



07

Annual Report  
and Financial  
Statements  
Year ended 31 July 2007



Thames Valley University  
London Reading Slough

# 07

## Annual Report and Financial Statements

Year ended 31 July 2007



# Table of contents

Chairman's statement	1
Message from the Vice-Chancellor and Chief Executive	2
Operating and financial review	5
Statement of Governors responsibilities	12
Corporate governance statement	14
Report of the independent auditors	17
Statement of principal accounting policies	18
Consolidated income and expenditure account	20
Consolidated historical cost surplus and deficits	21
Statement of recognised gains and losses	22
Balance sheet	23
Consolidated cash flow	24
Notes to the financial statements	25
Advisers	40



# Chairman's statement

A significant development for the University in 2006/7 was the appointment of a new Vice-Chancellor. Appointing the leader of any major institution is a key responsibility for the Chairman and the Board of Governors. We sought an inspirational, academic leader who would share the University's commitment to and vision for Further and Higher Education. We believe that we made an excellent choice in Professor Peter John who has already demonstrated an impressive grasp of the issues and opportunities facing the University and how these need to be tackled. Furthermore the Board of Governors and the University community are already well engaged in the development of a new Strategic Plan for 2008 -13 with the process being strongly led by the Vice-Chancellor.

Professor Peter John took over from Professor Geoff Crispin, who retired in June 2007. Professor Crispin became Vice-Chancellor in 2003 and oversaw the transition of the University through the merger with Reading College and School of Art & Design in 2004 and the subsequent actions that were taken to realise benefits from integration, including the need to place an increasingly strong focus on progression. Under Professor Crispin's watch great strides were made in the development and regeneration of the estate and the institution passed stiff examination by QAA and OFSTED. We thank Professor Crispin for his contribution to the University over several years and wish him the very best for the future.

The Board of Governors believes that Thames Valley University has a critical role to play in the coming years in contributing to the development of a high-skills workforce, as envisaged in the Leitch report, particularly in West London and the Thames Valley. Our commitment to both Further and Higher Education, in an increasingly integrated way, is a key strength of the University. To realise this ambition we have to make changes to the way we operate and move to financial sustainability in the medium term. I am confident that under the University's new leadership we shall achieve this.

**Dino Adriano**  
Chair of the Board of Governors

07

Annual Report  
and Financial  
Statements

Year ended 31 July 2007



# Message from the Vice-Chancellor and Chief Executive

I took up the post of Vice-Chancellor in July with a remit to fashion a new strategic vision for the University; one that builds on our traditions while simultaneously positioning us for the competitive world in which we find ourselves. I am therefore fully committed to forging a distinctive identity with a powerful mission that not only responds to Government, the Higher Education Funding Council for England (HEFCE), Learning and Skills Council (LSC) and National Health Service (NHS) priorities but also retains our commitment to widening participation, greater access, enterprise, workforce skill development and employer engagement.

A key feature of that identity is our multi-sector status and our equal commitment to both Further and Higher Education. The successful merger with Reading College and School of Art and Design in 2004 combined with our campuses at Ealing, Brentford and Slough means we are able to offer a university education of quality meeting the needs of learners that few rivals can match.

## Academic innovation

This year we have continued to build on our reputation of academic innovation. In the Faculty of Health and Human Sciences flexible delivery and new foundation degree pathways have been extended. We also continue to widen our portfolio to include up-to-date courses including homeopathy, complementary medicine, forensic science and anti-ageing therapy. In the Faculty of Professional Studies new curriculum designs together with eight 'Enterprise and Innovation Centres' continue to improve the academic remit of the Faculty as well as strengthening research and employer engagement. This year we also developed innovative provision in the Faculty of the Arts with our unique courses in Indian music. The Faculty of Technology has built on its strong links with industry and has won a contract with Vodafone to develop a Foundation Degree in communication technology. Finally, we recently launched a range of 'negotiated' provision where students are assisted in planning their own learning in order to meet needs identified by their organisation or professional group. As part of this provision, the University can deliver, assess and award portfolio Masters programmes and professional doctorates.

Many of our academic areas also received national and international recognition for their quality and creativity. The University was also at the forefront of the development of vocational pathways for 14-16 year olds as well as being part of a consortium to provide all five of the new specialist diplomas to be launched in 2008.

We continue to work closely with our adjacent local authorities in responding to national agendas. As a result we have developed new provision in social work, working with children and young people, volunteer and public sector management. Similarly, we have developed provision for market leaders such as Orange, EDS, and Hewlett Packard. We also have an innovative partnership with Imperial College Medical School that enables students to progress from the first year of the University's BSc in human sciences onto the medicine degree at Imperial College.



## Research

It is imperative that a university designating itself as a leading exponent of applied and employer based learning ensures that its curricula, teaching, learning and research are closely aligned. In the coming years we will be looking to explore these relationships in a more innovative fashion by connecting research to our extended mission. This strategy will be led by the new Deputy Vice-Chancellor for Enterprise and Employer Engagement who we intend appointing early in 2008, and will be linked to the new Strategic Enterprise and Business Unit (SEBU).

In 2007 our Research Assessment Exercise (RAE) entry will be limited to approximately 75 staff and will be admitted under the following categories:

- Nursing and midwifery
- Computer science and informatics
- Psychology
- Education
- Art and design
- Communication, cultural and media studies
- Music

It is intended that these niche areas will form the basis to an extended research strategy stretching across the University and beyond leading to the creation of an enriched research culture that is both selective and inclusive. Organisationally the strategy will be managed by a new Graduate and Research Office.

The strategy will also build on the success of a number of current research and development centres in the Faculties. The Research Institute in the Faculty of Health and Human Science, for instance, acts as a hub for the development of research ideas, grant applications and a range of other activities tied to the needs of the health sector. In the Faculty of Professional Studies, the eight new 'Enterprise and Innovation Centres' are closely linked to business needs while in the Arts Faculty research continues to make an impact on the creative industries of the region. Finally, the Centre for Research in Tertiary Education (CREATE) which is part funded by HEFCE will this year report on its findings into dual sector institutions.

## International activities

The University's international work is highly important both in pedagogic and business terms with students from over 120 countries attending the University. The University has international offices at Ealing, Reading, Kuala Lumpur, and Mumbai and further links with 30 universities worldwide.

There are five strands to our international activities:

1. The recruitment of individual students with overseas fees status
2. Franchise operations in overseas territories
3. The recruitment of non-UK EU students
4. The London College of Music Examinations
5. Short course and specialist provision for overseas professionals

## Estates

The development of our estate is vital to our future and this year we have continued to rationalise and improve our physical infrastructure. We also intend to ensure that future developments will be driven by our academic needs and priorities as well as reflecting changing pedagogical, technological and student expectations.

Meanwhile, 2007 has seen significant development: the new Paragon campus at Brentford comprising 839 student study bedrooms and 215 key worker flats is now complete and the Faculty of Health and Human Sciences is now settled in the academic building. This award winning new student village has been called the 'new western gateway' into London and the building has given the University a new impetus. In addition, further rationalisation has seen the disposal of Westel House in Ealing and the sale of University land near our Crescent Road site in Reading. The first stage of re-development at St. Mary's Road in Ealing which completes the HEFCE funded Poor Estates Project is also finished. The up-grading of the corridors and teaching spaces in St. Mary's Road is now underway and completion of phase one is planned for 31 December 2007. Discussions around the second phase of the 'Heart of Campus' project are underway and includes the refurbishment of the library and the students union.

The redevelopment of the Slough campus has become critical to Slough Borough Council's Heart of Slough project and the sale of the campus is now complete subject to planning consent. The new 'lease-back' teaching accommodation (2,500 square metres) will



be available in 2010. The use of this accommodation is predicated on a new strategic plan for Slough and the University is working closely with Slough Borough Council, East Berkshire College, Slough Trading Estate and the South East England Development Agency (SEEDA) to develop a strategy that will 'up-skill' the Slough workforce and extend the University's presence in the town. The SEEDA-funded Enterprise Hub, for instance, is one of the most successful of its kind in the South East and will continue to be housed and supported by the University in Slough.

