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BOARD OF GOVERNORS' REPORT

ON THE 2003/04 FINANCIAL STATEMENTS

1. SCOPE OF THE FINANCIAL STATEMENTS

The statements comprise the results of the activities channelled through the University as a legal entity and give the consolidated results of the University and its subsidiary companies - Kingston University Service Company Limited (KUSCO), Kingston University Enterprises Limited (KUEL), Kingston University Campus Enterprises Limited (KUCEL), and Hadleigh Products Limited. The subsidiary, KUEL, exists to undertake activities which, for legal or commercial reasons, are more appropriately channelled through a limited company. KUCEL was established to further develop conference and vacation letting activities. KUSCO was established to provide certain support services to the University and its subsidiaries. Hadleigh Products Limited exists to handle a range of property transactions. The statements also include an apportionment of the activities of a joint arrangement with St George's Hospital Medical School.

2. RESULT FOR THE YEAR

The University's consolidated income and expenditure account for the year to 31 July 2004 is summarised as follows:

	2003/04 £000s	2002/03 £000s
Total Income	110,551	101,156
Total Expenditure	(108,781)	(98,917)
Profit on disposal of assets	909	-
Surplus for the Year	<u>2,679</u>	<u>2,239</u>

Of the £9.4m increase in income, £4.2m came from increased grant income, largely as a result of continuing student number growth. There was a £3.0m increase in income from tuition fees and education contracts, with fee income from UK and EU students rising by £1.2m and from overseas students by £1.5m. The increase in funding and fees is similar to that achieved in 2002/03 and consistent with the University's growth strategy.

Of the growth in expenditure of £9.9m there was a £5.8m increase in staff costs, representing a 9.5% uplift on the previous year's level. The annual pay award and incremental progression amounted to 4.5% of the overall increase, with staff numbers rising by 3.5% to support growing student numbers and increased other activities. The balance of the increase was due to rises in national insurance and pension costs.

The £3.2m increase in other operating expenses occurred in three main areas being, the increase in collaborative provision £0.9m, premises costs £1.3m and staff development and academic expenses £0.7m.

The overall surplus for the year, £2.7m, whilst higher than the previous year, contained an element of £0.9m in respect of profit on disposal of assets. This result reflects another well managed year, resulting in a surplus and therefore a continuing contribution to future investment needs.

The consolidated cash flow statement shows a reduction in cash from operating activities of £2.5m, largely due to the £3.6m deferred income from the PFI project received in 2002/03. Overall there was a £2.0m increase in cash in the period after £6.0m of capital expenditure and financial investment.

3. FREEHOLD LAND AND BUILDINGS

The University incurred £3.3m of capital expenditure on major capital works in 2003/04, £1.5m being the completion of a new build programme on its main Penrhyn Road campus. During the year the Board was presented with the evaluation of its preferred estates programme involving the development of existing and new assets for academic and administrative purposes. The programme would involve capital expenditure in excess of £50m within the next four years.

4. NEW UNIVERSITY PROJECT

This project brings together a number of planned developments, both academic and non-academic, to ensure that the implications are properly assessed, evaluated and managed.

Key elements of the project are:

- Increased growth in both home/EU and overseas student numbers.
- Increased academic and administrative space and improved space utilisation.
- Increased investment including new and existing buildings.
- More efficient use of staff resources.

The Board will further consider the plan at its December 2004 meeting.

5. SUMMARY OF FINANCIAL DEVELOPMENTS

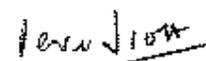
The University exceeded its student number growth targets for 2003/04 for both home/EU and overseas students and is on course to meet additional HEFCE contract student numbers and overseas student growth planned to 2005/06.

The "New University Project" has ensured that all planning assumptions are in the process of being reviewed and incorporated in both the 2005 Strategic Plan and a revised Financial Strategy.

The year 2003/04 has been another successful year for the University both in academic and financial terms and will provide an excellent base for future success



Jerry Cope
Chairman of the Board of Governors



Peter Scott
Vice-Chancellor

RESPONSIBILITIES

OF THE BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

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

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and its subsidiaries, and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988 and relevant accounting standards. In addition, within the terms and conditions of the Financial memoranda dated March 1996 (revised August 2000) and December 2003 agreed between the Higher Education Funding Council for England and the Board of Governors of Kingston University, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Kingston University and its subsidiaries, and of the surplus or deficit and cash flows for that year.

