



Thames Valley University
London Reading Slough



Annual Report and Financial Statements
Year ended 31 July 2006

06

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Message from the Vice-Chancellor

Those of us who have the privilege of working in higher education often remark on how rapid the pace of change is nowadays. We all know that there can be no such thing now as standing still – you either move forwards or you go backwards, and certainly throughout my time at TVU I have felt that the University is never quite the same place as it was the year before. However, as this report indicates, by any standards 2005/2006 was an exceptional year. There is virtually no aspect of University life where there has not been a significant and positive development.





Paragon

The new development near to the Ealing site at Brentford offers 839 student study rooms and opened to the students for the 2006/2007 academic year.

The custom-built new teaching facilities for the Faculty of Health and Human Sciences will open from the start of the 2007/2008 academic year.



Our distinctiveness

In 2005/2006, there were 60,000 enrolments onto courses at TVU. This makes the University one of the largest educational providers in the UK. But it is not just our size that makes us different. Our equal commitment to delivering both Further and Higher Education and our record in providing modern, relevant, flexibly delivered education that is of demonstrably high quality, set us apart as being distinctive.

This distinctiveness is also reflected in the demographic profile of our students: 61% of whom study with us on a part time basis; 52% are from Black, Asian or Minority Ethnic communities; 71% are over 21 (and 1% aged between 14-16); and they come from 132 countries.

This profile indicates that we are clearly fulfilling our mission to meet the learning needs of individuals and employers across West London and the Thames Valley but that we are also attracting students to learn with us from all over the world.

The curriculum

In order to ensure that we do provide what students and the local and regional economy want and need, it is imperative that we continuously refresh our curriculum. So during 2005/2006, we validated 60 new programmes, and also – just as importantly – we have reviewed our entire full time course offering to make it less complex both to promote and to administer.

We have continued to put in place this year the building blocks we need to develop our research profile. In particular, during the year we formed the Graduate School to promote the postgraduate work of the University and to support graduate and research students.

Quality

Inspections and audits are now a routine part of educational life, but we certainly have had an unusually busy time this year with a host of external visits, including a major Quality Assurance Agency Institutional Audit and an Ofsted review of all the Further Education work at Reading.

It is clearly vital that we can provide objective evidence of the quality of our work and I am delighted to report that we have continued to maintain our strong record with regard to the external assessment of our quality assurance procedures and academic standards.

I am particularly pleased when those undertaking the reviews comment positively – as they do consistently – on the students they meet. We are proud of our students and it is certainly

heartening when those who visit universities and colleges all the time make special mention of the commitment and understanding of the students they meet at TVU.

Routine as inspections and audits now are, they still require a great deal of work by staff across the University. I am very grateful to all those who have worked so hard to secure these successful outcomes. I am sure all those associated with the University will derive real satisfaction from the consistently positive results we receive when our work is reviewed.

Research and the Graduate School

We have continued to put in place this year the building blocks we need to develop our research profile. In particular, during the year we formed the Graduate School to promote the postgraduate work of the University and to support graduate and research students.

Region

The University has continued to play an active and valued part in the Thames Valley and West London area. I am particularly pleased that the University took a leadership role in key HEFCE initiatives this year. We chaired both the Westfocus University consortium and West London Aimhigher, and we also led on the development of the new Lifelong Learning Network for the sub-region.

Our innovative widening participation work has continued apace during the year with new initiatives for young people across West London and the Thames Valley.

The University's work with Gillette in helping to retrain the 330 employees facing redundancy and at the Heathrow Learning Centre, located in the Queens' Building next to Terminal 2, both attracted a great deal of positive attention during the year and are successful examples of how we can realise our aim to take the University's services to where they are needed.

The Chancellor

No one could be in any doubt about the contribution Karan Bilimoria made as Chancellor during 2005/2006. His commitment has been outstanding and it is an indication of the regard with which students and staff hold him that the three events he led this year have each been very well attended. The Enterprise Showcase, Leadership Forum and Employers' Day at the Faculty of Arts end-of-year show each provided an excellent opportunity to demonstrate the quality of our work.

We could not have wished to have a better and more enthusiastic ambassador for TVU than Karan. I know that the



whole University community greatly appreciates all that Karan does for TVU.

It was, therefore, with real pleasure that towards the end of the academic year we heard the news that Karan was to become a Life Peer, taking his place in the House of Lords as Lord Bilimoria of Chelsea. We were delighted to send Karan our warmest congratulations.

Estates

This year saw the first fruits of our major estates development work. We are at the beginning of a programme of estates refurbishment and rationalisation which will take five years to complete and which will transform not only how the University looks but also the learning experience of our students.

Paragon, our new student village at Brentford, has grown at an astonishing rate and quickly established its presence – as the Mayor of London predicted – as another gateway building marking the western route into London. The availability of custom-built and first class student accommodation will be a great boost for the University and – I am sure – will play a positive part in boosting both recruitment and retention. Being able to begin to offer new students this excellent accommodation will be a great start to the 2006/2007 academic year.

The changes have been evident at St Mary's Road as well this year as we set about reconstructing much of the ground floor of the building to create a brand new front of house. Inevitably, there has been a certain amount of short term pain during these works. I am very grateful to both our staff and students for the patience and forbearance they have shown over the year as the building work progressed. Undoubtedly, when they are completed, the reception and The Street will make a tremendous difference to the impression students and visitors have of the University. However, these developments comprise just the first phase of an ongoing plan to revamp the St Mary's Road campus.

We were delighted to receive a substantial grant from the Department for Education and Skills to extend our 14-16 vocational pathways work at Reading. This £3 million award will enable us to create new facilities at Kings Road site in Reading so that we can meet the needs of 14-16 year olds in Reading who will benefit from applied learning in first class facilities.

Negotiations have continued with Slough Borough Council and Berkeley Homes regarding the Heart of Slough project and the part the TVU campus will play in this important initiative. The Governors are determined that we should have the right facilities in Slough to ensure that we continue to play a valuable part in the economic life of the sub-region but also that in any land disposals we maximize the financial returns to the University.



Building for the future

We have made strategic advances in the University's capacity to generate additional profitable income in the future. It has never been so apparent that we need to find new sources of income, to exploit our assets more effectively and build on the undoubted strengths we have across the University. To put the matter simply, we can no longer rely on the Government to provide the resources we need to run a modern, forward-looking University.

To this end, we retained the fund-raising consultancy, Brakeleys to develop a fundraising strategy for the University and I am delighted that the Governors have agreed to invest significant resources in establishing a development function at the University. Similarly, considerable work has been undertaken during the year to enhance our capacity to generate more income commercially through locating specialist managers located in each faculty and within a new central team. Again, the Governors have supported this initiative and there will be significant new funding to support this plan, in addition to the monies for the same purpose the University receives from the Higher Education Innovation Fund.

Both these initiatives are fundamental to our future and I look forward to seeing the positive fruits of this development work next year.

Professor Geoff Crispin
Vice-Chancellor

Board of Governors' report

The equal commitment given to both Further and Higher Education marks the University out as making a distinctive contribution to educational provision in the UK.

Principal activities

Thames Valley University is a dual sector institution with 42,000 students registered on Further and Higher Education courses. As such, it is one of the largest tertiary institutions in the UK.

The equal commitment given to both Further and Higher Education marks the University out as making a distinctive contribution to educational provision in the UK. The range of provision offered means that it is possible for students to commence their education at 14 at TVU and progress through all levels of learning up to, and including, post-doctoral studies.