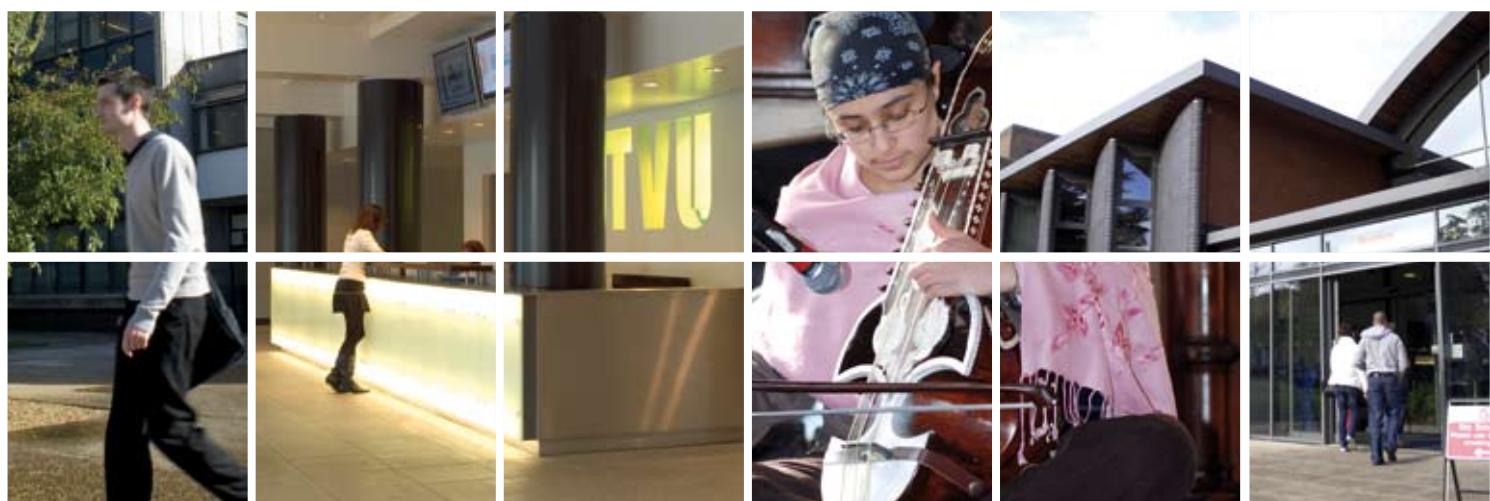
Planning is now well advanced for the new teaching facility at Kings Road campus, Reading (Phase 2). This development is complemented by a new 14-16 Skills Academy funded through a grant from the Department of Education and Skills and providing skills development for pupils across the whole of Reading.

The further development of the Reading campus will emerge out of the new strategic plan (Phase 3). This will be predominantly for the planned expansion of Higher Education and will in part be funded from the proceeds of disposals and will eventually replace the current Crescent Road campus.

## Looking forward

I feel immensely privileged to be leading the University in its next and exciting phase of development. We are ideally positioned to take advantage of the new conditions that prevail in the sector and I firmly believe that by adopting a more strategic, institution-wide approach to research, scholarship, academic growth and employer engagement we can bring about the required step change in our mission and vision. As always, however, we remain committed to becoming the *'University of choice and opportunity'* for all our students, stakeholders and employers in the region. We also further recognise that in an increasingly competitive sector we must add even more value through the provision of high quality facilities combined with excellence in teaching and applied research. Only then can we really lay claim, as our Chancellor Lord Bilimoria of Chelsea says, to being *'tomorrow's University today.'*

Professor Peter John  
**Vice-Chancellor and Chief Executive**



# Operating and financial review

## Introduction

Thames Valley University (the University) is a multi-sector institution providing Further Education and Higher Education. The University gives equal commitment to delivering both Further and Higher Education and focuses on providing flexibly delivered, high quality education. This range of provision means that it is possible for students to commence their education at 14 at the University and progress through all levels of learning up to and including post-doctoral studies.

In 2006/7 University had 17,690 full time equivalent students from 44,986 enrolments. The demographic profile of the students reflects the flexibility of the offering, with 13% of students aged 18 or under and 76% of students 21 or older. 60% of the students were female and 37% came from black, Asian or other ethnic backgrounds.

The University is located across the Thames Valley at Ealing, Brentford, Slough and Reading. There are also learning facilities at Heathrow Airport and overseas activities are co-ordinated through an office in Kuala Lumpur.

The student profile and the locations show that the University is meeting the needs of individuals and employers across West London as well as attracting students from all over the world.

## Challenges in the Education sector

The Further Education sector is experiencing the progressive movement of the Learning and Skills Council (LSC) main grant to that of contestable annual competitive tendering. The ability to remain in scope for tendering is also now dependent on retaining student success rates at, or above, the LSC's minimum levels of performance. Although this new funding landscape can present opportunities – and the University has had some success to date – maintaining a stable level of LSC funding from year to year does pose a risk.

The Higher Education sector faces a number of changes over the next few years, with a plethora of areas competing for attention and for funding. These challenges include known and anticipated changes to the Higher Education Funding Council's (HEFCE) Teaching Funding Method (TFM), for example:

- The introduction of targeted allocations and changes in subject weightings
- The potential removal of funding for students doing an equivalent or lower qualification to one they already hold
- The possible removal of the cap on Home and European undergraduate fee levels after the Government's review of fee levels in 2009

The sector is also facing changes from outside the UK, such as growing international competition, and the ongoing development of the Bologna Process. The EU Bologna Declaration put in motion a series of reforms needed to make European Higher Education more compatible and comparable, more competitive and more attractive for Europeans and for students and scholars from other continents. Reform was needed then and reform is still needed today if Europe is to match the performance of the best performing systems in the world, notably the United States and Asia.

The Leitch Report set out the importance of developing a high-skills workforce, with an ambition that by 2020 over 40% of the population aged 19 to state pension age should be qualified to Level 4 or above. That is a rise from around 29% at present. The Government is focusing on working with businesses to encourage mature students into Further and Higher Education and seeking an expansion of Train to Gain. By 2010, it is anticipated that the majority of adult Further Education funding will be routed through Train to Gain and Adult Skills Accounts to boost achievement of full Level 2, full Level 3 and Adult Literacy and Numeracy qualifications within the workforce.

The NHS education budget has been reduced by £350 million nationally as part of the financial re-profiling. Limited growth is anticipated, with 2008 investment expected to be similar to that allocated in 2003. The University has significant contracts with the NHS, principally in relation to pre-registration and post-registration nursing in London and Berkshire. These contracts are in a more uncertain position than in previous years because of a number of external financial and other pressures. The steady growth in income enjoyed in the past has ceased and all the

indications are of a reduced income stream for the foreseeable future. One pre-registration contract was taken down to the limits of the contract for 2006/7 and the other is likely to be reduced in the future.

The contractual arrangements are also in a state of considerable flux. The introduction of benchmark pricing (BMP) is also relevant. BMP introduces a standard price per *pre-registration* student across England and its introduction also allows for new negotiations concerning, for example, minimum levels of activity and contract duration. On the related point there has been considerable media coverage of a perceived oversupply of nurses and concerns that posts will not be available for newly qualified staff. While the vacancy position is complex these reports are likely to have a negative impact on student recruitment.

## Move to breakeven

This background of change and competition for funding provides a challenging situation for any education provider, but particularly for the University as it moves from a position of deficit to the delivery of a balanced budget in 2007/8. Deficits were recorded in 2004/5, 2005/6 and 2006/7 and the management of the University are fully committed to achieving the breakeven target in 2007/8.

In order to meet this target and to move to surpluses in future years to ensure long term financial sustainability, the University must meet its student recruitment targets in all areas and achieve its aspirations for commercial income generation. Potential commercial opportunities continue to be explored, with increased resources allocated to business development, fundraising, alumni initiatives and additional marketing activities.

As well as income generation the University must control its costs. Pressure on staff costs continues as a result of pay agreements made with the Trade Unions by the Universities and Colleges Employers Association (UCEA) and increases in pension fund contribution rates made by the Schemes following actuarial valuations. These decisions are taken outside the University and without reference to affordability. In order to ensure that the staff costs remain at an affordable level management has implemented controls over staff recruitment and continually looks for ways to rationalise working, including making the maximum use of IT. The University needs to get 'Best Value' from its non staff expenditure and cost control actions include the implementation of strategic procurement, moving procurement from a transactional and compliance role to one where purchasing decisions are influenced in a more fundamental and structured way.

In order to support the strong actions needed to deliver the 'breakeven agenda' Professor John has implemented a new Senior Management Structure with clear lines of responsibility for income generation and cost control.

## Investing in the future

Good progress was again made with the continued development of the estates strategy and the release of surplus estate to fund improvements to existing facilities and to provide new facilities. Details of recent estates developments are set out in the Message from the Vice-Chancellor and Chief Executive.

