funding Councils' recurrent grant represents income in support of general or specific revenue activities of the University during the year and is credited directly to the Income and Expenditure Account.

Grants which are applied to acquire tangible fixed assets are shown as a deferred credit and are credited to the Income and Expenditure Account over the estimated useful lives of the related assets.

Revenue grants are credited to the Income and Expenditure Account in the year of receipt. Grant income which has been given for specific purposes and is unused at the end of the financial year is shown as a deferred credit.

#### H 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) of the Taxes Act 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 Taxes Act 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.

#### I OPERATING LEASES

Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the lease.

#### J PENSION COSTS

The University contributes to a number of defined benefit pension schemes and accounts for the costs in relation to these schemes in accordance with FRS17 (Retirement benefits), which has been adopted in the current financial year. As described in note 30, the adoption of FRS17 has resulted in a prior year adjustment.

Where the University is unable to identify its share of the underlying assets and liabilities in a defined benefit pension scheme on a reasonable and consistent basis, it accounts as if the scheme were a defined contribution scheme, so that the cost is equal to the total contributions payable in the year.

For other defined benefit schemes, the assets of each scheme are measured at fair value, and the liabilities are measured on an actuarial basis using the projected unit method and discounted at an appropriate rate of return. The University's share of the surplus or deficit of the scheme is recognised as an asset or liability on the balance sheet. The current service cost, being the actuarially determined present value of the pension benefits earned by employees in the current period, and the past service costs are included within staff costs. Interest Payable includes the net of the expected return on assets, being the actuarial forecast of total return on the assets of the scheme, and the interest costs being the notional interest cost arising from unwinding the discount on the scheme liabilities. All changes in the pension surplus or deficit due to changes in actuarial assumptions or differences between actuarial forecasts and the actual out-turn are reported in the statement of total recognised gains and losses.

#### K FINANCE LEASES

Assets held under finance leases arising from lease and lease-back transactions are shown at cost and depreciated over their estimated useful lives.

The finance charges are allocated over the period of the lease in proportion to the amount of capital outstanding.

#### L ENDOWMENT ASSETS

Assets donated to the University are included in the Income and Expenditure Account for the year at valuation, and subsequently transferred to specific reserves and released where appropriate in accordance with depreciation charged in the Income and Expenditure Account.

#### M STAFF COSTS

The disclosure of executive staff earnings is in accordance with HEFCE requirements, DfEE and CVCP guidelines and applicable accounting standards.

#### **N RESERVES POLICY**

Revaluation Reserve : Upon achieving corporate status under the 1998 Education Reform Act the original value of the inherited assets and liabilities was transferred to capital reserves. Revaluation of inherited land and buildings was carried out in July 1993. The revaluation reserve includes these elements. The capital element of reimbursable inherited debt payments is credited direct to the revaluation reserve. A transfer is made from the revaluation reserve to the income and expenditure reserve, for an amount equivalent to the difference between historical cost depreciation and the actual charge for the period.

Restricted Reserves: This reserve is used for prize funds where donations have been given for a specific use.

## CONSOLIDATED

**2. FUNDING COUNCIL GRANTS**

Recurrent grant (including research element)	54,550	50,337
HEFCE specific grants	3,155	1,924
TTA	2,798	2,424
LSC (formerly FEFC) grant	388	406
Deferred capital grants released in year	2,579	2,129
Funding Council reimbursement of debt charges	359	638
	<u>63,829</u>	<u>57,858</u>

<b>2005/06</b>	<b>2004/05</b>
<b>£000s</b>	<b>£000s</b>
54,550	50,337
3,155	1,924
2,798	2,424
388	406
2,579	2,129
359	638
<u>63,829</u>	<u>57,858</u>

**3. TUITION FEES AND EDUCATION CONTRACTS**

Full-time UK and EU students	16,392	14,664
Part-time UK and EU students	3,639	3,665
Channel Island students	209	196
Overseas full-time students	12,239	10,526
Overseas part-time students	752	659
NHS teaching contracts	8,687	8,459
Short course fees	1,773	1,747
	<u>43,691</u>	<u>39,916</u>

<b>2005/06</b>	<b>2004/05</b>
<b>£000s</b>	<b>£000s</b>
16,392	14,664
3,639	3,665
209	196
12,239	10,526
752	659
8,687	8,459
1,773	1,747
<u>43,691</u>	<u>39,916</u>

**4. RESEARCH GRANTS AND CONTRACTS**

Research Councils	812	721
UK based charities	180	251
Other research grants and contracts	1,424	1,471
	<u>2,416</u>	<u>2,443</u>

<b>2005/06</b>	<b>2004/05</b>
<b>£000s</b>	<b>£000s</b>
812	721
180	251
1,424	1,471
<u>2,416</u>	<u>2,443</u>