The student profile of the University is also unique, with 61% of students studying part time; 52% of students from black and minority ethnic groups; 58% of students who are 25 years old or older; and students of 132 different countries.

In broad terms, one third of the students are funded by the Higher Education Funding Council for England and Wales (HEFCE); a third by the Learning and Skills Council; and a third by the Department of Health.

The University has principal locations at Ealing, Reading and Slough. There are also subsidiary centres at Blagdon and Kuala Lumpur, as well as learning facilities at Gillette's Isleworth location and Heathrow Airport.

The new estate development near to the Ealing site at Brentford, Paragon, is nearing completion with the delivery of the student accommodation and the teaching block. The 839 student study bedrooms in the student accommodation opened for the 2006/2007 Academic Year. Fit-out of the 11,000 sq. metres of teaching accommodation and support facilities has commenced. These custom-built new teaching facilities will be available for nurses and the Faculty of Health and Human Sciences from the start of the Academic Year 2007/2008. It will be one of the first custom-built campuses to meet the needs of the NHS. Once the Faculty of Health & Human Sciences has moved to this new site other estate developments planned for Ealing will be considered in more detail.

The University continues to discuss redevelopment plans for the Slough campus with partners including Slough Borough Council.

Phase I of redevelopment plans for the University's campus at King's Road, Reading commenced in May 2006. Discussions regarding Phase II and Phase III which will include the construction of a new 5,000 sq m academic building are in progress.

The University is organised in five academic units:

1. Faculty of the Arts
2. Faculty of Health and Human Sciences
3. Faculty of Professional Studies
4. Faculty of Technology
5. 14-19 Academy

The Graduate School provides support for postgraduate students, promotes cross-faculty working at graduate level, promotes increasing post-graduate provision; and supports research.

The Further Education College, established in 2004/2005, provides support for Further Education students and promotes consistent cross-faculty working at further education level, promotes strategic development of FE and encourages the development of wider opportunities for students at this level.

The University receives only a modest amount of research funding from HEFCE. However, via the Graduate School and clear Faculty plans, the commitment to develop the University's research profile is beginning to be realised. The University also receives grants totalling £1.5m from the Department of Health and the National Institute for Clinical Excellence (NICE) to develop national guidelines and other strategies for preventing healthcare associated infections.

During the year the University became the co-ordinator for the West London Lifelong Learning Network and has been awarded £3.1m over 3 years by HEFCE to support this work.

The University is strongly committed to playing an active role in the social, cultural and economic life of the sub-regions it serves, this is demonstrated by:

1. Commercial Development (Ealing) currently delivering 4 major ESF/LDA-funded projects (total funding £1 million); targeted at raising the skills and knowledge-base of the local working community in Hospitality, IT and Management and preparing for the expansion of Heathrow Airport and the staging of the Olympics. In addition, they have also been successful in being awarded 2 further projects with funding to the value of £1.5 million. At the end of these projects, there will have been approximately 1,400 local residents who have benefited from this training delivered by TVU and other educational partner institutions.
2. The (award-winning) activities undertaken as part of the Higher Education Active Community Fund;
3. The University's co-ordination of the West London Aim Higher initiative;
4. The Slough Summer University, which provides learning activities for approximately 350 Slough young people;
5. 'Pride in our People', the Ealing citizens awards, run in conjunction with Trinity Mirror;
6. A range of major skills development projects, funded by the RDAs and the ESF, centred at the University's facility at Heathrow, at Gillette's, Isleworth and at Slough;
7. The hosting of 'Creative Horizons', a festival of careers and learning advice for 13,100 Berkshire young people;
8. The Associate Student Scheme which in 2005/2006 attracted 2,500 local people;
9. Westfocus, the consortium of West London Universities established to meet more effectively the needs of employers in the region;
10. The activities based at the SEEDA funded Enterprise Hub at the Learning Resource Centre in Slough;
11. The provision by TVU lecturers of law advice, via the charity Law for All;
12. The co-ordination offer of age 14-16 vocational opportunities for Reading Borough Council;
13. Contribution to Economic Development and Strategic Partnership in Reading through effective working with Reading Borough Council and other local agencies;
14. A Health Clinic, run in conjunction with Slough PCT, offering vaccinations and health advice to local people and employers etc.
15. Commissioning the building of the Exercise Science Laboratory in Slough in preparation for the Institution's Exercise Medicine courses and to provide a base for research in this field;



16. The development of a Complementary Medicine Clinic in Walpole House, Ealing which in addition to being a base for students studying Nutritional Medicine and Foundation offers local people treatment in a range of areas like acupuncture and aromatherapy. This facility opened in September 2006;

The University also provides an extensive range of curriculum-related services to local people, where students work in 'real working environments' to develop their skills and embed their knowledge. These include concerts and other music performances, restaurants, hairdressing, fitness centres, complementary therapies etc.

Results for the year and future developments

The consolidated results for the year are set out on page 18.

The Board has continued to maintain appropriate controls to ensure that the University's financial and other resources are properly and efficiently managed. Through the regular receipt of financial and other information, and through the work of its committees, the Board is able to fulfil its duties and responsibilities.

In view of the financial deficit reported in 2004/2005 the Board has reviewed initiatives during 2006/2007 to support financial sustainability, including:

- The launch of a procurement review aimed at reducing the cost of bought in services and providing services which give a positive student experience;
- The continued development at an estates strategy to release surplus estate and use the funds to provide facilities which meet the teaching needs of the University;
- A new business development strategy to increase income from commercial opportunities and from fundraising initiatives.

Monitoring of expenditure and savings was strengthened by the establishment of a Finance Committee Working Group, drawn from the Finance Committee and Core Executive. The Board has monitored and advised the University on the actions it has taken and continues to take to reduce expenditure in order to ensure that in future years the University returns to a surplus.

The Board has received briefings from each of the Pro Vice-Chancellor Deans, the Head of Technology and the Pro Vice-Chancellor Further Education on the strategic direction of the Faculties and further education.

In summary, the University's consolidated Income and Expenditure results are as follows:

	2006 (£000)	2005 (£000)
Income	102,626	102,396
Expenditure	106,216	105,236
(Deficit) after tax	(3,590)	(2,840)

Subsidiary companies

The consolidated figures presented above include the results for the University's trading subsidiary companies. As at 31 July 2006 these were TVU Commercial Limited and ITS Fedra Limited.

Fixed assets

The movements in fixed assets are set out in the Balance Sheet on Page 21.

Cash flow

The consolidated Cash Flow statement is set out on Page 23.

Since the year end, the University has repaid its secured bank loans and replaced them with a £7.5m 364 day Revolving Credit Facility.

Employment policies

The University is committed to providing equality of opportunity to all through its employment practices and access to its services. The University strives to create a working environment where all employees and potential employees have fair and equal access to available opportunities. The University continues to recognise its social and statutory duties to employ disabled persons and will do all that is practical to meet this responsibility.

The University is conscious of the need to keep employees informed of its progress and future plans and of the mutual benefit that can be engendered by good internal communications. This is achieved through staff representation on the Board of Governors and Academic Board and through the extensive Committee structure of the University. A regular staff newsletter is distributed to all staff. The Vice-Chancellor holds open meetings to enable thorough discussion to take place on current developments.

Liability insurance

During the year the University maintained liability insurance for its governors.

Payment of creditors

It is the University's policy to obtain the best terms for all business and, thus, there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms.

By order of the Board

A handwritten signature in blue ink, appearing to read 'Dino Adriano', with a small arrow pointing upwards from the end of the signature.