A new post of Deputy Vice-Chancellor for Enterprise and Employer Engagement has been created to drive the University's enterprise and employer engagement strategy.

## Academic review

The University recorded a successful year in 2006/7 with a wider offering, new programmes and a host of awards. Student recruitment was at or above planned levels and the University met the recruitment targets set by both HEFCE and LSC.

The University's academic portfolio for both Further and Higher Education is organised under four Faculties:

- The Faculty of the Arts
- The Faculty of Health and Human Sciences
- The Faculty of Professional Studies
- The Faculty of Technology

The majority of the Further Education offer is made through a specific Further Education department called the 14-19 Academy. Further Education is also delivered through the Faculties.

## Mature students in employment

The Negotiated Award Framework which is designed to reach out to mature students in employment enrolled 169 students on individually tailored programmes, predominantly in collaboration with employers in the Health sector.

## Professional body and other external accreditation

The University runs courses providing qualification and entry to 15 professional bodies including the Law Society and the Chartered Institutes of:

- Purchasing and Supply (CIPS), where the University has Centre of Excellence status
- Chartered Certified Accountants (ACCA)
- Management Accountants (CIMA)
- Marketing (CIM)
- Personnel and Development (CIPD)
- Building (CIOB)

In addition, courses provide entry to 18 professional organisations including the British Psychological Society (BPS), Association of Reflexologists (AOR), Nursing and Midwifery Council (NMC) and the Music Producers Guild (MPG). The Faculty of Health and Human Sciences introduced a new subject area in 2006/7 to their programme portfolio, BSc Social Work, which has obtained approval of the professional body, The General Social Care Council (GSCC).



## Awards

During the academic year 2006/7 the University and its students received a number of prestigious awards, including:

- The University's Ealing Hotel School (School of Tourism, Hospitality and Leisure) received the Training Restaurant of the Year Award, a new accolade for hospitality education, by the British Hospitality Association in their centenary year
- Third year BSc Culinary Arts Management student, Will Torrent, won a gold medal and best-in-class award for his afternoon tea pastries at the Birmingham NEC Hospitality Show
- MA student Sukey Parnell was short-listed for the National Portrait Gallery (NPG) Photographic Portrait Awards for 2007.
- Three HND fashion students were selected to exhibit at the final of the 'Young Designer of the Year' competition - Sherry Khanoa from Maidenhead, Jay Chandler and Iza Antczak from Reading were selected from hundreds of hopefuls, and went on to show their designs at the Clothes Show 'Live Cat Walk Show' at the NEC in Birmingham in December 2006
- Amina Bux won the British Psychological Society prize for the best overall 1st Class Honours mark
- The Middlesex Law Society awarded a prize to two high achieving law students for excellence in law to Angela Moriarty (part-time 2004 to 2006) and Samira Mustafa (full-time 2004/5)
- Engineering student Jordan Beckett won the Junior Apprentice of the Year at the SummitSkills London and South East Training Group awards

## Engaging with business and the wider community

The University continues to play a key role in the sub-regions it serves. Significant further progress was made during 2007 with the University playing a leadership role in three important HEFCE initiatives across West London. These, and the pivotal role the University plays within them, significantly strengthen the capacity of the University to meet a number of its key strategic objectives, and this year we were successful in a number of linked areas:

- We received £871,000 from Higher Education Innovation Fund (HEIF) to support the University's engagement with employers in knowledge transfer activities, its promotion of entrepreneurship and its ability to enhance the employability of our students. Our Action Plan builds on the work that has been developed with the WestFocus consortium over the last two years: WestFocus comprises seven Higher Education Institutions (HEIs) (Brunel, Royal Holloway, Roehampton, Westminster, St George's, Kingston) and is currently chaired by a member of the University. The work we undertake falls into broad categories:
  - Support for enterprise and entrepreneurship
  - Creative industry, health and voluntary sector networks
  - Projects to promote ICT 'usability'
  - Recycling and sustainability consultancy projects
  - The development of a centre for airline and airport industries

- The University submitted an Action Plan to HEFCE earlier in the year which has secured nearly £4 million for continuing AimHigher activities over the next two years. AimHigher is a partnership of Local Education Authorities (LEAs), Further Education Colleges (FECs), HEIs, the LSC to enhance attainment, aspirations and access to Higher Education of those in schools, colleges or the workplace from backgrounds where there is under representation in Higher Education.

The University is the accountable body for West London AimHigher, employs the Executive and chairs the Area Steering Group. This places the University at the centre of widening participation work in the sub-region and is an important adjunct to our own work in this area.

- This academic year a partnership was formed involving five HEIs, seven FECs, two sixth form colleges and the LSC. HEFCE provided development funding for the preparation of a Business Plan. This Plan was approved in June 2007 and has been awarded £4.5 million over three years.

The central aim of the 'West London Life long Learning Network' is to develop additional activities, relationships and provision that increases the number of vocational learners achieving higher level qualifications, meets the needs of employers, contributes to the prosperity of West London and promotes a culture of lifelong learning within the sub-region. Developments for 2007/8 include:

*Progression agreements:* A West London Progression Accord has been agreed and will be signed by representatives from the 14 Network partners at a public ceremony on 14 December 2007. Work is also underway to create progression agreements across West London.

*Foundation Degrees:* The Network is supporting the development of 12 new Foundation Degrees in partner institutions across West London. The University is developing new Foundation Degrees in Enterprise, in Retail Operations and People Management, and in Logistics.

*Maths skills for Science, Technology, Engineering and Mathematics (STEM) learners:* The Network has recently agreed to support a working group that will develop Maths support programmes for learners who are technically able in Science, Technology or Engineering but who are at risk of failure due to problems with the Maths element of their courses. An initial programme has been piloted and further courses will run in summer 2008.

*Pan-London Lifelong Learning Network (LLN) Health Collaboration:* In collaboration with South London and South East London LLNs, the West London (WL) LLN has secured £100,000 funding from Skills for Health and NHS London to commission demonstration projects to develop competency based learning units.

*Employer engagement:* The Network is working closely with local employers such as BAA at Heathrow as well as the relevant sector skills councils to develop new provision. The WL LLN are engaging with local employers regarding the curriculum for the Foundation Degree in Logistics at the University, as well as national employers through Skills for Logistics in the development of the national framework for the

Foundation Degree - 57 employers responded to a WL LLN survey on the proposals for the Foundation Degree.

*14-19 Diploma:* The Network and South London LLN were one of five LLNs around the country selected by HEFCE to lead on projects exploring HE Engagement with the 14-19 Diplomas.

- In addition, the University has also been successful as part of a national collaborative bid with 21 partners including 12 universities, led by the University of Wolverhampton. The total value of the bid (SPEED - Student Placements for Entrepreneurs in Education) is £5 million over two years and this will fund 750 new enterprises and entrepreneurs. The University, with 120 planned enterprise start-ups has by far the largest proportion of the total funding with a value of £750,000.

The SPEED initiative will enable students on full time and part time programmes to receive financial support averaging £6,000 to set up a business and social community enterprise. The student will receive a virtual voucher that will enable them to buy-in and access services and resources from the University and from other members of the Consortium. It will also provide a comprehensive staff development programme building an on-line community of practice as well as supporting our FdA Enterprise portfolio.

- The University also responded positively to the Further Education skills agenda, with significant restructuring of its curriculum to meet required changes in the balance and mix of provision.

Part of this response has included three successful tenders to the regional 'Train to Gain' initiatives. These bids are a pan-Berkshire collaborative bid with all other Further Education sector providers in that region, a West London bid with Hammersmith and West Ealing College and a further West London bid focused on Heathrow and led by BAA.

Collectively, this 'Train to Gain' activity will amount to in excess of £1 million and demonstrates an effective start to employer and demand led work in an era of contestability for funds. The key areas of curriculum featured includes IT, business improvement, construction, health and social care, public sector support and hospitality and catering.

As a result of this activity, and through the support of our Chancellor Lord Bilimoria of Chelsea, the University is fast becoming recognised as a centre for entrepreneurship and enterprise. This will be further enhanced by the creation of a new Strategic Enterprise and Business Unit (SEBU) which will seek to build on these successes as well as driving our serious and sustained address of the 'World Class Skills' agenda underlined by the recent Leitch Report.

## Fundraising

In order to strengthen our external relations and support its objective of realising third stream income we recently established the Office of Development and Alumni Relations. In addition to being the formal link between the University and its alumni, the development team will work to advance the University's key development priorities.