**5. OTHER INCOME**

Residencies and catering	12,209	11,121
Income from UK public bodies	2,691	2,594
Income from EU based organisations	97	145
Income from University shops	138	157
Income from sports facilities	157	149
Course validation fees	818	499
Knowledge transfer partnerships	480	640
Nursery fees	117	81
Field trips	288	243
Graduation ceremonies	340	323
Sale of teaching materials	353	299
Release from deferred capital grant	203	209
Release from endowment reserve	20	57
Other income	3,038	3,345
	<u>20,949</u>	<u>19,862</u>

<b>2005/06</b>	<b>2004/05</b>
<b>£000s</b>	<b>£000s</b>
12,209	11,121
2,691	2,594
97	145
138	157
157	149
818	499
480	640
117	81
288	243
340	323
353	299
203	209
20	57
3,038	3,345
<u>20,949</u>	<u>19,862</u>

CONSOLIDATED

**6. ENDOWMENT AND INVESTMENT INCOME**

Interest receivable

<b>2005/06 £000s</b>	<b>2004/05 £000s</b>
1,447	1,541
<u>1,447</u>	<u>1,541</u>

**7. STAFF**

**Staff Costs**

Wages and salaries  
Social security costs  
Other pension costs

<b>2005/06 £000s</b>	<b>2004/05 £000s</b>
65,280	60,481
4,832	4,505
7,588	7,162
<u>77,700</u>	<u>72,148</u>

Staff costs for the year include exceptional payments in respect of compensation for loss of office totalling £547,000 (2005:£444,000). Three such amounts totalling £138,560 were made on behalf of senior members of staff earning over £70,000,

**Vice-Chancellor and Chief Executive**

Emoluments  
Employer's contribution to pension fund

<b>2005/06 £000s</b>	<b>2004/05 £000s</b>
163	149
22	20
<u>185</u>	<u>169</u>

**Executive Managers**

£110,001 - £120,000  
£100,001 - £110,000  
£90,001 - £100,000  
£80,001 - £90,000  
£70,001 - £80,000

<b>2005/06 NO.</b>	<b>2004/05 NO.</b>
1	-
-	2
3	1
7	4
6	8

The average number of persons employed by the University during the year, expressed as full-time equivalent was:

Executive, senior and academic staff  
Research, language and teaching assistants  
General and professional staff

<b>2005/06 NO.</b>	<b>2004/05 NO.</b>
782	757
48	50
993	960
<u>1,823</u>	<u>1,767</u>

CONSOLIDATED

**8. OTHER OPERATING EXPENSES**

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000s</b>	<b>£000s</b>
Residences, catering and conferences	6,660	5,711
Staff development	1,214	1,165
Recruitment costs	656	556
Other employee costs	1,270	1,417
Teaching materials	2,007	2,080
Academic equipment	906	932
Franchising costs	6,503	5,088
Other academic expenses	4,842	4,948
Utilities	1,054	664
Repairs and general maintenance	1,793	1,910
Other premises expenses	1,000	832
Grant to Kingston University Students' Union	528	515
Rent	1,016	1,309
Rates	277	257
Auditors' remuneration: audit services	52	52
Auditors' remuneration: non-audit services	72	50
Equipment hire	346	362
Other expenses	11,428	9,391
	<u>41,624</u>	<u>37,239</u>



## 9. FIXED ASSETS

Tangible Assets CONSOLIDATED	FREEHOLD LAND £000s	FREEHOLD BUILDINGS £000s	PLANT, MACHINERY, EQUIPMENT £000s	TOTAL £000s
<b>Cost or Valuation</b>				
Balance at 1 August 2005				
Valuation	27,842	37,875	-	65,717
Cost	5,032	85,311	47,979	138,323
Additions	-	11,618	3,507	15,125
Disposals	-	-	(422)	(422)
Balance as at 31 July 2006	<u>32,874</u>	<u>134,804</u>	<u>51,064</u>	<u>218,743</u>
<b>Depreciation</b>				
Balance at 1 August 2005	-	25,869	38,094	63,963
Charge in year	-	3,883	4,632	8,515
Disposals	-	-	(406)	(406)
Balance as at 31 July 2006	<u>-</u>	<u>29,752</u>	<u>42,320</u>	<u>72,072</u>
<b>Net Book Value</b>				
As at 31 July 2006	<u>32,874</u>	<u>105,052</u>	<u>8,744</u>	<u>146,671</u>
As at 31 July 2005	<u>32,874</u>	<u>97,317</u>	<u>9,885</u>	<u>140,076</u>
<b>UNIVERSITY</b>				
<b>Cost or Valuation</b>				
Balance at 1 August 2005				
Valuation	27,842	37,875	-	65,717
Cost	5,032	74,035	46,801	125,868
Additions	-	11,618	3,421	15,039
Disposals	-	-	(422)	(422)
Balance as at 31 July 2006	<u>32,874</u>	<u>123,528</u>	<u>49,800</u>	<u>206,202</u>
<b>Depreciation</b>				
Balance at 1 August 2005	-	24,966	37,129	62,095
Charge in year	-	3,770	4,546	8,316
Disposals	-	-	(406)	(406)
Balance as at 31 July 2006	<u>-</u>	<u>28,736</u>	<u>41,269</u>	<u>70,005</u>
<b>Net Book Value</b>				
As at 31 July 2006	<u>32,874</u>	<u>94,792</u>	<u>8,531</u>	<u>136,197</u>
As at 31 July 2005	<u>32,874</u>	<u>86,944</u>	<u>9,672</u>	<u>129,490</u>