Signed by Dino Adriano
Chair of the Board

20 November 2006

Statement of Governors' responsibilities

In accordance with the Education Reform Act 1988, Further and Higher Education Act 1992, and the University's Instrument and Articles of Government, the Board of Governors of the University ("The Board") is responsible for ensuring the effective governance and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Board is responsible for ensuring that proper accounting records are kept which will disclose, with reasonable accuracy, at any time, the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the University's Articles of Government, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. Within the terms and conditions of the Financial Memorandum agreed between the HEFCE and the University, the Board, through its designated office holder, is also required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and Group companies and of the surplus or deficit and cash flows for that year.

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

1. Suitable accounting policies are selected and applied consistently;
2. Judgments and estimates are made that are reasonable and prudent;
3. Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
4. Financial statements are prepared on the going concern basis unless it is inappropriate to assume operations will continue. The Board is satisfied that resources are adequate to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements;
5. The integrity of the financial information included on the University's website is maintained. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

and it has taken reasonable steps to:

1. Ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the HEFCE and any other conditions which the HEFCE may from time to time prescribe;

2. Ensure that there are appropriate financial and management controls (including controls against fraud and theft) in place to safeguard public funds and funds from other sources;
3. Safeguard assets and prevent and detect fraud and other irregularities;
4. Secure the economic, efficient and effective management of the University's resources and expenditure.

Such steps have been taken by the Board, where appropriate, by delegation of function to its designated office holder or committees in accordance with, and where permitted by, the Instrument and Articles of Government.

As the governing body of Thames Valley University, we have responsibility for maintaining a sound system of internal financial control that supports the achievements 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 Education Reform Act 1988, Further and Higher Education Act 1992 and the University's Instrument and Articles of Government and the Financial Memorandum with the HEFCE.

The system of internal financial 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. These processes accord 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:

1. We meet not fewer than five times a year to consider the plans and strategic direction of the Institution.
2. Responsibility for overseeing the process of risk management lies primarily with our Audit & Risk Committee and is ultimately reported to the full Governing Body.
3. Throughout the year the Audit & Risk Committee receives reports at each of its meetings from the internal auditors, which include their independent opinion on the adequacy and effectiveness of the Institution's system of internal control and value for money together with recommendations for improvement.

4. The University's Core Executive Group, the Audit & Risk Committee, the Finance Committee and the Governing Body have considered and agreed the University's Risk Management Policy and the Strategic Risk Register.
5. An ongoing programme of facilitated workshops will be held to identify and keep up to date the record of risks facing the Institution.
6. The University's Risk Assessment approach included a system of key performance and risk indicators and a robust risk prioritisation methodology based on risk ranking.
7. Register of Strategic Risks, which details the risks faced by the Institution is maintained.

Our review of the effectiveness of the system of internal control is informed by the internal auditors, which operate to standards defined in the HEFCE Audit Code of Practice. The internal auditors submit regular reports to the Audit & Risk Committee which include the head of internal audit'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 informed by the work of the Core Executive 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 and other reports.

Corporate governance statement

The following statement is provided by the Board of Governors to enable readers of the Annual Report and Accounts to obtain a better understanding of the governance and legal structure of Thames Valley University. The University is committed to exhibiting best practice in all aspects of corporate governance.

Thames Valley University endeavours to conduct its business:

1. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
2. In accordance with the principles of the Committee of the University Chairmen in its Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland.

The Governing Body

The articles require the Institution to have a Board of Governors and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

As set out in the Instrument and Articles of Government, the Board of Governors, the supreme governing body of the University, is specifically required to determine the educational character and mission of the Institution and to set its general strategic direction.

The Board consists of both independent and co-opted members. The majority of members are independent. The membership includes elected representatives of the Academic Board, staff and student body. No member of the Board receives remuneration for the work they do for the Board.

Subject to the overall responsibility of the Board of Governors, the Academic Board has oversight of the academic affairs of the Institution and draws its membership entirely from the staff and students of the Institution.

The Vice-Chancellor is the Head of the Institution, its Chief Executive and the Chief Accounting Officer. The Vice-Chancellor's responsibilities are set out in the Instrument and Articles of Government. The Vice-Chancellor is assisted by the Deputy Vice-Chancellor, the University Secretary, the Pro Vice-Chancellor Deans and other senior post holders.

The overall membership of the Board comprises 16 members in total as follows:

1. 10 independent members
2. The Vice-Chancellor
3. Independent co-opted members
4. Elected representative of the Academic Board
5. 1 elected staff representative
6. 1 student representative

In May/June 2006 an interim effectiveness review of the Board and its Committees was undertaken to assess the effectiveness of the Board and its Committees following the major review of the Board in 2004. A detailed action plan will be considered by the Board for implementation throughout the 2006/2007 Academic Year.

The appointment procedure for Board membership includes a detailed analysis of the skills mix of serving members to determine areas in which the Board needs to be strengthened. Following a national recruitment campaign seeking members from industry, the professions and the local community four new members were appointed to the Board on 1 August 2005 with two further appointments during the year (on 1 January 2006 and 27 June 2006). A clear and transparent appointment process was followed throughout.

In order to permit the induction of the newly appointed co-opted member with experience of education, the overall membership of the Board has been temporarily increased to 17 for the period 27 June 2006 to 31 December 2006.

Committees of the Board

The Board of Governors meets at least five times each academic year plus two away days. Much of the detailed work is delegated to its committees, in particular the Finance Committee, the Governance & Nominations Committee, the Remuneration Committee and the Audit & Risk Committee. The decisions of these committees are formally reported at each meeting of the Board through the minutes and oral briefings on the detailed work by each Committee's Chair.

As a result of changes in the Academic Structure in September 2005, the Further Education Board became the Further Education College Board and a Committee of the Academic Board rather than a joint Committee of the Board of Governors and the Academic Board. In July 2006 it was agreed that the work of the Further Education College Board would be strengthened by the addition of two governor members.

The majority of Committee members are independent and/or co-opted members of the Board: staff and student members are not eligible to serve. The membership of the Governance & Nominations Committee includes a senior member of the academic staff at Pro Vice-Chancellor Dean level. The Audit & Risk Committee also has two co-opted members who are not members of the University community or the Board. The Finance Committee has one co-opted member who is not a member of the University community or the Board.

Audit & Risk Committee

The Audit & Risk Committee met five times during the year. The University's external and internal auditors attended as appropriate. The Committee considered detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. Whilst senior executives attend meetings of the Audit & Risk Committee as necessary, they are not members of the Committee. The Audit & Risk Committee meets with the External Auditors and the Internal Auditors for independent discussions once a year.

The Audit & Risk Committee considers risk and control including response thereon from the management team at each of its meetings. Subsequently the Audit & Risk Committee make an annual report on risk to the Governing Body. Ultimate responsibility for the approval of risk rests with the Governing Body.

At the start of the academic year the Audit & Risk Committee was strengthened by the appointment of an additional independent co-opted member.

Finance Committee

At the start of the academic year the Finance Committee was strengthened by the appointment of an independent co-opted member.

Register of Interests

The Institution maintains a Register of Interests of Members of the Board and Senior Officers. The Register of Interests of Members of the Board can be accessed from the University's website. The Senior Officers register may be consulted by arrangement with the University Secretary.

Clerk to the Board of Governors

In accordance with the Articles of Government of the Institution, the University Secretary has been appointed as Clerk to the Board and in that capacity provides independent advice on matters of governance to all Board members. The Clerk to the Board has a key role to play in the operation and conduct of the Governing Body and in assuring that appropriate procedures are followed.