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

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

The Board of Governors has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and Further Education Funding Council, and Teacher Training Agency grants and income are used only for the purpose for which they have been given and in accordance with the Financial memoranda dated March 1996 (revised August 2000) and December 2003 with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that income has been applied in accordance with the Education Reform Act 1988;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of Kingston University and to prevent and detect fraud; and
- secure the economical, efficient and effective management of the resources and expenditure of Kingston University and its subsidiaries.

CORPORATE GOVERNANCE

OF KINGSTON UNIVERSITY

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

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place during the year ended 31 July 2004 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

We have audited the financial statements of Kingston University for the year ended 31 July 2004 which comprise the consolidated income and expenditure account, the consolidated balance sheet, the University balance sheet, the consolidated cash flow statement, the statement of consolidated total recognised gains and losses, the note of consolidated historical cost surpluses and deficits and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Board of Governors of the University, as a body, in accordance with the Financial memoranda dated March 1996 (revised August 2000) and December 2003. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board and the Board's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE BOARD OF GOVERNORS AND THE AUDITORS

As described in the statement of Board of Governors' responsibilities, the Board of Governors is responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors are established by statute, the Audit Practices Board, the Higher Education Funding Council for England and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. We also report whether, in all material respects, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by Kingston University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Education Reform Act 1988 and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We also report to you if, in our opinion, the report of the Board of Governors is not consistent with the financial statements, if the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the report of the Board of Governors, including the corporate governance statement, and consider the implications for our report if we

become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of Kingston University and its subsidiaries, 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 as to whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of Kingston University and its subsidiaries as at 31 July 2004 and of the surplus of income over expenditure for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education and the Education Reform Act 1988;
- income, in all material respects, from the Higher Education Funding Council for England, Learning Skills Council and the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by Kingston University have been applied for the purposes for which they were received; and
- income, in all material respects, has been applied in accordance with the Education Reform Act 1988 governing Kingston University and its subsidiaries and, where appropriate, with the financial memoranda dated March 1996 (revised August 2000) and December 2003 with the Higher Education Funding Council for England..



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Reading

CONSOLIDATED
INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 JULY 2004

	Notes	Year ended 31 July 2004 £000s	Year ended 31 July 2003 £000s
INCOME			
Funding Council grants	2	50,535	46,337
Tuition fees and education contracts	3	37,761	34,729
Research grants and contracts	4	2,276	1,926
Other income	5	18,808	17,183
Endowment and investment income	6	1,171	981
Total Income		<u>110,551</u>	<u>101,156</u>
EXPENDITURE			
Staff costs	7	66,330	60,570
Other operating expenses	8	32,703	29,489
Depreciation	9-10	7,051	6,048
Interest payable		2,697	2,810
Total Expenditure		<u>108,781</u>	<u>98,917</u>
Surplus on continuing operations after depreciation of assets and tax		<u>1,770</u>	<u>2,239</u>
6 Exceptional item (profit on disposal of asset)		909	
Surplus on continuing operations after depreciation of assets, disposal of assets and tax	21	<u>2,679</u>	<u>2,239</u>

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

CONSOLIDATED STATEMENT OF
HISTORICAL COST SURPLUSES & DEFICITS

FOR THE YEAR ENDED 31 JULY 2004

	Year ended 31 July 2004 £000s	Year ended 31 July 2003 £000s
Surplus on continuing operations before taxation	2,679	2,239
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	713	716
Historical cost surplus for the period before taxation	<u>3,392</u>	<u>2,955</u>
Historical cost surplus for the period after taxation	<u>3,392</u>	<u>2,955</u>

STATEMENT OF

TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 JULY 2004

	Year ended 31 July 2004 £000s	Year ended 31 July 2003 £000s
Surplus on continuing operations after depreciation of assets, disposal of assets and tax	2,679	2,239
Movement on restricted and endowment reserves	185	(92)
Revalued amount on disposed asset transferred from Capital Reserve	55	-
Reimbursement of inherited debt (capital element)	476	494
Total recognised gains and losses for the year	<u>3,395</u>	<u>2,641</u>
Reconciliation		
Opening reserves and endowments	98,126	95,485
Total recognised gains and losses for the year	3,395	2,641
Closing reserves and endowments	<u>101,521</u>	<u>98,126</u>