As at 31 July 2006 the University had accrued approximately £1,158,000 (2005:£1,024,000) in respect of capital expenditure. The net book value of freehold buildings includes £9,433,000 (2005:£15,820,000) in respect of assets acquired under finance leases. The depreciation charge on these assets is £ 191,000 (2005:£315,000). Included in the net book value of freehold land and buildings are Exchequer Assets of £8,978,000 (2005:£9,212,000). These assets can be disposed of freely by the University, but initially the proceeds of any sale must be offered to the HEFCE. The HEFCE may allow the University to retain any proceeds and has the right to attach conditions to the use of these funds.

## 9. FIXED ASSETS (CONTINUED)

INVESTMENTS	SHARES IN SUBSIDIARY UNDERTAKINGS £000s	LOANS IN SUBSIDIARY UNDERTAKINGS £000s	OTHER INVESTMENTS £000s	TOTAL £000s
<b>CONSOLIDATED</b>				
As at 31 July 2006			57	57
As at 31 July 2005			35	35
<b>UNIVERSITY</b>				
At 1 August 2005	9,101	3,847	35	12,983
Loan repayments	-	(815)	-	(815)
As at 31 July 2006	9,101	3,032	35	12,168

The investments consist of shares in and loans to the University's subsidiaries listed below, together with other unlisted investments.

SUBSIDIARY	PERCENTAGE OWNED	MAIN BUSINESS
Kingston University Enterprises Limited	100%	Trading and consultancy
Hadleigh Products Limited	100%	Property development
Kingston University Campus Enterprises Limited	100%	Vacation letting
Kingston University Service Company Limited	100%	Management of residencies and property services
Kingston University Innovations Limited	100%	Enterprise activity

## 10. ENDOWMENT ASSETS

CONSOLIDATED AND UNIVERSITY	FREEHOLD BUILDINGS £000s	ART COLLECTION £000s	TOTAL £000s
<b>Dorich House building and art collection:</b>			
<b>Cost or Valuation</b>			
Balance as at 1 August 2005	1,129	382	1,511
Balance as at 31 July 2006	1,129	382	1,511
<b>Depreciation</b>			
Balance at 1 August 2005	160	-	160
Charge in year	16	-	16
Balance as at 31 July 2006	176	-	176
<b>Net Book Value</b>			
Balance as at 31 July 2006	953	382	1,335
Balance as at 31 July 2005	969	382	1,351
<b>Endowment Cash</b>			
Balance as at 31 July 2006			211
Balance as at 31 July 2005			158
<b>Total Endowment Asset</b>			
Balance as at 31 July 2006			1,546
Balance as at 31 July 2005			1,509

## 11. IMPAIRMENT REVIEW

In accordance with FRS11, the University has reviewed its fixed assets and concluded that there are no material impairments.

## 12. STOCK

	<b>CONSOLIDATED</b>	<b>UNIVERSITY</b>	<b>CONSOLIDATED</b>	<b>UNIVERSITY</b>
	<b>2005/06</b>	<b>2005/06</b>	<b>2004/05</b>	<b>2004/05</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Refectory	46	46	28	28
Bars	28	28	25	25
Materials	42	42	52	52
Building materials	18	18	17	17
Branded merchandise	19	19	18	18
	<u>153</u>	<u>153</u>	<u>140</u>	<u>140</u>

## 13. DEBTORS

	<b>CONSOLIDATED</b>	<b>UNIVERSITY</b>	<b>CONSOLIDATED</b>	<b>UNIVERSITY</b>
	<b>2005/06</b>	<b>2005/06</b>	<b>2004/05</b>	<b>2004/05</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Trade debtors	4,989	4,165	4,088	3,539
Provision for doubtful debts	(3,095)	(2,473)	(2,566)	(2,542)
	<u>1,894</u>	<u>1,692</u>	<u>1,522</u>	<u>997</u>
Amounts owed by subsidiary undertakings	-	1,061	-	281
Accrued income	1,325	1,321	2,126	1,945
Other debtors	770	190	131	48
Prepayments	1,314	1,300	810	769
	<u>5,303</u>	<u>5,564</u>	<u>4,589</u>	<u>4,040</u>