Internal control

The University's Governing Body 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 Governing Body is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks.

During 2005/2006 the work of the Audit and Risk Committee has been focussed on monitoring and reviewing the Institution's approach to the process of risk identification and management on behalf of the Board.

The Audit and Risk Committee has, in conjunction with the management team, considered and debated the development of the strategic risk register and the processes required to achieve effective risk management at each meeting of the Committee held during the year.

The Committee recognises that considerable progress has been made in terms of risk identification and management, primarily in the advancement of the strategic risk register. The Committee also recognises and has identified for the Board the need for further work to ensure a corporate strategic approach is employed to advance the identification and awareness of risk and its causes. Such processes are now in evidence alongside the day to day strategic planning and decision making process in all areas of the Institution.

The full particulars of the work of the Committee including details of the advancements made during the course of 2005/2006 are set out in the Committee's annual report to the Board. This report was considered by the Board on 14th November 2006 and was submitted to the Higher Education Funding Council for England.

The Audit and Risk Committee place considerable reliance on the work of the Internal and External Audit teams and assessments made by external agencies, such as the HEFCE. The Committee has and will continue to work in conjunction with those audit teams and in conjunction with management to ensure the further development of effective processes which enable the risks facing the Institution to be closely monitored and regularly reported both to Governors and other interested bodies.

The Finance Committee regularly receives and monitors the risks pertinent to its area of responsibility. During the course of the year the Committee mandated the establishment of a Finance Committee Working Group. The Finance Committee Working Group's remit includes focusing on efforts to meet financial targets and the generation of additional income.

On 3 October 2006 the Governing Body received and approved the Annual Risk Management Report. In addition the Board considered and debated the Institution's risk appetite. The Board have undertaken to revisit risk and risk appetite at a forthcoming meeting.

The Board has received from Chair of the Audit and Risk Committee the necessary assurances about the adequacy of the internal controls in place throughout the year thus enabling the 2006/2007 accounts to be signed off and submitted to HEFCE.

Report of the independent auditors

We have audited the University financial statements (the "financial statements") of Thames Valley University for the year ended 31 July 2006 which comprise the consolidated income and expenditure, the balance sheet, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board 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 Board of Governors, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University's Board of Governors and auditors

The University's Board of Governors responsibilities for preparing the financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 10.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the Learning and Skills Council. We also report to you whether in our opinion the Governors' Report is consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Governors' Report and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the University's 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:

1. The financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the group as at 31 July 2006 and of the University's deficit of income over expenditure for the year then ended;
2. The financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
3. In all material respects, income from the Higher Education Funding Council for England, and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2006 have been applied for the purposes for which they were received; and
4. In all material respects, income during the year ended 31 July 2006 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England, and the funding agreement with the Learning and Skills Council.

KPMG UP

KPMG LLP

Chartered Accountants
Registered Auditor, Arlington Business Park, Theale, Reading,
Berkshire RG7 4SD

20 November 2006

Statement of principal accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the statement of recommended practice (SORP): Accounting for Further and Higher Education and in accordance with applicable Accounting Standards. They conform to guidance published by the HEFCE.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Basis of consolidation

These financial statements consolidate the University and all its subsidiary undertakings detailed in note 35. The consolidated financial statements do not include the financial statements of the University Students' Union, which is a separate entity in which the University has no financial interest and over which it has no control or significant influence in policy decisions.

Accounting for goodwill

Purchased goodwill represents the excess of the fair value of the consideration given over the fair value of the separable net assets acquired arising on business combinations in respect of acquisitions.

Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Negative goodwill arising on consolidation in respect of acquisitions is included within fixed assets and released to the profit and loss account in the periods in which fair values of the non-monetary assets purchased on the same acquisitions are recovered, whether through depreciation or sale.

Recognition of income

Grants from the HEFCE and similar bodies are included in income in the year, except for grants received for specific initiatives which span more than one year. In such cases grant income is deferred to the extent it is not matched by qualifying expenditure.

Income from specific endowments and donations, research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

All income from short-term deposits is credited to the Income and Expenditure Account on a receivable basis.

Pension schemes

Pension costs are provided in accordance with Financial Reporting Statement 17 (Retirement Benefits). The cost of providing pensions is determined by independent actuaries and charged to the income statement in the period in which those benefits are earned by employees. Actuarial gains and losses are recognised in full in the period in which they occur and are recognised in the statement of recognised gains and losses. The retirement benefit obligations are recognised in the balance sheet.

The calculation of the cost of early retirement provisions charged to the Income and Expenditure Account is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at percentages in excess of price inflation.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling on 31 July 2006. The resulting exchange differences are charged or credited to the Income and Expenditure Account. Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

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

Tangible assets

Land and buildings are stated at cost or valuation.

The transitional rules set out in FRS15 'Tangible Fixed Assets' have been applied on implementing FRS15. Accordingly, the book values at implementation have been retained.

Land is held freehold and not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their remaining expected useful lives. The rates of depreciation per annum are as follows:

Freehold buildings	2% (or useful life, if shorter)
Computer Equipment	33.33%
Equipment	20%
Leasehold Premises	Life of Lease

Work in progress is not depreciated until the asset is brought into use.

Where assets are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the assets.

Individual assets costing less than £2,000 per item are written off in the year of acquisition. However all computer equipment is capitalised on the principle that all such assets are interrelated i.e. capable of being networked.

Investments

Endowed asset investments are included in the Balance Sheet at market value.

Stocks

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

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.

Taxation

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 and 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 subsidiary trading companies operate as commercial organisations and are subject to corporation tax. The profits of these companies are covenanted to the University.

Tax, including deferred tax, in respect of the trading activities of the University and its subsidiary operations, is provided for at current rates.

Changes in accounting policies

The University has adopted Financial Reporting Standard 17 (Retirement Benefits) and as a consequence the prior year figures have been restated, the impact on the prior year figures is as follows:

	2005 (£000)
Increase in staff costs	361
Increase in finance costs	311
Increase in provision for pensions	17,960
Reduction in general reserves	17,960

Consolidated income & expenditure account

As at 31 July 2006

	Note	2006 (£000)	2005 Restated (£000)
Income			
Funding Council grants	1	53,382	52,885
Tuition fees and education contracts	2	38,680	38,213
Research grants and contracts	3	553	326
Other income	4	9,363	10,185
Endowment and Investment income	5	648	787
Total income		102,626	102,396
Expenditure			
Staff costs	6	(69,878)	(69,146)
Other operating expenses	7	(28,936)	(30,107)
Depreciation	12 & 13	(5,290)	(4,967)
Interest payable	8	(297)	(358)
		(104,401)	(104,578)
Exceptional items	9	(1,233)	-
Group deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets before FRS 17 Finance costs		(3,008)	(2,182)
FRS 17 finance cost	8	(582)	(658)
Group deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		(3,590)	(2,840)
Taxation	10	-	-
Group deficit for the financial year after depreciation of tangible assets at valuation and disposal of assets after tax		(3,590)	(2,840)

The income and expenditure account is in respect of continuing activities. The notes on pages 24 to 41 form part of these financial statements.