The cultivation of alumni, corporate friends and other external resources will play a pivotal role in ensuring that the University attracts the resources required to sustain and promote excellence across a range of institutional priorities. Initially, the development team will focus on consolidating the University's contacts onto a single database, define the University's advancement goals and design a programme of events and communications aimed at engaging our external communities. This will be followed by careful planning and preparation for a major fundraising campaign that assists in realising the key development needs of the University over the next decade.

## Financial highlights

	2007 (£000)	2006 (£000)
<b>Results</b>		
Recurrent grants		
HEFCE	32,506	31,066
LSC	20,973	20,313
Nursing and midwifery education contracts	20,148	20,572
Tuition fees	20,372	18,108
Other income	12,219	12,567
<b>Total income</b>	<b>106,218</b>	<b>102,626</b>
Expenditure	(110,435)	(104,983)
Exceptional staff costs	(2,465)	(1,233)
<b>Deficit for the year</b>	<b>(6,682)</b>	<b>(3,590)</b>
<b>Cash flow</b>		
Net cash inflow from operating activities	5,595	228
Net returns on investments and servicing of finance	(284)	(291)
<b>Net cash inflow / (outflow) before investing activities</b>	<b>5,311</b>	<b>(63)</b>
Taxation	(3)	-
Capital expenditure	(7,834)	(3,830)
(Decrease) / increase in debt	(2,436)	3,362
<b>Movement in net funds</b>	<b>(4,962)</b>	<b>(531)</b>
<b>Balance sheet</b>		
Fixed assets and endowments	112,198	103,516
Net current liabilities excluding cash and short term borrowings	(12,478)	(8,830)
Cash less short term borrowings	(1,588)	7,158
<b>Total assets less current liabilities</b>	<b>98,132</b>	<b>101,844</b>
Borrowings	(664)	(4,422)
Provisions	(16,889)	(26,281)
<b>Total assets</b>	<b>80,579</b>	<b>71,141</b>
Capital grants and endowments	24,234	19,467
Reserves	56,345	51,674
<b>Total funds</b>	<b>80,579</b>	<b>71,141</b>
Gearing ratio	0.8%	6.2%

## Summary of the results for the year

The income increased by £3.6 million compared with 2005/6, some 3.5%. £2.1 million of the additional income came from the HEFCE and LSC grants, where student recruitment was in line with target. The NHS contract income fell by some £0.4 million as a result of the cut back by the NHS in the number of students. Tuition fees increased by £2.3 million as a result of the introduction of top up fees. Other income was slightly lower than in 2005/6 largely as a result of a fall in residence income due to a reduction in the number of University rented properties.

Expenditure before exceptional staff costs increased by £5.5 million, an increase of 5.2%, a faster rate than the increase in income. £2.7 million of this increase is attributable to staff costs which amounted to £72.6 million where there were three main drivers for the increase, all outside the control of the University:

1. Increases in salary scales resulting from the UCEA pay agreement with the Trade Unions for a 3% increase from 1 August 2006 and a 1% increase from 1 February 2007 (an increase of 3.5% over the year)
2. An increase in the employer contribution rate for the Teachers Pension Scheme of 0.6% and the extension of the scheme to allow membership by part time teaching staff
3. Implementation of FRS17 (Pension Benefits) has led to some variation in the charge to the Income and Expenditure Account which increased by £1.1 million compared with 2005/6.

Tight control over vacancy management reduced the impact of the above.

Non staff costs at £37.9 million also showed a £2.7 million increase over 2005/6. The principal causes of this were the cost of the bursary scheme introduced in 2006/7 of £1.1million and an increase in franchise payments of £1.0 million. In addition there were additional costs resulting from the running of the new Faculty of Health and Human Sciences academic block during the fit out period while at the same time continuing to operate the existing accommodation, which amounted to £0.4 million. There were also increases in heat, light and water costs over 2005/6 of £0.3 million.

Exceptional staff costs of £2.5 million arise from one off severance costs of £1.7 million relating to the on-going reorganisation programme and a one-off provision for the Higher Education Role Analysis (HERA) pay harmonisation requirements which will be backdated to August 2006.

The resulting deficit increased from £3.6 million for 2005/6 to £6.7 million for 2006/7. Management do not regard this as a sustainable position and a breakeven operating position is budgeted for 2007/8 with exceptional profits arising from property disposals.

## Cash resources and borrowing facilities

During 2006/7 the University repaid its existing secured bank loans and replaced them with a £7.5 million 364 day Revolving Credit Facility (RCF). The purpose of this facility is to have funds immediately available for the day to day payment of creditors in the event that large income flows, such as property sales, are delayed and for short term cash shortages as a result of timing issues. The flexibility of this loan contributed savings to the bottom line, with bank interest charges of £164,000 in 2006/7 compared with £297,000 in 2005/6. The effect on the balance sheet is to reduce both the long term borrowings and the cash / short term borrowings. The movement in the overall cash and debt position was a reduction of £4.8 million. Two major items contributed to this outflow:

1. A major estates programme in the year for a new campus in Brentford (called Paragon) which in the short term has reduced available funds. In early 2007/8 the University completed on the sale of another property which will be used to fund the expenditure on Paragon and other projects over the coming years.
2. Late payment by a major customer, with cash received in the early days of August 2007.

The gearing ratio has improved as a result of the repayment of the secured loans.

## Risk management

In common with all UK universities, a significant proportion of income is dependent upon Government policy. There are further risks associated with the recruitment of students in a competitive market. The University acknowledges the existence of these inherent risks and is committed to managing those key risks within its control that pose a significant threat to the achievement of the strategic plan and financial health of the University. The Board of Governors has overall responsibility for ensuring that there is a risk management strategy and a common approach to the management of risk throughout the institution through the development, implementation and embedment within the organisation of a formal, structured risk management process.

The key objective of the University's risk management policy is to ensure that policies and procedures are in place to manage and mitigate risks and therefore enable the University to meet its strategic objectives.

## Diversity and employment of disabled persons

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 facilitated through staff representation on the Board of Governors and Academic Board and a regular staff newsletter which is distributed to all staff. The Vice-Chancellor has held open meetings to enable discussion to take place on current developments.

## Payment of creditors

It is the University's policy to abide by terms of payment agreed with suppliers. Unless special terms apply, payment is made within 30 days of receipt of a valid invoice by the Finance Department.

## Employee and student involvement

The University encourages the involvement of all staff and students and seeks to foster good communication with them. Staff and students are encouraged to participate in formal and informal consultation at University, Faculty and Departmental level, often through the membership of formal Committees. The University is committed to an Equal Opportunities Policy.

The Student Liaison Committee is chaired by a member of the Governing body and includes members from the University senior management and the Students Union. The Board of Governors includes an elected staff member and a member of the Academic Board. Members of senior management meet regularly with representatives of trade unions who represent the interests of academics, research and support staff through consultative committees. When matters affect their employment directly, staff are advised in accordance with the University's employment policies.

### **Dino Adriano**

Chairman of the Board of Governors

## 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 at each meeting. The Board also receives an annual report on risk management.
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. A 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 also informed by the work of the Core Executive Group 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. Throughout the year the Vice-Chancellor was assisted by the Deputy Vice-Chancellor, the University Secretary and other senior officers.

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

1. 11 independent members
2. The Vice-Chancellor
3. One independent co-opted member

4. One elected representative of the Academic Board
5. One elected staff representative
6. One student representative

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, two new members were appointed to the Board on 7 December 2006 and 1 January 2007 respectively. A clear and transparent appointment process was followed throughout. In addition, a new representative and alternate were elected to the Board by the Academic Board.

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

## Board of Governors membership as at 31 July 2007

### Independent members

Mr Dino Adriano (*Chair*)  
 Mr Nazir Afzal OBE  
 Mrs Lucinda Bolton  
 Mr Tony Coad (*with effect from 11 July 2007*)  
 Mr Nicholas Hai (*with effect from 7 December 2006*)  
 Mr Rod Kenyon OBE  
 Mr Jonathan Lea  
 Dr Alistair Stokes (*with effect from 1 January 2007*)  
 Mr John Taylor  
 Mr Alistair Telfer  
 Ms Tina Tietjen  
 Professor Peter John (*Vice-Chancellor*) *with effect from 2 July 2007*

### Co-Opted members

Professor Sir Adrian Webb

### Academic Board members

Dr Eryl Price-Davies (*interim member with effect from 20 September 2006 to 31 December 2006. Full member with effect from 1 January 2007*)  
 Alternate:  
 Mr Christian Cooper (*with effect from 19 January 2007*)



**Staff members** Mr Stuart Goodden  
Alternate: Ms Pam King

**Students' Union members** Miss Pamela Nyambo  
*(Students' Union President)*  
Alternate:  
Ms Rebecca Gowar  
*(Students' Union Vice President Recreation)*  
*with effect from 1 July 2007*

## Committees of the Board

The Board of Governors currently meets at least five times each academic year plus one away day. Much of the detailed work is delegated to its committees, in particular the Finance Committee, the Audit & Risk Committee, the Governance & Nominations Committee and the Remuneration 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.