## 14. CREDITORS

### AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>CONSOLIDATED</b>	<b>UNIVERSITY</b>	<b>CONSOLIDATED</b>	<b>UNIVERSITY</b>
	<b>2005/06</b>	<b>2005/06</b>	<b>2004/05</b>	<b>2004/05</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Amounts owed to subsidiary undertakings	-	154	-	108
Obligations under finance leases	278	278	414	414
Local Authority loans	-	-	379	379
Medium term loan facility	332	332	215	215
Trade creditors	4,516	4,149	3,228	3,019
Other creditors including tax and social security	6,575	5,859	6,154	4,962
Student deposits	246	246	333	333
Accruals	4,379	3,564	4,638	3,740
Tuition fees in advance	688	658	572	538
Deferred income	1,336	1,261	1,527	1,025
Deferred credit on revenue grants	2,025	2,025	1,749	1,749
	<u>20,375</u>	<u>18,526</u>	<u>19,209</u>	<u>16,482</u>

**15. CREDITORS - AMOUNTS FALLING DUE  
AFTER MORE THAN ONE YEAR**

	<b>CONSOLIDATED 2005/06 £000s</b>	<b>UNIVERSITY 2005/06 £000s</b>	<b>CONSOLIDATED 2004/05 £000s</b>	<b>UNIVERSITY 2004/05 £000s</b>
Obligations under finance leases	12,104	12,104	22,993	22,993
Local Authority loans	-	-	3,372	3,372
Medium term loan facility	10,325	10,325	2,742	2,742
Deferred income	3,714	3,714	3,830	3,830
Other loans	5,050	5,050	-	-
	<u>31,193</u>	<u>31,193</u>	<u>32,937</u>	<u>32,937</u>
<b>Local Authority and Medium Term Loans</b>	<b>CONSOLIDATED 2005/06 £000s</b>	<b>UNIVERSITY 2005/06 £000s</b>	<b>CONSOLIDATED 2004/05 £000s</b>	<b>UNIVERSITY 2004/05 £000s</b>
Balance at 1 August	6,708	6,708	7,356	7,356
Capital repayments	(6,853)	(6,853)	(648)	(648)
New loans	10,802	10,802	-	-
Total loans outstanding at 31 July	<u>10,657</u>	<u>10,657</u>	<u>6,708</u>	<u>6,708</u>
<b>Obligations under Local Authority and Medium Term Loans</b>	<b>CONSOLIDATED 2005/06 £000s</b>	<b>UNIVERSITY 2005/06 £000s</b>	<b>CONSOLIDATED 2004/05 £000s</b>	<b>UNIVERSITY 2004/05 £000s</b>
Obligations under loans fall due as follows:				
Within one year	332	332	594	594
In the second to fifth years inclusive	1,848	1,848	1,949	1,949
In over five years	8,477	8,477	4,165	4,165
	<u>10,657</u>	<u>10,657</u>	<u>6,708</u>	<u>6,708</u>
<b>Obligations under Finance Leases</b>	<b>CONSOLIDATED 2005/06 £000s</b>	<b>UNIVERSITY 2005/06 £000s</b>	<b>CONSOLIDATED 2004/05 £000s</b>	<b>UNIVERSITY 2004/05 £000s</b>
Obligations under finance leases fall due as follows:				
Within one year	1,479	1,479	2,710	2,710
In the second to fifth years inclusive	6,436	6,436	11,804	11,804
In over five years	19,723	19,723	39,761	39,761
	<u>27,638</u>	<u>27,638</u>	<u>54,275</u>	<u>54,275</u>
Less finance charges allocated to future periods	(15,256)	(15,256)	(30,868)	(30,868)
	<u>12,382</u>	<u>12,382</u>	<u>23,407</u>	<u>23,407</u>

The Local Authority loans consisted of loans with Surrey County Council and the Royal Borough of Kingston. Interest on these loans was payable at the respective loans pool rate of interest. Both Local Authority loans were settled during the year. The finance lease on Seething Wells Residences was converted into a Medium Term loan during the year 2005/06. All loans are repayable by installment. Lease obligations are secured by retention of title to the related assets.

## 16. PENSION LIABILITY

The pension liability has been measured in accordance with the requirements of FRS17 and relates to the Local Government Superannuation Scheme (LGSS) and the London Pensions Fund Authority (LPFA). Further information is given in note 30.