Consolidated historical cost surpluses & deficits

As at 31 July 2006

	Note	2006 (£000)	2005 Restated (£000)
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposals but before taxation		(3,590)	(2,840)
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount		807	840
Historical cost deficit for the period before taxation	11	(2,783)	(2,000)
Taxation	10	–	–
Historical cost deficit for the period after taxation	23	(2,783)	(2,000)

Statement of total recognised gains and losses

For the year ended 31 July 2006

	Note	2006 (£000)	2005 Restated (£000)
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax		(3,590)	(2,840)
Appreciation of endowment asset investments	21	60	71
Endowment income retained for year	21	(57)	(35)
New endowments	21	32	85
Loan repayment received from HEFCE taken to revaluation reserve	22	1,182	225
Consolidation adjustment arising from the merger with Reading College and School of Art and Design		–	1,810
Actuarial loss recognised in the pension schemes		(1,491)	(4,282)
Impairment on the revaluation buildings and land		(1,710)	–
Prior year restatement relating to FRS17 pension adjustment		(13,105)	–
Total recognised loss relating to the period		(18,679)	(4,966)
Reconciliation			
Opening reserves and endowments		70,969	75,935
Total recognised profit for the year		(18,679)	(4,966)
Closing reserves and endowments		52,290	70,969

Balance sheet

As at 31 July 2006

	Note	Consolidated		University	
		2006 (£000)	2005 Restated (£000)	2006 (£000)	2005 Restated (£000)
Fixed assets					
Intangible assets	12	360	480	360	480
Tangible assets	13	102,509	102,081	102,490	102,053
Investment	14	31	31	31	31
Total fixed assets		102,900	102,592	102,881	102,564
Endowment assets	15	616	581	616	581
Current assets					
Stocks		104	97	91	87
Debtors	16	4,972	9,383	5,858	10,277
Cash at bank and in hand		8,592	11,427	7,102	9,505
Total current assets		13,668	20,907	13,051	19,869
Creditors	17	(20,309)	(22,635)	(19,322)	(21,279)
Amounts falling due within one year					
Net current liabilities		(6,641)	(1,728)	(6,271)	(1,410)
Total assets less current liabilities		96,875	101,445	97,226	101,735
Creditors					
Amounts falling due after more than one year	18	(4,422)	(6,930)	(4,422)	(6,930)
Provision for pensions	29	(26,281)	(24,690)	(26,281)	(24,690)
Net assets		66,172	69,825	66,523	70,115
Deferred capital grants	20	13,882	11,862	13,882	11,862
Endowments					
Specific	21	616	581	616	581
Reserves					
Revaluation reserve	22	26,098	27,433	26,098	27,433
General reserve	23	25,576	29,949	25,927	30,239
Total reserves		51,674	57,382	52,025	57,676
Total funds		66,172	69,825	66,523	70,115

The notes on pages 24 to 41 form part of these financial statements. The financial statements on pages 16 to 41 were approved by the Board of Governors on 20 November 2006 and signed on its behalf by:



Professor Geoff Crispin
Vice-Chancellor



Mr Dino Adriano
Chair of the Board of Governors



Ms Helen Turner
Executive Director of Finance



Mr Richard Martin
Chair of the Finance Committee

Consolidated cash flow

For the year ended 31 July 2006

	Note	2006 (£000)	2005 Restated (£000)
Cash flow from operating activities	24	228	3,143
Returns on investments and servicing of finance	25	(291)	(274)
Taxation	10	–	–
Capital expenditure and financial investment	26	(3,830)	(4,555)
Cash (outflow)/inflow before financing		(3,893)	(1,686)
Financing	22 & 27	1,090	47
(Decrease)/increase in cash in the period	28	(2,803)	(1,639)
Reconciliation of net cash flow to movement in funds/debt			
Decrease in cash in the period		(2,803)	(1,639)
Change in net debt resulting from cash flows	27	2,272	272
Movement in net funds in period	28	(531)	(1,367)
Net funds at 1 August 2005		3,463	4,830
Net funds at 31 July 2006		2,932	3,463

Notes to the financial statements

For the year ended 31 July 2006

1. Funding Council grants

	2006 (£000)	2005 Restated (£000)
Recurrent grants:		
HEFCE	31,066	30,275
LSC	20,313	20,775
Specific grants:		
Continuing Vocational Education	987	1,051
Releases of deferred capital grants:		
Equipment (note 20)	499	283
Buildings (note 20)	533	218
Reimbursement of debt charges and rent	(16)	283
	53,382	52,885

2. Tuition fees and education contracts

	2006 (£000)	2005 Restated (£000)
UK Higher Education students		
Full-time	5,711	4,847
Part-time	2,378	2,245
UK Further Education students		
Full-time	490	555
Part-time	2,552	1,642
EU students (excl UK students)	646	522
Non EU students	4,530	4,935
Short courses and examination fees	1,801	2,775
Nursing and midwifery education contracts	20,572	20,692
	38,680	38,213

3. Research grants and contracts

	2006 (£000)	2005 Restated (£000)
Research councils	–	30
Other grants and contracts	553	296
	553	326

4. Other operating income

	2006 (£000)	2005 Restated (£000)
Residences, catering and conferences	1,856	1,936
Other income-generating activities	5,161	5,922
Released from deferred capital grants	142	182
Other income	2,204	2,145
	9,363	10,185

5. Endowment and investment income

	2006 (£000)	2005 Restated (£000)
Income from endowment asset investments (note 21)	80	65
Other Interest receivable	568	722
	648	787

6. Staff costs

	2006 (£000)	2005 Restated (£000)
Wages and salaries	59,127	58,353
Social security costs	4,593	4,550
Pension costs	6,158	6,243
	69,878	69,146
Teaching departments	47,864	46,863
Teaching support services	5,693	6,532
Administration and central services	11,692	10,605
Premises	3,482	3,620
Other	1,146	1,526
	69,878	69,146
Staff on permanent contracts	61,615	60,677
Staff on short-term and temporary contracts	8,263	8,469
	69,878	69,146
	2006 Number	2005 Number
The average weekly number of persons (including senior post-holders) employed by the University during the period, expressed as full-time equivalents, was:		
Teaching departments	1,322	1,394
Teaching support services	176	218
Administration and central services	247	239
Premises	110	123
Other	28	41
	1,884	2,015
The remuneration of higher paid staff, excluding pension contributions was:		
£70,000-£80,000	5	1
£80,000-£90,000	5	4
£90,000-£100,000	1	-
£100,000-£110,000	-	1
£110,000-£120,000	1	-
£130,000-£140,000	-	1
£150,000-£160,000	1	-

	2006 (£000)	2005 Restated (£000)
Vice-Chancellors' emoluments		
Salary	158	135
Benefits in kind	2	2
	160	137
Pension contributions	21	18

The pension contributions in respect of the Vice-Chancellor are in respect of employer's contributions to a personal pension for the year ended 31 July 2006.

7. Other operating expenses

	2006 (£000)	2005 Restated (£000)
Other premises costs	6,325	6,370
Agency and consultancy	5,109	4,262
Equipment rent and maintenance	1,857	1,956
Consumables	1,538	1,574
Books and periodicals	909	1,318
Franchise payments	1,510	1,206
Advertising	2,664	1,942
Grants to Students' Union	443	488
Travelling and subsistence	1,188	976
Accommodation	556	791
Equipment not capitalised	826	1,240
Irrecoverable VAT	145	151
Rents	1,691	1,341
Auditors' audit remuneration	183	126
External auditors – other remuneration	21	6
Other expenses	3,971	6,360
	28,936	30,107
Included in the above costs are the following external audit fees:		
University	60	60
Subsidiaries	8	8
	68	68

8. Interest payable

	2006 (£000)	2005 Restated (£000)
On bank loans, overdrafts and other loans:		
Repayable within five years, by instalments	–	64
Repayable wholly or partly in more than 5 years	297	294
	297	358
On pension scheme:		
Expected return on pension scheme assets	(3,012)	(2,469)
Interest cost on pension scheme liabilities	3,594	3,127
	582	658

9. Exceptional items

The charge comprises cost of severances (£1,001,000) and the write off of a loan to the Student Union (£232,361).