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 four 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 the Vice-Chancellor attends all meetings and other members of the senior executive team 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 a new co-opted member was appointed to the Audit & Risk Committee.

## Finance Committee

The Finance Committee met five times during the year and the Finance Committee Working Group was convened when and if deemed appropriate.

## 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 established.

## 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 2006/7 the work of the Audit & 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 & 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 2006/7 are set out in the Committee's annual report to the Board. This report was considered by the Board on 13 November 2007 and was submitted to the HEFCE.

The Audit & 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 reviews and monitors the risks pertinent to its area of responsibility.

On 13 November 2007 the Governing Body received and approved the Annual Risk Management report.

The Board has received from the Chair of the Audit & Risk Committee the necessary assurances about the adequacy of the internal controls in place throughout the year thus enabling these 2006/7 financial statements to be signed off and submitted to HEFCE.

# Report of the independent auditors

We have audited the Group and University financial statements (the financial statements) of Thames Valley University for the year ended 31 July 2007 which comprise the consolidated income and expenditure account, the balance sheets, 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 group financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2003, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 12.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2003. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the Learning and Skills Council. We also report to you whether in our opinion the Governors' Report is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the 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:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the Group as at 31 July 2007 and of the University's / Group's deficit of expenditure over income for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2003;
- in all material respects, income from the Higher Education Funding Council for England 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 2007 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2007 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England and the funding agreement with the Learning and Skills Council.

### KPMG LLP

28 November 2007

Chartered Accountants

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

# 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 2003 and in accordance with applicable Accounting Standards. They conform to guidance published by the HEFCE. Given future cashflow forecasts and income expectations, the Board confirms it is appropriate for the financial statements to be prepared on a going concern basis.

## 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 income and expenditure 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 the Balance Sheet date. 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.

## Maintenance of premises

The full cost of repairs and routine corrective maintenance on tangible assets is charged against revenue in the year in which these costs are incurred.

## 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.

## Provisions

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

## 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

There were no changes in accounting policies during the year.

# Consolidated income & expenditure account

For the year ended 31 July 2007

	Note	2007 (£000)	2006 (£000)
<b>Income</b>			
Funding Council Grants	1	55,895	53,382
Tuition fees and education contracts	2	40,520	38,680
Research grants and contracts	3	513	553
Other income	4	8,856	9,363
Endowment and Investment income	5	434	648
		<b>106,218</b>	<b>102,626</b>
<b>Expenditure</b>			
Staff costs	6	(72,572)	(69,878)
Exceptional staff costs	6	(2,465)	(1,233)
Other operating expenses	7	(31,984)	(28,936)
Depreciation and amortisation	11, 12	(5,170)	(5,290)
Interest payable	8	(709)	(879)
		<b>(112,900)</b>	<b>(106,216)</b>
<b>Group deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax</b>			
		<b>(6,682)</b>	<b>(3,590)</b>
Taxation	9	(3)	-
<b>Group deficit for the financial year after depreciation of tangible assets at valuation and disposal of assets after tax</b>			
		<b>(6,685)</b>	<b>(3,590)</b>

The income and expenditure account is in respect of continuing activities.  
The notes on pages 25 to 39 form part of these financial statements.

# Consolidated historical cost surpluses & deficits

For the year ended 31 July 2007

	Note	2007 (£000)	2006 (£000)
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposals but before taxation		(6,682)	(3,590)
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount		789	807
<b>Historical cost deficit for the period before taxation</b>		<b>(5,893)</b>	<b>(2,783)</b>
Taxation		(3)	–
<b>Historical cost deficit for the period after taxation</b>		<b>(5,896)</b>	<b>(2,783)</b>

# Statement of total recognised gains and losses

For the year ended 31 July 2007

	Note	2007 (£000)	2006 (£000)
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax		(6,685)	(3,590)
Appreciation of endowment asset investments		31	60
Endowment income retained for year		(10)	(57)
New endowments		27	32
Loan repayment received from HEFCE taken to revaluation reserve		-	1,182
Actuarial gain/(loss) recognised in the pension schemes		11,357	(1,491)
Impairment of land and buildings		-	(1,710)
Prior year restatement relating to FRS17 pension adjustment		-	(13,105)
<b>Total recognised profit/(loss) relating to the period</b>		<b>4,720</b>	<b>(18,679)</b>
<b>Reconciliation</b>			
Opening reserves and endowments		52,290	70,969
Total recognised profit/(loss) for the year		4,720	(18,679)
<b>Closing reserves and endowments</b>		<b>57,010</b>	<b>52,290</b>



# Balance sheet

As at 31 July 2007

	Note	Consolidated		University	
		2007 (£000)	2006 (£000)	2007 (£000)	2006 (£000)
<b>Fixed assets</b>					
Intangible assets	11	240	360	240	360
Tangible assets	12	111,262	102,509	111,252	102,490
Investments	13	31	31	31	31
<b>Total fixed assets</b>		<b>111,533</b>	<b>102,900</b>	<b>111,523</b>	<b>102,881</b>
<b>Endowment assets</b>	14	<b>665</b>	<b>616</b>	<b>665</b>	<b>616</b>
<b>Current assets</b>					
Stocks		104	104	90	91
Debtors	15	7,754	4,972	10,695	5,899
Cash at bank and in hand		2,282	8,592	739	7,102
<b>Total current assets</b>		<b>10,140</b>	<b>13,668</b>	<b>11,524</b>	<b>13,092</b>
<b>Creditors</b>					
Amounts falling due within one year	16	(24,206)	(15,340)	(25,608)	(14,353)
<b>Net current liabilities</b>		<b>(14,066)</b>	<b>(1,672)</b>	<b>(14,084)</b>	<b>(1,261)</b>
<b>Total assets less current liabilities</b>		<b>98,132</b>	<b>101,844</b>	<b>98,104</b>	<b>102,236</b>
<b>Creditors</b>					
Amounts falling due after more than one year	17	(664)	(4,422)	(664)	(4,422)
General provisions	18	(950)	-	(950)	-
Provision for pensions	29	(15,939)	(26,281)	(15,939)	(26,281)
<b>Net assets</b>		<b>80,579</b>	<b>71,141</b>	<b>80,551</b>	<b>71,533</b>
<b>Deferred capital grants</b>	20	23,569	18,851	23,569	18,851
<b>Endowments</b>					
Specific	21	665	616	665	616
<b>Reserves</b>					
Revaluation reserve	22	25,308	26,098	25,308	26,098
General reserve	23	31,037	25,576	31,009	25,968
Total reserves		<b>56,345</b>	<b>51,674</b>	<b>56,317</b>	<b>52,025</b>
<b>Total funds</b>		<b>80,579</b>	<b>71,141</b>	<b>80,551</b>	<b>71,533</b>

The notes on pages 25 to 39 form part of these financial statements. The financial statements on pages 18 to 39 were approved by the Board of Governors on 28 November 2007 and signed on its behalf by:

**Professor Peter John**  
Vice-Chancellor

**Ms Helen Turner**  
Executive Director of Finance

**Mr Dino Adriano**  
Chair of the Board of Governors

**Mr Jonathan Lea**  
Chair of the Finance Committee

# Consolidated cash flow

For the year ended 31 July 2007

	Note	2007 (£000)	2006 (£000)
Cash flow from operating activities	24	5,595	228
Returns on investments and servicing of finance	25	(284)	(291)
Taxation		(3)	-
Capital expenditure	26	(7,834)	(3,830)
Cash outflow before financing		(2,526)	(3,893)
Financing	27	(3,758)	1,090
<b>Decrease in cash in the period</b>	<b>28</b>	<b>(6,284)</b>	<b>(2,803)</b>
<b>Reconciliation of net cash flow to movement in funds/debt</b>			
Decrease in cash in the period		(6,284)	(2,803)
Change in net debt resulting from cash flows		1,322	2,272
Movement in net funds in period		(4,962)	(531)
Net funds at 1 August		2,932	3,463
<b>Net funds at 31 July</b>	<b>28</b>	<b>(2,030)</b>	<b>2,932</b>