BALANCE SHEET

AS AT 31 JULY 2004

		Consolidated 2003/04 £000s	University 2003/04 £000s	Consolidated 2002/03 £000s	University 2002/03 £000s
Fixed Assets					
Tangible assets	9	139,852	129,150	137,515	126,676
Investments	9	35	13,734	35	13,590
		<u>139,887</u>	<u>142,884</u>	<u>137,550</u>	<u>140,266</u>
Endowment Assets	10	1,566	1,566	1,383	1,383
Current Assets					
Stock	12	137	137	153	153
Debtors	13	4,198	4,196	4,087	4,221
Cash at bank and in hand		<u>27,220</u>	<u>22,338</u>	<u>25,423</u>	<u>21,219</u>
		31,555	26,671	29,663	25,593
Creditors: amounts falling due within one year	14	<u>(18,004)</u>	<u>(15,696)</u>	<u>(17,566)</u>	<u>(15,372)</u>
Net current assets		<u>13,551</u>	<u>10,975</u>	<u>12,097</u>	<u>10,221</u>
Total assets less current liabilities		155,004	155,425	151,030	151,870
Creditors: amounts falling due after more than one year	15	(34,352)	(34,060)	(35,170)	(34,878)
Provision for liabilities and charges	16	<u>(3,248)</u>	<u>(3,167)</u>	<u>(3,186)</u>	<u>(3,100)</u>
NET ASSETS		<u>117,404</u>	<u>118,198</u>	<u>112,674</u>	<u>113,892</u>
Deferred capital grants	17	15,883	15,883	14,548	14,548
Endowment Specific	18	1,566	1,566	1,383	1,383
Reserves					
Revaluation reserve	19	55,303	55,303	55,485	55,485
Restricted reserve	20	118	118	116	116
General reserve	21	<u>44,534</u>	<u>45,328</u>	<u>41,142</u>	<u>42,360</u>
Total reserves		<u>99,955</u>	<u>100,749</u>	<u>96,743</u>	<u>97,961</u>
TOTAL		<u>117,404</u>	<u>118,198</u>	<u>112,674</u>	<u>113,892</u>

The financial statements on pages 6 to 28 were approved by the governing body on 10 November 2004 and were signed on its behalf by:

Jerry Cope
Jerry Cope
 Chairman of the Board of Governors

Peter Scott
Peter Scott
 Vice-Chancellor and Chief Executive

CONSOLIDATED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2004

	Notes	Year ended 31 July 2004 £000s	Year ended 31 July 2003 £000s
Cash flow from operating activities	22	9,556	12,227
Returns on investments and servicing of finance	23	(1,308)	(1,599)
Capital expenditure and financial investment	24	(5,994)	(5,544)
Financing	25	(457)	(394)
Increase in cash in the period		<u>1,797</u>	<u>4,690</u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		1,797	4,690
Movement in endowment asset		199	-
Change in net debt resulting from cash flows		<u>932</u>	<u>889</u>
Movement in net debt in period		2,928	5,579
Net debt at 1 August		(6,599)	(12,178)
Net debt at 31 July	26	<u>(3,671)</u>	<u>(6,599)</u>

I. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) for further and higher education.

A BASIS OF ACCOUNTING

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

B BASIS OF CONSOLIDATION

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

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

The consolidated financial statements consolidate the financial statements of the University and all subsidiary undertakings, and, as stated above, the Joint Faculty, for the financial years to 31 July 2004 and 2003. The consolidated financial statements exclude the financial statements of Kingston University Students' Union (formerly Kingston University Guild of Students) as the Union does not constitute a subsidiary or quasi-subsidiary undertaking under the definitions of Financial Reporting Standards 2 and 5.

C TANGIBLE FIXED ASSETSLand and Buildings

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

Freehold Buildings inherited from the Local Authority on 1 April 1989 are stated in the accounts at depreciated replacement cost in accordance with the Royal Institute of Chartered Surveyors' Guidance notes concerning asset valuation. This value is based upon a valuation report prepared by the Chartered Surveyors, Dunphys, as at 31 July 1993.