10. Taxation

	2006 (£000)	2005 Restated (£000)
United Kingdom corporation tax	–	–

11. Deficit on continuing operations for the period

	2006 (£000)	2005 Restated (£000)
University's deficit for the period	(2,720)	(1,903)
Deficit generated by subsidiary undertakings	(63)	(97)
	(2,783)	(2,000)

12. Intangible assets

	2006 (£000)	2005 Restated (£000)
Cost		
At 1 August 2005	2,410	–
Additions	–	2,410
At 31 July 2006	2,410	2,410
Amortisation		
At 1 August 2005	(1,930)	–
Charge for year	(120)	(1,930)
Total amortisation	(2,050)	(1,930)
Net value at 31 July 2006	360	480

This represents the goodwill element of the intellectual property rights of Plaskett Education Ltd. The goodwill element will be depreciated over the expected useful life of 5 years. Plaskett was purchased by Thames Valley University in August 2004.

13. Tangible fixed assets

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly, the book values at implementation have been retained.

In accordance with the Education Reform Act 1988, the freehold interest in the property occupied by the University at 1 April 1989 was transferred to the University.

Buildings with a net book value of £33.3 million and cost of £47.1 million have been funded from Treasury sources: should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with HEFCE.

All of the following fixed assets are owned by the University, with the exception of equipment with a net book value of £19,000 as at 31 July 2006 (2005 £28,000) held by ITS Feda Limited, a subsidiary of the University.

	Freehold land (£000)	Freehold buildings (£000)	Equipment (£000)	Work in progress (£000)	Leasehold premises (£000)	Total (£000)
Cost						
At 1 August 2005	38,184	66,040	23,102	2,753	203	130,282
Additions	–	243	(64)	7,283	–	7,462
Reclassifications	–	1,966	3,233	(5,224)	25	0
Disposals	–	(335)	–	–	–	(335)
At 31 July 2006	38,184	67,914	26,271	4,812	228	137,409
Depreciation/impairment						
At 1 August 2005	–	10,454	17,611	–	136	28,201
Disposals	–	(86)	(87)	–	(7)	(180)
Charge for year	–	2,049	3,106	–	15	5,170
Impairment of buildings/land	980	730	–	–	–	1,710
At 31 July 2006	980	13,147	20,630	4,812	144	39,713
Net book value as at 31 July 2006	37,204	54,767	5,642	4,812	84	102,509
Net book value as at 31 July 2005	38,184	55,586	5,491	2,753	67	102,081
Inherited	28,549	24,494	–	–	–	53,403
Financed by capital grant	–	8,808	3,810	–	3	12,621
Other	8,655	21,465	1,832	4,812	81	36,845
	37,204	54,767	5,642	4,812	84	102,509

	2006	2005
Depreciation was funded by:		
Deferred capital grants released (note 20)	1,174	683
Revaluation reserve release	807	840
General income	3,189	3,324
Impairment of buildings/land	1,710	–
	6,880	4,847

The University has, since the year end, signed contracts for the sale of a property at a value greater than the book value and no adjustment has been recognised in the figures. The University has also agreed to sell property at a value less than the book value and the potential loss on disposal has been recognised in the figures above.

14. Investments

The University also owns 31,038 £1 ordinary shares in CVCP Properties plc, a company registered in England and operating in the UK. This company is not consolidated into TVU accounts because TVU ownership of the company only represents less than 1%.

The University owns 100% of the issued share capital of Westkey Services Limited (100 £1 ordinary shares), London College of Music Limited (100 £1 ordinary shares), TVU Commercial Limited (2 £1 ordinary shares), Plaskett Education Limited (2 £1 ordinary shares) and ITS FEDA Limited (2 £1 ordinary shares). All the companies are registered in England and Wales and operate in the UK.

Through the subsidiary company ITS FEDA Limited the University also owns 100% of the share capital of EMWAC Limited.

The University only consolidated the trading companies of TVU Commercial Limited and ITS FEDA Limited.

15. Endowment assets

	2006 (£000)	2005 Restated (£000)
Balance at 1 August 2005	581	460
Additions	85	144
Disposals	(144)	(140)
Appreciation on disposals/revaluation	62	82
Increase in cash balances held (note 28)	32	35
Balance at 31 July 2006	616	581
Represented by		
Equities	423	420
Bank balances	196	164
Other creditors	(3)	(3)
Total endowment assets	616	581
Equities at cost	283	310

16. Debtors

	Consolidated		University	
	2006 (£000)	2005 Restated (£000)	2006 (£000)	2005 Restated (£000)
Trade debtors	2,695	2,826	1,912	1,995
Amounts owed by group undertakings	–	–	1,445	1,946
Other debtors	1,303	5,524	1,571	5,586
Prepayments	974	1,033	930	750
	4,972	9,383	5,858	10,277

17. Creditors: amounts falling due within one year

	Consolidated		University	
	2006 (£000)	2005 Restated (£000)	2006 (£000)	2005 Restated (£000)
Unsecured loans	–	216	–	215
Secured loans	1,434	982	1,434	982
Trade creditors	6,822	9,729	6,424	8,951
Amounts owed to subsidiaries	–	–	5	456
Social security and other taxation	2,246	2,464	2,246	2,261
Accruals and deferred income	9,807	9,244	9,213	8,414
	20,309	22,635	19,322	21,279

18. Creditors: amounts falling due after more than one year

	Consolidated		University	
	2006 (£000)	2005 Restated (£000)	2006 (£000)	2005 Restated (£000)
Unsecured loans:				
Reading Borough Council	–	717	–	717
London Borough of Ealing	–	358	–	358
Secured loans	4,422	5,855	4,422	5,855
	4,422	6,930	4,422	6,930

The Reading Borough Council (ex Berkshire County Council) local authority debt and the London Borough of Ealing local authority debt were repaid in the year.

An interest-free loan of £3 million has been provided by HEFCE to finance re-developments at Slough and Ealing. The first repayment was made in January 2005 and the final instalment is due in July 2009.

The secured loans are provided by Lloyds TSB Bank plc and Bank of Scotland plc (Capital Bank plc) to finance the purchase of property. They are repayable in quarterly instalments, with interest charged at a margin above base rate.

These secured loans are secured against the property of the University.

Since the year end the University has repaid the Lloyds TSB Bank plc and Bank of Scotland plc (Capital Bank plc) loans and replaced them with a £7.5 million 364 day Revolving Credit Facility.

19. Borrowings

	2006 (£000)	2005 Restated (£000)
Bank loans and overdrafts		
Amounts outstanding at 1 August 2005	6,837	6,884
Drawdown	–	800
Interest charged	224	267
Repayments	(1,205)	(1,114)
Amounts outstanding at 31 July 2006	5,856	6,837
Repayments fall due within the following bands		
Within 1 year (note 17)	1,434	982
Within 2-10 years (note 18)	4,422	5,855
	5,856	6,837

20. Deferred capital gains

	Funding equipment (£000)	Council buildings (£000)	Other grants (£000)	Total (£000)
At 1 August 2005	2,530	6,951	2,381	11,862
Income in advance at 1 August 2005	1,506	2,132	53	3,691
Cash received	2,994	1,279	199	4,472
Income in advance at 31 July 2006	(2,769)	(2,132)	(68)	(4,969)
Released to income and expenditure account	(499)	(533)	(142)	(1,174)
At 31 July 2006	3,762	7,697	2,423	13,882

Other grants comprise donations and contributions towards the cost of fixed assets and educational equipment from sources other than HEFCE.