# Notes to the financial statements

For the year ended 31 July 2007

## 1. Funding Council grants

	2007 (£000)	2006 (£000)
Recurrent grants:		
HEFCE	32,506	31,066
LSC	20,973	20,313
Specific grants:		
Continuing Vocational Education	1,310	987
Releases of deferred capital grants:		
Equipment (note 20)	645	499
Buildings (note 20)	461	533
Reimbursement of debt charges and rent	-	(16)
	<b>55,895</b>	<b>53,382</b>

## 2. Tuition fees and education contracts

	2007 (£000)	2006 (£000)
UK Higher Education Students		
Full-time students	7,724	5,711
Part-time students	2,384	2,378
UK Further Education Students		
Full-time students	347	490
Part-time students	1,348	2,552
EU Students (excl UK Students)	857	646
Non EU Students	6,199	4,530
Short courses and examination fees	1,513	1,801
Nursing and midwifery education contracts	20,148	20,572
	<b>40,520</b>	<b>38,680</b>

**3. Research grants and contracts**

	2007 (£000)	2006 (£000)
Other grants and contracts	513	553
	<b>513</b>	<b>553</b>

**4. Other operating income**

	2007 (£000)	2006 (£000)
Residences, catering and conferences	1,516	1,856
Other income-generating activities	4,982	5,161
Released from deferred capital grants (note 20)	107	142
Other income	2,251	2,204
	<b>8,856</b>	<b>9,363</b>

**5. Endowment and investment income**

	2007 (£000)	2006 (£000)
Income from endowment asset investments (note 21)	30	80
Other interest receivable	404	568
	<b>434</b>	<b>648</b>

**6. Staff costs and exceptional staff costs**

	2007 (£000)	2006 (£000)
Wages and salaries	60,287	59,127
Social security costs	4,703	4,593
Pension costs	7,582	6,158
<b>Staff costs</b>	<b>72,572</b>	<b>69,878</b>
Severance costs	1,715	1,233
Provision for pay harmonisation	750	-
<b>Exceptional staff costs</b>	<b>2,465</b>	<b>1,233</b>
Teaching departments	49,269	47,864
Teaching support services	8,563	5,693
Administration and central services	14,740	16,321
	<b>72,572</b>	<b>69,878</b>
Staff on permanent contracts	64,833	61,615
Staff on short-term and temporary contracts	7,739	8,263
	<b>72,572</b>	<b>69,878</b>

## 6. Staff costs and exceptional staff costs (continued)

	2007 Number	2006 Number
The number of persons (including senior post-holders) employed by the University during the period, expressed as full-time equivalents, was:		
Teaching departments	1,273	1,322
Teaching support services	243	176
Administration and central services	336	386
	<b>1,852</b>	<b>1,884</b>
The remuneration of higher paid staff, excluding pension contributions was:		
£70,000-£80,000	3	5
£80,000-£90,000	2	5
£90,000-£100,000	2	1
£100,000-£110,000	1	-
£110,000-£120,000	1	1
£150,000-£160,000	-	1
£160,000-£170,000	1	-
	<b>2007 (£000)</b>	<b>2006 (£000)</b>
Vice-Chancellors' emoluments		
Salary	161	158
Benefits in kind	-	2
	<b>161</b>	<b>160</b>
Pension contributions	22	21

A new Vice-Chancellor was appointed on 2nd July 2007.

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 2007.

**7. Other operating expenses**

	2007 (£000)	2006 (£000)
Other premises costs	7,020	6,325
Agency and consultancy	5,747	5,109
Equipment rent and maintenance	1,914	1,857
Consumables	1,297	1,538
Books and periodicals	1,544	909
Franchise payments	2,550	1,510
Advertising	2,603	2,664
Grants to Students' Union	488	443
Travelling and subsistence	1,214	1,188
Accommodation	291	556
Equipment not capitalised	764	826
Irrecoverable VAT	127	145
Rents	1,879	1,691
Auditors' audit remuneration	334	183
External auditors – other remuneration	19	21
Other expenses	4,193	3,971
	<b>31,984</b>	<b>28,936</b>
Included in the above costs are the following external audit fees:		
University	75	60
Subsidiaries	9	8
	<b>84</b>	<b>68</b>

**8. Interest payable**

	2007 (£000)	2006 (£000)
On bank loans, overdrafts and other loans:		
Repayable within five years, by instalments	164	-
Repayable wholly or partly in more than 5 years	-	297
On pension scheme assets and liabilities		
Expected return on pension scheme assets	(3,589)	(3,012)
Interest cost on pension scheme liabilities	4,134	3,594
	<b>709</b>	<b>879</b>

**9. Taxation**

	2007 (£000)	2006 (£000)
<b>United Kingdom corporation tax</b>	<b>3</b>	<b>-</b>

## 10. Deficit on continuing operations for the period

	2007 (£000)	2006 (£000)
University's deficit for the period	(6,316)	(2,720)
Surplus/(deficit) generated by subsidiary undertakings	420	(63)
	<b>(5,896)</b>	<b>(2,783)</b>

## 11. Intangible assets

	2007 (£000)	2006 (£000)
<b>Cost</b>		
At 1 August 2006	2,410	2,410
Additions	-	-
At 31 July 2007	2,410	2,410
<b>Amortisation</b>		
At 1 August 2006	(2,050)	(1,930)
Charge for year	(120)	(120)
Total amortisation	(2,170)	(2,050)
<b>Net value at 31 July 2007</b>	<b>240</b>	<b>360</b>

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.

## 12. 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.

All of the following fixed assets are owned by the University, with the exception of equipment with a net book value of £10,225 as at 31 July 2007 (2006 £19,000) 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)
<b>Cost</b>						
At 1 August 2006	38,184	67,914	26,271	4,812	228	137,409
Additions	-	-	2	13,798	-	13,800
Reclassifications	-	5,469	2,739	(8,208)	-	-
Disposals	-	(26)	(505)	-	-	(531)
<b>At 31 July 2007</b>	<b>38,184</b>	<b>73,357</b>	<b>28,507</b>	<b>10,402</b>	<b>228</b>	<b>150,678</b>
<b>Depreciation / Impairment</b>						
At 1 August 2006	980	13,147	20,630	-	144	34,901
Reclassifications	-	-	(29)	-	-	(29)
Disposals	-	-	(506)	-	-	(506)
Charge for year	-	2,323	2,711	-	16	5,050
<b>At 31 July 2007</b>	<b>980</b>	<b>15,470</b>	<b>22,806</b>	<b>0</b>	<b>160</b>	<b>39,416</b>
Net book value as at 31 July 2007	<b>37,204</b>	<b>57,887</b>	<b>5,701</b>	<b>10,402</b>	<b>68</b>	<b>111,262</b>
Net book value as at 31 July 2006	<b>37,204</b>	<b>54,767</b>	<b>5,642</b>	<b>4,812</b>	<b>84</b>	<b>102,509</b>

Depreciation was funded by:	2007	2006
Deferred capital grants released (note 20)	1,213	1,174
Revaluation reserve release	789	807
General income	2,513	3,189
Impairment of buildings / land	-	1,710
	<b>4,515</b>	<b>6,880</b>

The University has, since the end of the year, completed the sale of properties at a greater value than the book value and no adjustment has been made in the above figures.

## 13. 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 the University accounts because the University owns less than 1% of the shares.

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 sold its shares in ITS Feda Limited on 1 October 2007.