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

Other Tangible Fixed Assets

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

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

D DEPRECIATION

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

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

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

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

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

E INVESTMENTS

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

F STOCKS

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

G GRANTS

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

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

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

H TAXATION STATUS

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

I OPERATING LEASES

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

J PENSION COSTS

The expected costs of providing pensions and other post retirement benefits, as calculated periodically by professionally qualified actuaries, is charged to the income and expenditure account so as to spread the cost over the service lives of employees in the schemes operated within the group, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

K FINANCE LEASES

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

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

L ENDOWMENT ASSETS

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

M STAFF COSTS

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

N RESERVES POLICY

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

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

Consolidated**2. FUNDING COUNCIL GRANTS**

	2003/04	2002/03
	£000s	£000s
Recurrent grant (including research element)	43,780	39,860
HEFCE specific grants	1,933	2,238
TTA	2,184	1,941
LSC (formerly FEFC) grant	391	456
Deferred capital grants released in year	1,573	1,142
Funding Council reimbursement of debt charges	674	700
	<u>50,535</u>	<u>46,337</u>

3. TUITION FEES AND EDUCATION CONTRACTS

	2003/04	2002/03
	£000s	£000s
Full-time UK and EU students	14,082	12,876
Part-time UK and EU students	3,967	3,956
Channel Island students	233	222
Overseas full-time students	8,966	7,546
Overseas part-time students	609	498
NHS teaching contracts	8,369	7,976
Short course fees	1,535	1,655
	<u>37,761</u>	<u>34,729</u>

4. RESEARCH GRANTS AND CONTRACTS

	2003/04	2002/03
	£000s	£000s
Research Councils	665	451
UK based charities	128	113
Other research grants and contracts	1,483	1,362
	<u>2,276</u>	<u>1,926</u>

Consolidated

5. OTHER INCOME

	2003/04	2002/03
	£000s	£000s
Residencies and catering	10,743	9,546
Income from UK public bodies	2,344	2,156
Income from EU based organisations	114	103
Income from University shops	132	191
Income from sports facilities	149	187
Course validation fees	618	664
Teaching Company Schemes	801	758
Nursery fees	101	79
Field trips	246	119
Graduation ceremonies	305	270
Sale of teaching materials	167	158
Released from deferred capital grant	215	37
Release from endowment reserve	16	16
Other income	<u>2,857</u>	<u>2,899</u>
	<u>18,808</u>	<u>17,183</u>

6. ENDOWMENT AND INVESTMENT INCOME

	2003/04	2002/03
	£000s	£000s
Interest receivable	<u>1,171</u>	<u>981</u>
	<u>1,171</u>	<u>981</u>

7. STAFF

Staff Costs

	2003/04	2002/03
	£000s	£000s
Wages and salaries	55,238	51,013
Social security costs	4,264	3,616
Other pension costs	<u>6,828</u>	<u>5,941</u>
	<u>66,330</u>	<u>60,570</u>

Staff costs for the year include exceptional payments in respect of compensation for loss of office totalling £548,000 (2003: £923,000).

Vice-Chancellor and Chief Executive

	2003/04	2002/03
	£000s	£000s
Emoluments	133	122
Employer's contribution to pension fund	<u>18</u>	<u>12</u>
	<u>151</u>	<u>134</u>

Executive Managers

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

2003/04	2002/03
No.	No.
1	-
2	2
2	1
7	5

Average Staff Numbers by Major Category

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

2003/04	2002/03
No.	No.
762	732
75	73
1,036	1,001
<u>1,873</u>	<u>1,806</u>

Consolidated**8. OTHER OPERATING EXPENSES**

Residences, catering and conferences
 Staff development
 Recruitment costs
 Other employee costs
 Teaching materials
 Academic equipment
 Franchising costs
 Other academic expenses
 Utilities
 Repairs and general maintenance
 Other premises expenses
 Grant to Kingston University Students' Union
 Rent
 Rates
 Auditors' remuneration: audit services
 Auditors' remuneration: non-audit services
 Equipment hire
 Other expenses

2003/04	2002/03
£000s	£000s
4,859	4,794
1,542	1,325
416	328
650	588
2,296	2,013
780	593
4,151	3,242
4,087	3,657
644	817
1,874	1,235
1,064	975
492	479
1,252	879
227	(9)
49	48
4	16
353	392
7,963	8,117
<u>32,703</u>	<u>29,489</u>