21. Endowments

	2006 (£000)	2005 Restated (£000)
At 1 August 2005	581	460
Additions	32	85
Appreciation of endowment asset investments for year	60	71
Income for year	23	30
Transferred to income and expenditure account (note 5)	(80)	(65)
At 31 July 2006	616	581
Representing:		
Fellowships and scholarship funds	331	347
Prize funds	108	112
Other funds	177	122
At 31 July 2006	616	581

22. Revaluation reserve

	2006 (£000)	2005 Restated (£000)
As at 1 August 2005	27,433	28,048
Contributions to depreciation released in the year (note 13)	(807)	(840)
Principal element of loan repayment to local authorities	1,182	225
Impairment on the revaluation of buildings/land	(1,710)	-
At 31 July 2006	26,098	27,433

23. Movement on general reserves

	Consolidated		University	
	2006 (£000)	2005 Restated (£000)	2006 (£000)	2005 Restated (£000)
Deficit after depreciation of assets at valuation and after tax	(3,590)	(2,840)	(3,529)	(2,743)
Release from revaluation reserve	807	840	807	840
Historical deficit cost after tax	(2,783)	(2,000)	(2,722)	(1,903)
Goodwill written off to reserves		1,810		1,810
Pension recognised gains and losses	(1,491)	(4,282)	(1,491)	(4,282)
FRS17 annual pension costs	(99)	(596)	(99)	(596)
Balance brought forward	29,949	35,017	30,239	35,210
Balance carried forward	25,576	29,949	25,927	30,239

24. Reconciliation of consolidated operating surplus/deficit to net cash inflow from operating activities

	2006 (£000)	2005 Restated (£000)
Deficit on continuing operations after depreciation of assets at valuation	(3,590)	(2,840)
Depreciation (notes 12 and 13)	5,290	4,967
Deferred capital grants released to income (note 20)	(1,174)	(683)
Investment income (note 5)	(568)	(722)
Loss on sale of investment assets	–	1
(Profit) / Loss on disposal of tangible assets	(29)	43
Interest payable (note 8)	879	1,016
(Increase) / decrease in stocks	(7)	65
Decrease / (increase) in debtors	4,411	(3,393)
(Decrease) / increase in creditors	(4,834)	4,090
Increase in provisions	(70)	664
Endowments utilised	(80)	(65)
Net cash inflow from operating activities	228	3,143

25. Returns on investments and servicing of finance

	2006 (£000)	2005 Restated (£000)
Income from endowments	20	20
Other interest received	568	722
Interest paid	(879)	(1,016)
Net cash (outflow) from returns on investments and servicing of finance	(291)	(274)

26. Capital expenditure and financial investment

	2006 (£000)	2005 Restated (£000)
Intangible assets acquired	–	(600)
Tangible assets acquired (other than leased equipment)	(7,462)	(8,191)
Endowment asset investments acquired	(85)	(144)
Total investments fixed and endowment asset investments acquired	(7,547)	(8,935)
Receipts from sales of endowment assets	144	139
Sale of tangible fixed assets	347	1,696
Deferred capital grants received (note 20)	3,194	2,460
Endowments received	32	85
Net cash (outflow) from capital expenditure and financial investment	(3,830)	(4,555)

27. Financing

	2006 (£000)	2005 Restated (£000)
Debt due beyond a year:		
New secured loan	–	800
Repayment of amounts borrowed	(2,272)	(1,072)
Net cash outflow from financing	(2,272)	(272)

28. Analysis of changes in net funds

	As at 1 August 2005 (£000)	Cash flows 2006 (£000)	As at 31 July 2006 (£000)
Cash at bank and in hand			
Endowment assets (note 15)	164	32	196
Other	11,427	(2,835)	8,592
Debt due within one year (note 17)	(1,198)	(236)	(1,434)
Debt due after one year (note 18)	(6,930)	2,508	(4,422)
	3,463	(531)	2,932

29. Pension arrangements

The University's employees belong to the following principal pension schemes:

The Teachers' Pension Scheme (TPS), the Universities' Superannuation Scheme (USS), and two Local Government Pension Schemes (LGPSs). The total pension cost for the period was £6,801,000 (2005: £6,825,000).

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme is an unfunded scheme; teachers' contributions, on a 'pay-as-you-go' basis, and employers' contributions are credited to the Exchequer under arrangements governed by the Superannuation Act 1972.

The contributions for the year 2005/2006 were as follows:

Employer (13.5% contribution) £3,569,757 (2004/2005: £3,496,630).

More information on the Teachers' Pension Scheme can be obtained from <http://www.teacherspensions.co.uk/>

Universities Superannuation Scheme (USS)

The Universities' Superannuation Scheme is a funded pension scheme where contributions payable are held in a trust separately from the University.

The contributions for the year 2005/2006 were as follows:

Employer (14% contribution) £61,770 (2004/2005: £61,962).

More information on the Universities' Superannuation Scheme can be obtained from <http://www.usshq.co.uk/>

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS and the USS are multi-employer pension schemes. The University is unable to identify its share of the underlying assets and liabilities of these schemes. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions to these schemes as if they were defined contribution schemes.

Unfunded enhanced pensions

The University provides a number of employees with additional pension benefits, typically following redundancies or other staffing changes. These additional pensions are unfunded, so are paid by the University as they fall due (rather than when they are granted).

These unfunded enhanced pensions have been valued as at 31 July 2006 by a qualified independent actuary. The results of this valuation are included in the figures in this note.

Local Government Pension Schemes (LGPS) (including unfunded enhanced pensions)

The University participates in two Local Government Superannuation Schemes; the Royal County of Berkshire (RCB) scheme and the London Borough of Ealing (LBE) scheme.

These are funded defined benefit pension schemes where contributions payable are held in a trust separately from the University. Full actuarial valuations were carried out at 31 March 2004 and updated to 31 July 2006 by qualified independent actuaries. The main results and assumptions of the most recent valuation for the schemes based on the projected unit method are as follows:

Pension arrangements	31 July 2006 % per annum	31 July 2005 % per annum	31 July 2004 % per annum
Price increases	3.0-3.1	2.7-2.8	2.8-2.9
Salary increases	4.6-4.75	4.3-4.45	4.0-4.9
Pension increases	3.0-3.1	2.7-2.8	2.8-2.9
Discount rate	5.1-5.2	5.0	5.7-5.8

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

Scheme assets

The fair value of the schemes' assets and the present value of the schemes' liabilities were:

Assets	31 July 2006		31 July 2005		31 July 2004	
	Long term return (% pa)	Fund value (£000)	Long term return (% pa)	Fund value (£000)	Long term return (% pa)	Fund value (£000)
Equities	7.0-7.7	40,231	7.3-7.5	33,906	7.5-7.9	24,657
Bonds	4.4-4.7	10,180	4.4-4.7	8,141	5.4-5.7	6,407
Property	5.7-6.0	2,604	5.4-6.5	2,120	6.5-6.7	1,493
Cash	4.5-4.8	1,458	4.5-4.75	1,490	4.5-4.8	829
Total		54,473		45,657		33,386

Net pension assets	31 July 2006 (£'000)	31 July 2005 (£'000)	31 July 2004 (£'000)
Estimated employer assets	54,473	45,657	33,386
Total value of liabilities	(80,754)	(70,347)	(53,198)
Net pension liability	(26,281)	(24,690)	(19,812)