CONSOLIDATED	LGSS 2006 £000s	LPFA 2006 £000s	TOTAL 2006 £000s	TOTAL 2005 £000s
Opening balance	(40,326)	(994)	(41,320)	(35,068)
<b>Movement in year:</b>				
Current service cost	(3,722)	(234)	(3,956)	(3,247)
Contributions	4,111	250	4,361	3,503
Other finance (cost)/income	(1,186)	8	(1,178)	(1,386)
Actuarial loss recognised in statement of total recognised gains and losses	(807)	(87)	(894)	(5,122)
Closing balances	<u>(41,930)</u>	<u>(1,057)</u>	<u>(42,987)</u>	<u>(41,320)</u>
<b>UNIVERSITY</b>				
Opening balance	(39,165)		(39,165)	(32,661)
<b>Movement in year:</b>				
Current service cost	(3,615)		(3,615)	(2,926)
Contributions	3,993		3,993	3,210
Other finance (cost)/income	(1,152)		(1,152)	(1,322)
Actuarial loss recognised in statement of total recognised gains and losses	(784)		(784)	(5,466)
Closing balances	<u>(40,723)</u>		<u>(40,723)</u>	<u>(39,165)</u>
<b>17. DEFERRED CAPITAL GRANTS</b>	<b>CONSOLIDATED 2005/06 £000s</b>	<b>UNIVERSITY 2005/06 £000s</b>	<b>CONSOLIDATED 2004/05 £000s</b>	<b>UNIVERSITY 2004/05 £000s</b>
Balance at 1 August	16,306	16,306	15,883	15,883
<b>Movements:</b>				
Grants received	7,443	7,443	2,761	2,761
Release to income and expenditure account	(2,782)	(2,782)	(2,338)	(2,338)
Balance at 31 July	<u>20,967</u>	<u>20,967</u>	<u>16,306</u>	<u>16,306</u>
Amount to be released within one year	(2,843)	(2,843)	(2,302)	(2,302)
Amounts to be released after more than one year	<u>18,124</u>	<u>18,124</u>	<u>14,004</u>	<u>14,004</u>
<b>18. ENDOWMENTS</b>	<b>CONSOLIDATED 2005/06 £000s</b>	<b>UNIVERSITY 2005/06 £000s</b>	<b>CONSOLIDATED 2004/05 £000s</b>	<b>UNIVERSITY 2004/05 £000s</b>
Balance at 1 August	1,509	1,509	1,566	1,566
Transfer from/(to) income and expenditure account	37	37	(57)	(57)
Balance at 31 July	<u>1,546</u>	<u>1,546</u>	<u>1,509</u>	<u>1,509</u>

These endowment funds relates to the Dora Hare estate - £1,489k and Phillip Russell Scholarship - £57k

**19. REVALUATION RESERVES**

	<b>CONSOLIDATED 2005/06 £000s</b>	<b>UNIVERSITY 2005/06 £000s</b>	<b>CONSOLIDATED 2004/05 £000s</b>	<b>UNIVERSITY 2004/05 £000s</b>
Balance at 1 August	55,024	55,024	55,303	55,303
Reimbursement of principal on Local Authority loans				
Local Authority Loans	3,750	3,750	434	434
<b>Transfer to General Reserve:</b>				
Difference between the historical cost depreciation and actual charge for the period calculated on re-valued amount	(713)	(713)	(713)	(713)
Balance at 31 July	<u>58,061</u>	<u>58,061</u>	<u>55,024</u>	<u>55,024</u>

**20. RESTRICTED RESERVES**

			<b>PRIZE FUND £000s</b>	<b>PRIZE FUND £000s</b>
Consolidated and University			122	122
Balance at 1 August			(12)	(12)
Increase in restricted reserves			<u>110</u>	<u>110</u>
Balance at 31 July				

**21. MOVEMENT ON GENERAL RESERVE**

	<b>CONSOLIDATED 2005/06 £000s</b>	<b>UNIVERSITY 2005/06 £000s</b>	<b>CONSOLIDATED 2004/05 £000s</b>	<b>UNIVERSITY 2004/05 £000s</b>
Income and expenditure account reserve at 1 August as restated	49,812	50,591	47,782	48,495
Surplus retained for the year	720	520	187	345
Transfer from pension reserve	773	774	1130	1038
Transfer from revaluation reserve	713	713	713	713
	<u>52,018</u>	<u>52,598</u>	<u>49,812</u>	<u>50,591</u>

**22. NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2005/06</b> <b>£000s</b>	<b>2004/05</b> <b>£000s</b> RESTATED
Surplus before tax	720	187
Interest payable	3,757	4,082
Interest receivable	(1,447)	(1,541)
Release of capital grant	(2,782)	(2,338)
Reimbursement of loan and debt charges	(182)	(204)
Depreciation	8,531	7,964
Loss on sale of assets	16	14
Increase in investments	(22)	-
Increase in stocks	(13)	(3)
Increase in debtors	(1,320)	(900)
Increase in creditors	1,929	1,474
Pension costs less contributions payable	(405)	(256)
Transfer of research grant to deferred credit	2,025	1,749
Release of revenue grant	(1,748)	(2,887)
	<u>9,059</u>	<u>7,341</u>