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



## 14. Endowment assets

	2007 (£000)	2006 (£000)
Balance at 1 August 2006	616	581
Share acquisitions	70	85
Proceeds of share disposals	(79)	(144)
Appreciation on disposals/revaluation	32	62
Increase in cash balances held (note 28)	26	32
<b>Balance at 31 July 2007</b>	<b>665</b>	<b>616</b>
Represented by		
Equities	443	423
Bank Balances	222	196
Other Creditors	-	(3)
<b>Total Endowment assets</b>	<b>665</b>	<b>616</b>
Equities at Cost	270	283

## 15. Debtors

	Consolidated		University	
	2007 (£000)	2006 (£000)	2007 (£000)	2006 (£000)
Trade debtors	5,689	2,695	3,454	1,912
Amounts owed by group undertakings	-	-	5,101	1,486
Other debtors	1,214	1,303	1,560	1,571
Prepayments	851	974	580	930
	<b>7,754</b>	<b>4,972</b>	<b>10,695</b>	<b>5,899</b>

## 16. Creditors: amounts falling due within one year

	Consolidated		University	
	2007 (£000)	2006 restated (£000)	2007 (£000)	2006 (£000)
Unsecured loans	2,333	-	2,333	-
Secured loans	-	1,434	-	1,434
Overdraft	1,537	-	1,537	-
Trade creditors	5,533	1,498	5,139	1,100
Amounts owed to subsidiaries	-	-	2,812	5
Social security and other taxation	2,678	2,246	2,677	2,246
Accruals and deferred income	12,125	10,162	11,110	9,568
	<b>24,206</b>	<b>15,340</b>	<b>25,608</b>	<b>14,353</b>

**17. Creditors: amounts falling due after more than one year**

	Consolidated		University	
	2007 (£000)	2006 (£000)	2007 (£000)	2006 (£000)
HEFCE (unsecured)	664	1,501	664	1,501
Secured loans	-	2,921	-	2,921
	<b>664</b>	<b>4,422</b>	<b>664</b>	<b>4,422</b>

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 provided by Lloyds TSB Bank plc and Bank of Scotland plc (Capital Bank plc) were repaid during the year.

**18. General provisions**

	Consolidated		University	
	2007 (£000)	2006 (£000)	2007 (£000)	2006 (£000)
Pay harmonisation	750	-	750	-
Contract provision	200	-	200	-
	<b>950</b>	<b>-</b>	<b>950</b>	<b>-</b>

**19. Borrowings**

	2007 (£000)	2006 (£000)
<b>Repayments fall due within the following bands</b>		
Within 1 year (note 16)	3,870	1,434
Within 2-10 years (note 17)	664	4,422
	<b>4,534</b>	<b>5,856</b>

**20. Deferred capital grants**

	Funding equipment (£000)	Council buildings (£000)	Other grants (£000)	Total (£000)
At 1 August 2006 (restated)	6,531	9,829	2,491	18,851
Cash received	297	4,677	957	5,931
Released to Income and Expenditure	(645)	(461)	(107)	(1,213)
<b>At 31 July 2007</b>	<b>6,183</b>	<b>14,045</b>	<b>3,341</b>	<b>23,569</b>

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

The income in advance element in prior year has been reclassified to accruals and deferred income.

## 21. Endowments

	2007 (£000)	2006 (£000)
At 1 August 2006	616	581
Additions	27	32
Appreciation of Endowment Asset Investments for year	31	60
Income for year	21	23
Transferred to Income and Expenditure Account (note 5)	(30)	(80)
<b>At 31 July 2007</b>	<b>665</b>	<b>616</b>
Representing:		
Fellowships and Scholarship Funds	327	331
Prize Funds	123	108
Other Funds	215	177
<b>At 31 July 2007</b>	<b>665</b>	<b>616</b>

## 22. Revaluation reserve

	2007 (£000)	2006 (£000)
At 1 August 2006	26,098	27,433
Contributions to depreciation released in the year (note 12)	(789)	(807)
Principal element of loan repayment to local authorities	-	1,182
Impairment on the revaluation of buildings / land	-	(1,710)
<b>At 31 July 2007</b>	<b>25,308</b>	<b>26,098</b>

## 23. Movement on general reserves

	Consolidated		University	
	2007 (£000)	2006 (£000)	2007 (£000)	2006 (£000)
Deficit after depreciation of assets at valuation and after tax	(6,685)	(3,590)	(7,105)	(3,488)
Release from revaluation reserve	789	807	789	807
<b>Historical deficit cost after tax</b>	<b>(5,896)</b>	<b>(2,783)</b>	<b>(6,316)</b>	<b>(2,681)</b>
Pension recognised gains and losses	11,357	(1,491)	11,357	(1,491)
FRS17 annual pension costs	-	(99)	-	(99)
Balance brought forward	25,576	29,949	25,968	30,239
<b>Balance carried forward</b>	<b>31,037</b>	<b>25,576</b>	<b>31,009</b>	<b>25,968</b>

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

	2007 (£000)	2006 (£000)
Deficit on continuing operations after depreciation of assets at valuation but before tax	(6,682)	(3,590)
Depreciation and amortisation (notes 11 and 12)	5,170	5,290
Deferred capital grants released to income (note 20)	(1,213)	(1,174)
Investment income (note 5)	(404)	(568)
(Profit) on disposal of tangible assets	-	(29)
Interest payable (note 8)	709	879
(Increase) in stocks	-	(7)
(Increase) / decrease in debtors	(2,782)	4,411
Increase / (decrease) in creditors	8,866	(4,834)
Increase / (decrease) in provisions	1,961	(70)
Endowments utilised	(30)	(80)
<b>Net cash inflow from operating activities</b>	<b>5,595</b>	<b>228</b>

**25. Returns on investments and servicing of finance**

	2007 (£000)	2006 (£000)
Income from endowments	21	20
Other interest received	404	568
Interest paid	(709)	(879)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(284)</b>	<b>(291)</b>

**26. Capital expenditure**

	2007 (£000)	2006 (£000)
Tangible assets acquired (other than leased equipment)	(13,800)	(7,462)
Endowment asset investments acquired	(70)	(85)
<b>Total investments fixed and endowment asset investments acquired</b>	<b>(13,870)</b>	<b>(7,547)</b>
Receipts from endowment fund shares	79	144
Sale of tangible fixed assets	-	347
Deferred capital grants received (note 20)	5,931	3,194
Endowments received	26	32
<b>Net cash outflow from capital expenditure</b>	<b>(7,834)</b>	<b>(3,830)</b>

**27. Financing**

	2007 (£000)	2006 (£000)
Debt due beyond a year:		
Repayment of amounts borrowed	(3,758)	(2,272)
<b>Net cash outflow from financing</b>	<b>(3,758)</b>	<b>(2,272)</b>

## 28. Analysis of changes in net funds

	At 1 August 2006 (£000)	Cash flows 2007 (£000)	At 31 July 2007 (£000)
Cash at bank and in hand			
Endowment assets (note 14)	196	26	222
Other	8,592	(6,310)	2,282
Debt due within one year (note 16)	(1,434)	(2,436)	(3,870)
Debt due after one year (note 17)	(4,422)	3,758	(664)
	<b>2,932</b>	<b>(4,962)</b>	<b>(2,030)</b>

## 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 £8,127,000 (2006: £6,801,000).

### 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 2006/2007 were as follows:

Employer (13.5% contribution) £3,993,656 (2005/2006: £3,569,757).

### 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 2006/2007 were as follows:

Employer (14% contribution) £57,154 (2005/2006: £61,770).

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 2007 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 2007 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 2007 % per annum	31 July 2006 % per annum	31 July 2005 % per annum
Price increases	3.2%	3.0%-3.1%	2.7%-2.8%
Salary increases	4.7%	4.6%-4.75%	4.3%-4.45%
Pension increases	3.2%	3.0%-3.1%	2.7%-2.8%
Discount rate	5.8%	5.1%-5.2%	5.0%

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 2007		31 July 2006		31 July 2005	
	Long term return (% pa)	Fund value (£000)	Long term return (% pa)	Fund value (£000)	Long term return (% pa)	Fund value (£000)
Equities	7.5-7.8	45,247	7.0-7.7	40,231	7.3-7.5	33,906
Gilts	4.8	1,952	-	-	-	-
Other bonds	4.9-5.8	9,530	4.4-4.7	10,180	4.4-4.7	8,141
Property	6.8	2,827	5.7-6.0	2,604	5.4-6.5	2,120
Cash	5.75-5.8	2,018	4.5-4.8	1,458	4.5-4.75	1,490
<b>Total</b>		<b>61,574</b>		<b>54,473</b>		<b>45,657</b>

Net pension assets	31 July 2007 (£000)	31 July 2006 (£000)	31 July 2005 (£000)
Estimated employer assets	61,574	54,473	45,657
Total value of liabilities	(77,513)	(80,754)	(70,347)
<b>Net pension liability</b>	<b>(15,939)</b>	<b>(26,281)</b>	<b>(24,690)</b>

Amount charged to operating profit	2007 (£000)	2006 (£000)
Service cost	3,475	3,204
Past service cost	-	(757)
Curtailed and settlements	56	-
<b>Total operating charge</b>	<b>3,531</b>	<b>2,447</b>