Amount charged to operating profit	2006 (£000)	2005 Restated (£000)
Amount charged to operating profit		
Service cost	3,204	2,573
Past service cost	(757)	-
Curtailement and settlements	-	35
Total operating charge	2,447	2,608

	2006 (£000)	2005 Restated (£000)
Amount credited to other finance income		
Expected return on assets	3,012	2,469
Interest on pension scheme liabilities	(3,594)	(3,127)
Other finance income	(582)	(658)

	2006 (£000)	2005 Restated (£000)
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual less expected return on pension scheme assets	2,491	5,240
Experience gain/(loss) arising on the scheme liabilities	(1,060)	(1,650)
Changes in financial assumptions underlying the value of the scheme liabilities	(2,922)	(7,872)
Actuarial (loss) recognised in STRGL	(1,491)	(4,282)

	2006 (£000)	2005 Restated (£000)
Movement in surplus/deficit during the year		
Surplus/(deficit) at beginning of the year	(24,690)	(19,812)
Current service cost	(3,204)	(2,573)
Employer contributions	2,929	2,737
Past service costs	757	–
Impact of settlements and curtailments	–	(35)
Net return on assets	(582)	(658)
Actuarial gains/(losses)	(1,491)	(4,282)
Transfer from creditors	–	(67)
Deficit at end of year	(26,281)	(24,690)

	31 July 2006	31 July 2005	31 July 2004	31 July 2003	31 July 2002
History of experience gains and losses					
Difference between the expected and actual return on assets:					
Amount (£'000)	2,491	5,240	574	(318)	(2,911)
Percentage of scheme assets	5%	11%	2%	-2%	-22%
Experience gains/(losses) on liabilities:					
Amount (£'000)	(1,060)	(1,650)	–	–	–
Percentage of scheme liabilities	-1%	-2%	–	–	–
Actuarial gains/losses recognised in STRGL:					
Amount (£'000)	(1,491)	(4,282)	(19)	(2,272)	(2,911)
Percentage of scheme liabilities	-2%	-6%	0%	-10%	-16%

30. Capital commitments

	2006 (£000)	2005 Restated (£000)
Commitments contracted	3,184	1,714

31. Financial commitments

There were no obligations under finance leases in respect of equipment due as at 31st July 2005 (2004: nil)

32. Contingent liabilities

There were no material contingent liabilities at 31 July 2006 or at 31 July 2005.

33. Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from local, public and private organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arms length and in accordance with the university's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.

34. HEFCE: Access funds

The University receives Access funds from the HEFCE to assist students who might otherwise be inhibited from entering higher education. The funds received and their utilisation in the Access funds accounting year to 31 August 2006 were as follows:

	Total £'000
Balance at 1 September 2005	32
Funds received	687
Interest earned	7
Loans repaid	2
Audit fee	(1)
Disbursement of funds	(718)
Balance at 31 August 2006	9

35. Subsidiary companies

The transactions relating to the following subsidiary companies have been included within the University's financial statements.

(a) Westkey Services Limited

This company was incorporated in England and Wales on 20 February 1989 and is limited by shares. The main activities were the provision of books and periodicals to Thames Valley University, which are now being undertaken by the University. Westkey Services Limited will become a dormant company within the next financial year.

(b) Slough Training Company Limited

This company was incorporated in England and Wales on 1 April 1989 and is limited by guarantee. The commercial work for which it was set up is now being undertaken by TVU Commercial Limited and therefore the Slough Training Company Limited will become a dormant company within the next financial year.

(c) London College of Music Limited

This company was incorporated in England and Wales on 2 April 1990 and is limited by shares. On 8 July 1999 the name was changed from First Employment Services Limited to the present name. It has not traded in the year.

(d) First Employment Services Limited

The company was incorporated in England and Wales on 1 September 1992 as London College of Music Limited and the name was changed to First Employment Services Limited on 8 July 1999. It is a company limited by guarantee without share capital. It has not traded in the year.

(e) TVU Commercial Limited

The company was incorporated on 10 May 1994 in England and Wales as Exportkeep Limited with an authorised share capital of £1,000, of which £2 has been allotted. Acquired by the University and renamed on 11 October 1994, the company undertakes commercial work on behalf of the University. The share capital of £2 is matched by a receivable from the University for that amount.

(f) ITS FEDA Limited

The company was incorporated on 23rd September 1999 in England and Wales as an IT consultancy and supply enterprise. Of the £1,000 authorised share capital £2 has been allotted. This company is a 100% subsidiary of Thames Valley University.

(g) EMWAC Limited

The company was incorporated on 29th October 2001 in England and Wales as an IT consultancy and supply enterprise. The whole of the 1,000 authorised share capital has been allotted to ITS FEDA Limited. Therefore, as this parent enterprise is wholly owned by Thames Valley University (see g above); EMWAC Limited is also a 100% subsidiary of the University.

(h) Plaskett Education Limited

The company was incorporated on 13th May 1996 in England and Wales as a nutritional medicine specialist company. The whole of 10,000 authorised share capital has been allotted to Plaskett Education limited. It is intended that the company will be closed in the next financial year.

Board of governors membership

As at 31 July 2006

Independent Members

Mr Dino Adriano (Chair)
 Mr Nazir Afzal (with effect from 1 August 2005)
 Mrs Lucinda Bolton (with effect from 1 August 2005)
 Ms Christine Bradwell
 Mr Rod Kenyon OBE
 Mr Richard Martin
 Mr Jonathan Lea (with effect from 1 January 2006)
 Mr John Ramsden (retired 31 December 2005)
 Mr John Taylor (with effect from 1 August 2005)
 Mr Alistair Telfer
 Ms Tina Tietjen
 Professor Geoffrey Crispin (Vice-Chancellor)

Co-Opted Members

Mr Neil Bucknell
 Mr Tom Heydeman
 Professor Sir Adrian Webb (with effect from 27 June 2006)

Staff members

Mr Stuart Goodden
 Alternate: Ms Pam King

Academic Board Members

Dr Gail Thomas (retired with effect 31 August 2006)
 Alternate: Mr Geoff Hobson (retired with effect 31 March 2006)

Students' Union Members

Ms Navjeet Sira (Students' Union President, reappointed 1 July 2005, term of office ended 30 June 2006)
 Miss Pamela Nyambo (Students' Union President with effect from 1 July 2006)
 Alternates: Ms Sarah White (Students' Union Vice President - Education appointed 1 July 2005, term of office ended 30 June 2006)
 Mr Andrew Eltham (Student Union Vice President - Education, with effect from 1 July 2006)

Committees

Audit and Risk Committee
 Finance Committee
 Further Education Board (disbanded 29 September 2005)
 Governance and Nominations Committee
 Honorary Awards Committee
 Remuneration Committee
 Student Liaison Committee

Advisors

As at 31 July 2006

External Auditors	KPMG LLP Arlington Business Park Theale Reading RG7 4SD
Internal Auditors	Mazars 24 Bevis Marks London EC3A 7NR
Solicitors	Eversheds Senator House 85 Queen Victoria Street London EC4V 4JL
Bankers	The Royal Bank of Scotland plc London City Office 62-63 Threadneedle Street London EC2R 8LA
Investment Managers	ABN AMRO Asset Management Limited 82 Bishopsgate London EC2N 4BN



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TO HELP

Opened in October 2006 by Lord Bilimoria of Chelsea, The Street with its shops and catering facilities provides a central focus for students at the Ealing campus.



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