**23. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	<b>2005/06</b> <b>£000s</b>	<b>2004/05</b> <b>£000s</b>
Interest receivable	1,427	1,544
Interest paid	(1,151)	(408)
HEFCE reimbursement on LEA loans	182	204
Finance lease charges paid	(1,431)	(2,292)
	<u>(973)</u>	<u>(952)</u>

**24. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

	<b>2005/06</b> <b>£000s</b>	<b>2004/05</b> <b>£000s</b>
Purchase of tangible fixed assets	(10,850)	(7,776)
Deferred capital grant received	8,059	3,279
	<u>(2,791)</u>	<u>(4,497)</u>

**25. FINANCING**

	<b>2005/06</b> <b>£000s</b>	<b>2004/05</b> <b>£000s</b>
LEA loan principal payment	(3,751)	(433)
HEFCE reimbursement of LEA loan principal	3,751	433
Medium term loan repayments	(3,102)	(215)
Capital element on finance leases	(223)	(327)
	<u>(3,325)</u>	<u>(542)</u>

**26. ANALYSIS OF CHANGES IN NET DEBT**

	<b>AT 1 AUGUST 2005</b>	<b>CASH FLOWS</b>	<b>OTHER NON CASH CHANGES</b>	<b>AT 31 JULY 2006</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Cash at bank and in hand	28,570	1,970	-	30,540
Movement in endowment assets	158	53	-	211
Debt due within one year	(594)	785	(523)	(332)
Debt due after one year	(6,114)	6,068	(10,279)	(10,325)
Finance leases due within one year	(414)	223	(87)	(278)
Finance leases due after one year	(22,993)	-	10,889	(12,104)
	<u>(1,387)</u>	<u>9,099</u>	<u>-</u>	<u>7,712</u>

Other non-cash changes relate to the conversion of a finance lease into a medium term loan (see note 15).

**27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Balance at 1 August 2005	23,407	6,708	30,115
Capital Repayments	(11,025)	(6,853)	(17,878)
New loans	-	10,802	10,802
Balance at 31 July 2006	<u>12,382</u>	<u>10,657</u>	<u>23,039</u>

**28. OPERATING LEASE COMMITMENTS**

At 31 July 2006 the Group was committed to making the following payments during the next year in respect of operating leases:

	<b>2005/06 LAND AND BUILDINGS £000s</b>	<b>2004/05 LAND AND BUILDINGS £000s</b>
Leases which expire:		
Within one year	170	164
In the second to fifth years inclusive	292	312
In more than five years	224	222
	<u>686</u>	<u>698</u>

**29. PRIVATE FINANCE TRANSACTIONS**

	<b>£000s</b>
The University has only one PFI scheme which is for the Clayhill Halls of Residence.	
Estimated capital value of scheme	21,861
Project agreement date:	23/05/02
Completion of building project and commencement of unitary charge	01/12/03
Contract end date	30/11/38

A unitary charge is payable for a period of 35 years from the completion of the building project on 1st December 2003. The annual charge for 2005/6 will be £2,297,000. Estimated annual payments in the future are not expected to be materially different from those to be paid in 2005/6.



### 30 PENSIONS

The two principal pension schemes for University staff are the Teachers Pension Scheme (TPS) and the Local Government Superannuation Scheme (LGSS). Whilst both are defined benefit schemes the TPS is a national scheme and it is not possible to identify the University's share of underlying assets and liabilities.

There is a separate defined benefit pension scheme in operation for one of the subsidiary companies, KUSCO, the details of which are included below.

The total pension cost for the institution and its subsidiaries were:

	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Contributions to TPS	4,187	3,832	3,686
Contributions to LGSS	3,132	3,062	2,605
Contributions to other pension schemes	269	268	224
Total pension cost	<u>7,588</u>	<u>7,162</u>	<u>6,515</u>

#### LOCAL GOVERNMENT SUPERANNUATION SCHEME:

Latest actuarial valuation	31 March 2004
Actuarial method	Projected Unit
Investment returns per annum	6.6%
Pension increases per annum	2.7%
Salary scale increases per annum	4.2%
Market value of assets at date of last valuation	£49.95million
Proportion of members' accrued benefits covered by the actuarial value of the assets	54.6%

#### LONDON PENSIONS FUND AUTHORITY:

Latest actuarial valuation	31 March 2004
Actuarial method	Projected Unit
Investment returns per annum	6.8%
Pension increases per annum	2.7%
Salary scale increases per annum	4.2%
Market value of assets at date of last valuation	£3.122million
Proportion of members' accrued benefits covered by the actuarial value of the assets	75.8%

**FRS17 – RETIREMENT BENEFITS****LOCAL GOVERNMENT SUPERANNUATION SCHEME**

The following information is given in respect of the disclosure requirements of Financial Reporting Standard No. 17 “Retirements Benefits”.