9. FIXED ASSETS

	Freehold Land £000s	Freehold Buildings £000s	Plant, Machinery, Equipment £000s	Total £000s
Tangible Assets				
CONSOLIDATED				
Cost or Valuation				
Balance at 1 August 2003				
Valuation	27,982	38,082	-	66,064
Cost	5,032	77,413	39,100	121,545
Additions	-	4,469	5,314	9,783
Disposals	(140)	(207)	(688)	(1035)
Balance as at 31 July 2004	<u>32,874</u>	<u>119,757</u>	<u>43,726</u>	<u>196,357</u>
Depreciation				
Balance at 1 August 2003	-	19,518	30,576	50,094
Charge in year	-	2,973	4,062	7,035
Disposals	-	(34)	(590)	(624)
Balance as at 31 July 2004	<u>-</u>	<u>22,457</u>	<u>34,048</u>	<u>56,505</u>
Net Book Value				
As at 31 July 2004	<u>32,874</u>	<u>97,300</u>	<u>9,678</u>	<u>139,852</u>
As at 31 July 2003	<u>33,014</u>	<u>95,977</u>	<u>8,524</u>	<u>137,515</u>
UNIVERSITY				
Cost or Valuation				
Balance at 1 August 2003				
Valuation	27,982	38,082	-	66,064
Cost	5,032	66,137	38,082	109,251
Additions	-	4,469	5,238	9,707
Disposals	(140)	(207)	(688)	(1035)
Balance as at 31 July 2004	<u>32,874</u>	<u>108,481</u>	<u>42,632</u>	<u>183,987</u>
Depreciation				
Balance at 1 August 2003	-	18,841	29,798	48,639
Charge in year	-	2,854	3,968	6,822
Disposals	-	(34)	(590)	(624)
Balance as at 31 July 2004	<u>-</u>	<u>21,661</u>	<u>33,176</u>	<u>54,837</u>
Net Book Value				
As at 31 July 2004	<u>32,874</u>	<u>86,820</u>	<u>9,456</u>	<u>129,150</u>
As at 31 July 2003	<u>33,014</u>	<u>85,378</u>	<u>8,284</u>	<u>126,676</u>

As at 31 July 2004 the University had accrued approximately £615,000 (2003: £333,000) in respect of capital expenditure.

The net book value of freehold buildings includes £16,135,000 (2003: £16,450,000) in respect of assets acquired under finance leases. The depreciation charge on these assets is £315,000 (2003: £315,000).

Included in the net book value of freehold land and buildings are Exchequer Assets of £9,445,000 (2003: £9,679,000). These assets can be disposed of freely by the University, but initially the proceeds of any sale must be offered to the HEFCE. The HEFCE may allow the University to retain any proceeds and has the right to attach conditions to the use of these funds.

9. FIXED ASSETS (CONT'D)

Investments CONSOLIDATED	Shares in Subsidiary Undertakings £000s	Loans to Subsidiary Undertakings £000s	Shares in CVCP Properties £000s	Total £000s
At 1 August 2003	-	-	35	35
As at 31 July 2004	-	-	35	35
UNIVERSITY				
At 1 August 2003	9,101	4,454	35	13,590
Loan addition	-	144	-	144
As at 31 July 2004	9,101	4,598	35	13,734

The investments consist of shares in and loans to the University's subsidiaries listed below.

Subsidiary	Percentage Owned	Main Business
Kingston University Enterprises Limited	100%	Trading and consultancy
Hadleigh Products Limited	100%	Property development
Kingston University Campus Enterprises Limited	100%	Vacation letting
Kingston University Service Company Limited	100%	Management of residencies and property services

10. ENDOWMENT ASSETS

Dorich House building and art collection:

CONSOLIDATED AND UNIVERSITY

Cost or Valuation

	Freehold Buildings £000s	Art Collection £000s	Total £000s
Balance as at 1 August 2003	1,129	382	1,511
Balance as at 31 July 2004	1,129	382	1,511

Depreciation

Balance at 1 August 2003	128	-	128
Charge in year	16	-	16
Balance as at 31 July 2004	144	-	144

Net Book Value

Balance as at 31 July 2004	985	382	1,367
Balance as at 31 July 2003	1,001	382	1,383