	2007 (£000)	2006 (£000)
<b>Amount charged to interest</b>		
Expected return on assets	3,589	3,012
Interest on pension scheme liabilities	(4,134)	(3,594)
<b>Interest</b>	<b>(545)</b>	<b>(582)</b>
<b>Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)</b>		
Actual less expected return on pension scheme assets	1,646	2,491
Experience gain / (loss) arising on the scheme liabilities	1,006	(1,060)
Changes in financial assumptions underlying the value of the scheme liabilities	8,705	(2,922)
<b>Actuarial gain/(loss) recognised in STRGL</b>	<b>11,357</b>	<b>(1,491)</b>
<b>Movement in deficit during the year</b>		
Deficit at beginning of the year	(26,281)	(24,690)
Current service cost	(3,475)	(3,204)
Employer contributions	3,061	2,929
Past service costs	-	757
Impact of settlements and curtailments	(56)	-
Net return on assets	(545)	(582)
Actuarial gains/(losses)	11,357	(1,491)
<b>Deficit at end of year</b>	<b>(15,939)</b>	<b>(26,281)</b>

History of experience gains and losses	31 July 2007	31 July 2006	31 July 2005	31 July 2004	31 July 2003
Difference between the expected and actual return on assets:					
Amount (£000)	1,646	2,491	5,240	574	(318)
Percentage of scheme assets	3%	5%	11%	2%	(2%)
Experience (losses) on liabilities:					
Amount (£000)	1,006	(1,060)	(1,650)	-	-
Percentage of scheme liabilities	1%	(1%)	(2%)	-	-
Actuarial gains/(losses) recognised in STRGL:					
Amount (£000)	11,357	(1,491)	(4,282)	(19)	(2,272)
Percentage of scheme liabilities	15%	(2%)	(6%)	-	(10%)

### 30. Capital commitments

	2007 (£000)	2006 (£000)
<b>Commitments contracted</b>	<b>4,034</b>	<b>3,184</b>

### 31. Financial commitments

Commitments under operating leases to be paid during the next financial year:

	2007 (£000)	2006 (£000)
<b>Commitments expiring in over five years</b>	<b>2,573</b>	-

There were no obligations under finance leases in respect of equipment due as at 31st July 2007 (2006:nil).

### 32. Contingent liabilities

There were no material contingent liabilities at 31 July 2007 or at 31 July 2006.

### 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 July 2007 were as follows:

	Total (£000)
Balance at 1 August 2006	-
Funds received	692
Interest earned	7
Loans repaid	3
Audit fee	(1)
Disbursement of funds	(632)
<b>Balance at 31 July 2007</b>	<b>69</b>

The unspent balance is included within accruals and deferred income.



## 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. It has not traded in the 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. It has not traded in the 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.

London College of Music™ is a registered trade mark used by the University in connection with the awarding of qualifications.

### (d) First Employment Services Limited

This 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

This company was incorporated in England and Wales on 10 May 1994 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 in England and Wales on 23rd September 1999 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.

On 1 October 2007 the University sold all its shares in ITS Feda Limited.

### (g) EMWAC Limited

The company was incorporated in England and Wales on 29th October 2001 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 (f) above) EMWAC Limited is also a 100% subsidiary of the University. It has not traded in the year.

### (h) Plaskett Education Limited

The company was incorporated in England and Wales on 13<sup>th</sup> May 1996 as a nutritional medicine specialist company. Of the 10,000 authorised share capital £2 has been allotted. It has not traded in the year.

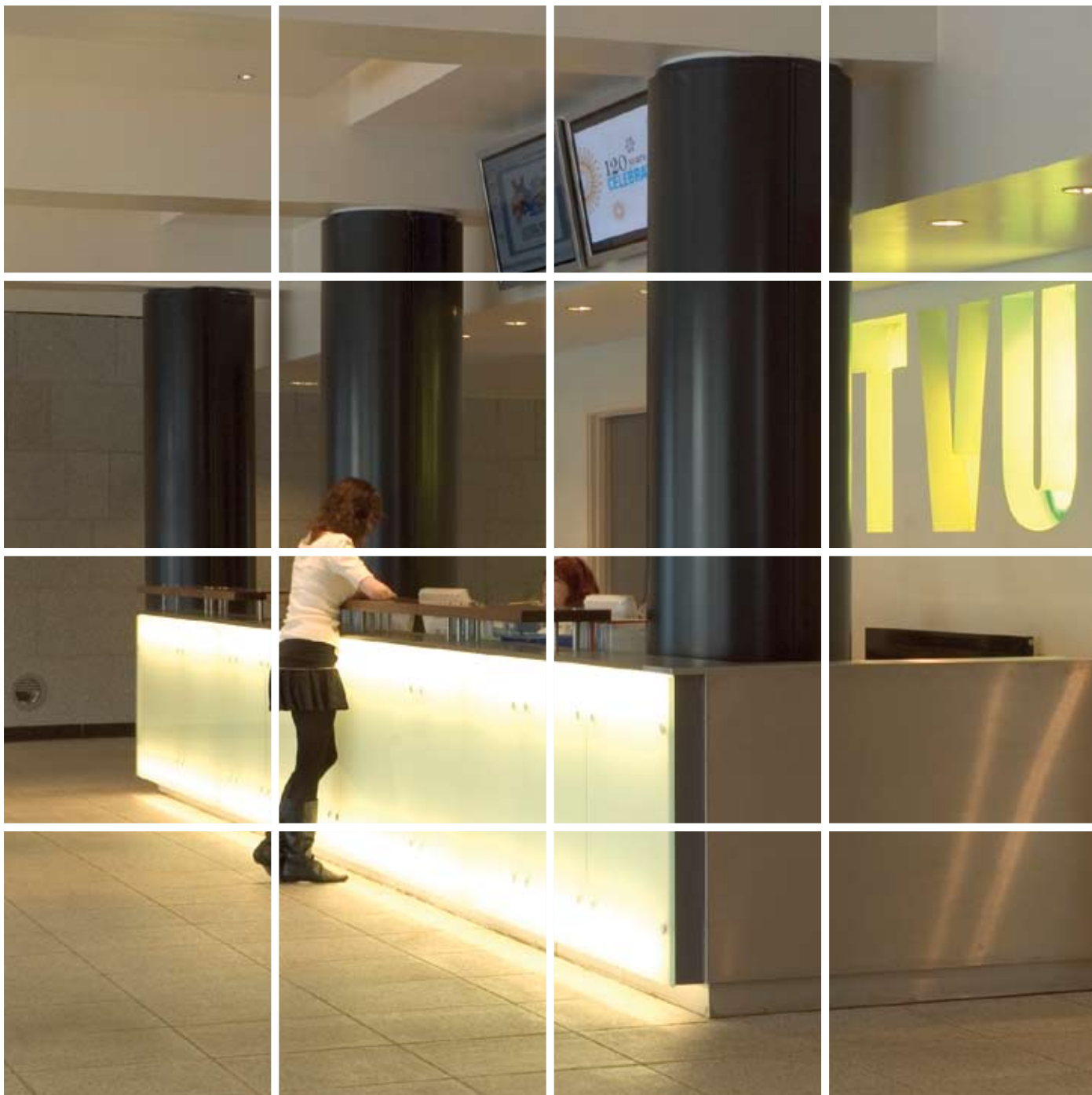
# Advisors

As at 31 July 2007

External Auditors **KPMG LLP**  
Arlington Business Park  
Theale  
Reading  
RG7 4SD

Internal Auditors **Mazars**  
24 Bevis Marks  
London  
EC3A 7NR





[www.tvu.ac.uk](http://www.tvu.ac.uk)



Thames Valley University  
London Reading Slough

**Thames Valley University**  
St Mary's Road  
Ealing  
London W5 5RF  
Tel: +44 (0)20 8579 5000  
Fax: +44 (0)20 8566 1353

**Thames Valley University**  
Boston Manor Road  
Brentford  
Middlesex TW8 9GA  
Tel: +44 (0)20 8579 5000  
Fax: +44 (0)20 8566 1353

**Thames Valley University**  
Crescent Road  
Reading  
Berkshire RG1 5RQ  
Tel: +44 (0)20 8579 5000  
Fax: +44 (0)118 967 5301

**Thames Valley University**  
Wellington Street  
Slough  
Berkshire SL1 1YG  
Tel: +44 (0)20 8579 5000  
Fax: +44 (0)1753 574264