The main financial assumptions adopted were as follows:	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>%</b>	<b>%</b>	<b>%</b>
a. Price inflation	3.1	2.7	2.9
b. Increases in salaries	4.6	4.2	4.7
c. Increases in pensions and deferred pensions	3.1	2.7	2.9
d. Discount rate	5.1	5.0	5.7

The fair values of each main class of assets held by the Fund as at 31 July 2006 and the expected rates of return from the ensuing year are set out in the following table:

	<b>31 July 2006</b>		<b>31 July 2005</b>		<b>31 July 2004</b>	
	Fair Value £m	Expected Return %	Fair Value £m	Expected Return %	Fair Value £m	Expected Return %
Equities	191	7.4	174	7.4	144	7.9
Gilts	47	4.4	43	4.4	31	4.9
Property	20	6.4	17	6.4	5	7.0
Bonds	-	5.1	-	5.0	7	5.7
Cash	18	4.7	15	4.7	16	4.5
<b>Total</b>	<b>276</b>		<b>249</b>		<b>203</b>	

The overall deficiency relating to the University was as follows:

	<b>31 July 2006</b>	<b>31 July 2005</b>	<b>31 July 2004</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Market value of scheme assets	57.5	48.5	39.6
Present value of scheme liabilities	(99.4)	(88.8)	(73.2)
Deficit in the scheme	<u>(41.9)</u>	<u>(40.3)</u>	<u>(33.6)</u>

Analysis of the amount charged to operating profit:

	<b>31 July 2006</b>	<b>31 July 2005</b>	<b>31 July 2004</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Current service cost	3.8	3.1	2.7
Total operating charge	<u>3.8</u>	<u>3.1</u>	<u>2.7</u>

Analysis of the amount charged to other interest payable:

	<b>31 July 2006</b>	<b>31 July 2005</b>	<b>31 July 2004</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Expected return on pension scheme assets	3.3	2.9	2.3
Interest on pension scheme liabilities	(4.5)	(4.3)	(3.6)
Net charge	<u>(1.2)</u>	<u>(1.4)</u>	<u>(1.3)</u>

Analysis of amount recognised in the Statement of Total Recognised Gains & Losses:

	<b>31 JULY 2006</b> £m	<b>31 JULY 2005</b> £m	<b>31 JULY 2004</b> £m
Actual return less expected return on pension scheme assets	2.6	4.6	2.8
Experience gains and losses arising on the scheme liabilities	(0.1)	(3.5)	(0.8)
Effects of changes in assumptions underlying present value of scheme liabilities	(3.3)	(6.7)	(1.1)
Actuarial (loss) / gain	<u>(0.8)</u>	<u>(5.6)</u>	<u>0.9</u>

The movement in the deficit of the scheme is summarised as follows:

	<b>31 JULY 2006</b> £m	<b>31 JULY 2005</b> £m	<b>31 JULY 2004</b> £m
Deficit as at 1 August	(40.3)	(33.6)	(33.6)
Contributions paid	4.1	3.3	2.9
Current service cost	(3.7)	(3.0)	(2.6)
Other finance charge	(1.2)	(1.4)	(1.3)
Actuarial (loss) / gain	(0.8)	(5.6)	1.0
Deficit as at 31 July	<u>(41.9)</u>	<u>(40.3)</u>	<u>(33.6)</u>

History of amounts recognised in the statement of total recognised gains and losses:

	<b>31 JULY 2006</b>	<b>31 JULY 2005</b>	<b>31 JULY 2004</b>	<b>31 JULY 2003</b>	<b>31 JULY 2002</b>
Difference between the expected and actual return on scheme assets (£m)	4.6	4.6	2.8	(1.1)	(4.8)
Percentage of scheme assets	9.4%	9.4%	7.1%	3.6%	15.8%
Experience gains and losses on scheme liabilities (£m)	(3.5)	(3.5)	(0.9)	0.0	(6.3)
Percentage of the present value of the scheme liabilities (£m)	3.9%	3.9%	1.2%	0%	11.2%
Total amount recognised in Statement of Total Recognised Gains and Losses (£m)	(5.6)	(5.6)	1.0	(6.7)	(11.1)
Percentage of the present value of the scheme liabilities	6.3%	6.3%	1.2%	10.1%	19.5%

For the LPFA scheme operated by KUSCO Limited, the figures disclosed below have been derived from the actuarial valuation carried out by Hymans Robertson as at 31 July 2006. The main financial assumptions adopted as at 31 July 2006 were as follows:

	<b>2006</b> %	<b>2005</b> %	<b>2004</b> %
Price inflation	3.1	2.7	2.9
Salary increases	4.6	4.2	4.4
Increases in pension and deferred pension	3.1	2.7	2.9
Discount rate	5.1	5.0	6.5