Endowment Cash

Balance as at 31 July 2004			199
Balance as at 31 July 2003			-

Total Endowment Asset

Balance as at 31 July 2004			1,566
Balance as at 31 July 2003			1,383

11. IMPAIRMENT REVIEW

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

12. STOCK	Consolidated 2003/04 £000s	University 2003/04 £000s	Consolidated 2002/03 £000s	University 2002/03 £000s
Refectory	33	33	23	23
Bars	17	17	34	34
Materials	50	50	58	58
Building materials	15	15	22	22
Branded merchandise	22	22	16	16
	<u>137</u>	<u>137</u>	<u>153</u>	<u>153</u>
13. DEBTORS	Consolidated 2003/04 £000s	University 2003/04 £000s	Consolidated 2002/03 £000s	University 2002/03 £000s
Trade debtors	3,192	3,016	4,386	3,974
Provision for doubtful debts	(1,995)	(1,969)	(2,974)	(2,968)
	<u>1,197</u>	<u>1,047</u>	<u>1,412</u>	<u>1,006</u>
Amounts owed by subsidiary undertakings	-	236	-	613
Accrued income	2,038	2,038	1,642	1,634
Interest charge on inherited debt	18	18	23	20
VAT debtor	150	150	199	199
Other debtors	155	79	195	145
Prepayments	640	628	616	604
	<u>4,198</u>	<u>4,196</u>	<u>4,087</u>	<u>4,221</u>
14. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	Consolidated 2003/04 £000s	University 2003/04 £000s	Consolidated 2002/03 £000s	University 2002/03 £000s
Amounts owed to subsidiary undertakings	-	211	-	105
Obligations under finance leases	327	327	246	246
Local Authority loans	434	434	475	475
Medium term loan facility	215	215	215	215
Trade creditors	1,934	1,793	2,589	2,328
Other creditors including tax and social security	6,929	5,036	6,582	5,370
Student deposits	390	390	373	342
Accruals	3,381	2,909	3,170	2,476
Tuition fees in advance	737	724	790	764
Deferred income	770	770	1,228	1,153
Deferred credit on revenue grants	2,887	2,887	1,898	1,898
	<u>18,004</u>	<u>15,696</u>	<u>17,566</u>	<u>15,372</u>

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

	Consolidated 2003/04 £000s	University 2003/04 £000s	Consolidated 2002/03 £000s	University 2002/03 £000s
Obligations under finance leases	23,407	23,407	23,730	23,730
Local Authority loans	3,750	3,750	4,184	4,184
Medium term loan facility	2,957	2,957	3,172	3,172
Deferred income	3,946	3,946	3,792	3,792
TUPE risk premium	292	-	292	-
	<u>34,352</u>	<u>34,060</u>	<u>35,170</u>	<u>34,878</u>

**Local Authority and Medium
Term Loans**

	Consolidated 2003/04 £000s	University 2003/04 £000s	Consolidated 2002/03 £000s	University 2002/03 £000s
Balance at 1 August	8,046	8,046	8,756	8,756
Principal repayment	(690)	(690)	(710)	(710)
Total loans outstanding at 31 July	<u>7,356</u>	<u>7,356</u>	<u>8,046</u>	<u>8,046</u>

**Obligations under Local Authority and
Medium Term Loans**

	Consolidated 2003/04 £000s	University 2003/04 £000s	Consolidated 2002/03 £000s	University 2002/03 £000s
Obligations Under Loans fall due as follows:				
Within one year	649	649	690	690
In the second to fifth years inclusive	2,092	2,092	2,284	2,284
In over five years	4,615	4,615	5,072	5,072
	<u>7,356</u>	<u>7,356</u>	<u>8,046</u>	<u>8,046</u>

Obligations Under Finance Leases

	Consolidated 2003/04 £000s	University 2003/04 £000s	Consolidated 2002/03 £000s	University 2002/03 £000s
Obligations under finance leases fall due as follows:				
Within one year	2,620	2,620	2,533	2,533
In the second to fifth years inclusive	11,414	11,414	11,034	11,034
In over five years	42,864	42,864	45,864	45,864
	56,898	56,898	59,431	59,431
Less finance charges allocated to future periods	(33,164)	(33,164)	(35,455)	(35,455)
	<u>23,734</u>	<u>23,734</u>	<u>23,976</u>	<u>23,976</u>

The Local Authority loans consist of loans with Surrey County Council and the Royal Borough of Kingston. Interest on these loans are payable at the respective loans pool rate of interest. All loans are repayable by instalment. Interest on the medium term loan is payable at 1.5% above Libor. Lease obligations are secured by retention of title to the related assets.