The fair value of each main class of assets held by the active sub fund of the LPFA, and the expected rates of return from the ensuing year are set out as follows:

	<b>31 July 2006</b>		<b>31 July 2005</b>		<b>31 July 2004</b>	
	Fair Value £m	Expected Return %	Fair Value £m	Expected Return %	Fair Value £m	Expected Return %
Equities	1,226	7.6	1,389	7.3	1,093	7.9
Bonds	387	6.3	170	4.7	159	5.4
Property	238	6.7	120	5.4	105	6.7
Cash	157	4.8	82	4.5	17	4.5
Total	<u>2,008</u>		<u>1,761</u>		<u>1,374</u>	

The overall deficiency relating to the company was as follows:

	<b>31 July 2006</b> £000s	<b>31 July 2005</b> £000s	<b>31 July 2004</b> £000s
Market share of scheme assets	3,634	3,122	3,481
Value placed on liabilities	(4,691)	(4,116)	(4,920)
	<u>(1,057)</u>	<u>(994)</u>	<u>(1,439)</u>

Analysis of the amount that is charged to operating profit:

	<b>2006</b> £000s	<b>2005</b> £000s	<b>2004</b> £000s
Current service costs	224	190	162
Curtailment and settlements	10	44	11
Total operating charge	<u>234</u>	<u>234</u>	<u>173</u>

Analysis of the amount that is charged to other finance income:

	<b>2006</b> £000s	<b>2005</b> £000s	<b>2004</b> £000s
Expected return on pension scheme assets	217	264	237
Interest on pension scheme liabilities	(209)	(289)	(284)
Net charge	<u>8</u>	<u>(25)</u>	<u>(47)</u>

Analysis of amount that is recognised in the Statement of Total Recognised Gains & Losses:

	<b>2006</b> <b>£000s</b>	<b>2005</b> <b>£000s</b>	<b>2004</b> <b>£000s</b>
Actual return less expected return on pension scheme assets	145	(872)	2
Experience gains and losses arising on the scheme liabilities	(1)	2,612	11
Changes in assumptions underlying the present value of the scheme liabilities	(231)	(1,234)	(8)
Actuarial gain/(loss)	<u>(87)</u>	<u>506</u>	<u>5</u>

The movement in the deficit of the scheme is summarised as follows:

	<b>2006</b> <b>£000s</b>	<b>2005</b> <b>£000s</b>	<b>2004</b> <b>£000s</b>
Deficit as at 1 August	(994)	(1,439)	(1,419)
Current service cost	(224)	(190)	(162)
Contributions paid	250	198	195
Impact of settlements and curtailments	(10)	(44)	(11)
Net return on assets	8	(25)	(47)
Actuarial gains	(87)	506	5
Deficit as at 31 July	<u>(1,057)</u>	<u>(994)</u>	<u>(1,439)</u>

History of amounts recognised in the statement of total recognised gains and losses:

	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Difference between the expected and actual return on scheme (£000)	145	(872)	2	(242)	1,792
Percentage of scheme assets	(4.0%)	(27.9%)	0.1%	7.9%	63.6%
Experience gains and losses on scheme liabilities (£000)	(1)	2,612	11	(64)	2,788
Percentage of the present value of the scheme liabilities	0%	63.5%	0.2%	1.4%	70.1%
Total amount recognised in Statement of Total Recognised Gains and Losses (£000)	(87)	506	5	(306)	(999)
Percentage of the present value of the scheme liabilities	(1.9%)	12.3%	0.1%	6.8%	25.1%

The accounts for the year ended 31 July 2005 have been restated for the adoption of FRS17 'Retirement Benefits'. The effects of this change in accounting policy are summarised below.

	<b>CONSOLIDATED</b> <b>£000s</b>	<b>UNIVERSITY</b> <b>£000s</b>
Income and expenditure account:		
Reversal of SSAP 24 charge	73	N/A
FRS17 operating profit charge	255	N/A
FRS17 other finance income	(1,385)	N/A
	<u>(1,057)</u>	<u>N/A</u>
Decrease in surplus for the year		
Statement of total recognised gains and losses:		
Decrease in surplus for the year	(1,057)	N/A
Actual return less expected return on pension scheme assets	3,696	N/A
Experience gains and losses arising on the scheme liabilities	(887)	N/A
Changes in the assumptions underlying the present value of the scheme liabilities	(7,941)	N/A
	<u>(6,189)</u>	<u>N/A</u>
Decrease in total recognised gains and losses relating to the year		
Balance sheet:		
Reversal of SSAP 24 provision	3,321	3,245
FRS17 pension liability	(41,320)	(39,165)
	<u>(37,999)</u>	<u>(35,920)</u>
Decrease in net assets		