16. PROVISION FOR LIABILITIES AND CHARGES

CONSOLIDATED

Balance at 1 August 2003

Movements:

Released in year

Transfer from income and expenditure account

Balance as at 31 July 2004

Pension
£000s

3,186

(172)

234

3,248

UNIVERSITY

Balance at 1 August 2003

Movements:

Released in year

Transfer from income and expenditure account

Balance as at 31 July 2004

3,100

(159)

226

3,167

The pension provision is being eliminated as a uniform percentage of pensionable pay over the approximate average remaining service life of scheme members.

17. DEFERRED CAPITAL GRANTS

	Consolidated 2003/04 £000s	University 2003/04 £000s	Consolidated 2002/03 £000s	University 2002/03 £000s
Balance at 1 August	14,548	14,548	10,940	10,940
Movements:				
Grants received	3,123	3,123	4,787	4,787
Release to income and expenditure account	(1,788)	(1,788)	(1,179)	(1,179)
Balance at 31 July	<u>15,883</u>	<u>15,883</u>	<u>14,548</u>	<u>14,548</u>
Amount to be released within one year	<u>(1,794)</u>	<u>(1,794)</u>	<u>(1,367)</u>	<u>(1,367)</u>
Amounts to be released after more than one year	<u>14,089</u>	<u>14,089</u>	<u>13,181</u>	<u>13,181</u>

18. ENDOWMENTS

	Consolidated 2003/04 £000s	University 2003/04 £000s	Consolidated 2002/03 £000s	University 2002/03 £000s
Balance at 1 August	1,383	1,383	1,399	1,399
Received in year	199	199	-	-
Transfer to income and expenditure account	(16)	(16)	(16)	(16)
Balance at 31 July	<u>1,566</u>	<u>1,566</u>	<u>1,383</u>	<u>1,383</u>

This endowment relates to the Dora Hare estate

19. REVALUATION RESERVES

	Consolidated 2003/04 £000s	University 2003/04 £000s	Consolidated 2002/03 £000s	University 2002/03 £000s
Balance at 1 August	55,485	55,485	55,707	55,707
Reimbursement of principal on Local Authority loans	476	476	494	494
Transfer to income and expenditure account previous loss on revaluation for asset disposed of during year	55	55	-	-
Transfer to General Reserve: Difference between the historical cost depreciation and actual charge for the period calculated on re-valued amount	<u>(713)</u>	<u>(713)</u>	<u>(716)</u>	<u>(716)</u>
Balance at 31 July	<u>55,303</u>	<u>55,303</u>	<u>55,485</u>	<u>55,485</u>

20. RESTRICTED RESERVES

	Prize Fund £000s	Total £000s
CONSOLIDATED AND UNIVERSITY		
Balance at 1 August	116	116
Increase in restricted reserves	<u>2</u>	<u>2</u>
Balance at 31 July	<u>118</u>	<u>118</u>

21. MOVEMENT ON GENERAL RESERVE

	Consolidated 2003/04 £000s	University 2003/04 £000s	Consolidated 2002/03 £000s	University 2002/03 £000s
Income and expenditure account reserve at 1 August	41,142	42,360	38,187	39,387
Surplus retained for the year	2,679	2,255	2,239	2,257
Transfer from revaluation reserve	<u>713</u>	<u>713</u>	<u>716</u>	<u>716</u>
	<u>44,534</u>	<u>45,328</u>	<u>41,142</u>	<u>42,360</u>

22. NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003/04	2002/03
	£000s	£000s
Surplus before tax	2,679	2,239
Interest payable	2,697	2,810
Interest receivable	(1,171)	(981)
Release of capital grant	(1,788)	(1,179)
Reimbursement of loan and debt charges	(226)	(255)
Depreciation	7,051	6,048
(Profit)/loss on sale of assets	(816)	13
Decrease/(Increase) in stocks	16	(24)
Decrease/(Increase) in debtors	1,101	(782)
(Decrease)/Increase in creditors	(1,037)	4,172
Increase in provisions	61	103
Transfer of research grant to deferred credit	2,887	1,898
Release of revenue grant	<u>(1,898)</u>	<u>(1,835)</u>
	<u>9,556</u>	<u>12,227</u>

23. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2003/04	2002/03
	£000s	£000s
Interest receivable	1,163	937
Interest paid	(412)	(515)
HEFCE reimbursement on LEA loans	226	255
Finance lease charges paid	<u>(2,285)</u>	<u>(2,276)</u>
	<u>(1,308)</u>	<u>(1,599)</u>

24. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2003/04	2002/03
	£000s	£000s
Purchase of tangible fixed assets	(9,475)	(10,213)
Sale of tangible fixed assets	1,281	2
Deferred capital grant received	<u>2,200</u>	<u>4,667</u>
	<u>(5,994)</u>	<u>(5,544)</u>

25. FINANCING

	2003/04	2002/03
	£000s	£000s
LEA loan principal payment	(475)	(494)
HEFCE reimbursement of LEA loan principal	475	494
Medium term loan repayments	(215)	(215)
Capital element on finance leases	<u>(242)</u>	<u>(179)</u>
	<u>(457)</u>	<u>(394)</u>

26. ANALYSIS OF CHANGES IN NET DEBT

	At 1 August £000s	Cashflows £000s	Other Non Cash Changes £000s	At 31 July £000s
Cash at bank and in hand	25,423	1,797	-	27,220
Movement in endowment assets	-	199	-	199
Debt due within one year	(690)	690	(649)	(649)
Debt due after one year	(7,356)	-	649	(6,707)
Finance leases due within one year	(246)	246	(327)	(327)
Finance leases due after one year	(23,730)	(4)	327	(23,407)
	<u>(6,599)</u>	<u>2,928</u>	<u>-</u>	<u>(3,671)</u>

27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Leases £000s	Finance Loans £000s	Total £000s
Balance at 1 August 2003	23,976	8,046	32,022
Capital Repayments	(242)	(690)	(932)
Balance at 31 July 2004	<u>23,734</u>	<u>7,356</u>	<u>31,090</u>

28. OPERATING LEASE COMMITMENTS

At 31 July 2004 the Group was committed to making the following payments during the next year in respect of operating leases:

	2003/04 Land and Buildings £000s	2002/03 Land and Buildings £000s
Leases which expire:		
Within one year	179	68
In the second to fifth years inclusive	318	121
In more than five years	222	173
	<u>719</u>	<u>362</u>

29. PRIVATE FINANCE TRANSACTIONS

The University has only one PFI scheme which is for the Clayhill Halls of Residence.

	£000s
Estimated capital value of scheme	21,861
Project agreement date:	23/05/02
Completion of building project and commencement of unitary charge	01/12/03
Contract end date	30/11/38

A unitary charge is payable for a period of 35 years from the completion of the building project on 1st December 2003. The annual charge for 2004/5 will be £2,232,192. Estimated annual payments in the future are not expected to be materially different from those to be paid in 2004/5.

30. PENSIONS

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

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

The total pension cost for the institution and its subsidiaries was:	2004	2003	2002
	£000s	£000s	£000s
Contributions to TPS	3,686	2,835	2,094
Contributions to LGSS	2,896	2,861	2,320
Contributions to other pension schemes	246	245	218
Total pension cost	<u>6,828</u>	<u>5,941</u>	<u>4,632</u>

SSAP 24 - Accounting for Pension Costs

Contributions to the schemes are determined by a qualified actuary on the basis of triennial valuations. Actuarial valuations are not prepared relating to individual employers within the schemes and centrally calculated contribution rates are imposed.

FRS17 - Retirement Benefits

The following information is given in respect of the disclosure requirements of Financial Reporting Standard No. 17 "Retirement Benefits". For LGSS, the figures disclosed below have been derived by suitable approximate methods from the full actuarial valuation of the Royal Borough of Kingston upon Thames Pension Fund carried out by the new actuaries, Hewitt, Bacon and Woodrow Ltd as at 31 March 2004.

The main financial assumptions adopted were as follows:	2004	2003	2002
	%	%	%
a. Price inflation	2.9	2.5	2.5
b. Increases in salaries	4.7	4.3	4.3
c. Increases in pensions and deferred pensions	2.9	2.5	2.5
d. Discount rate	5.7	5.4	5.9

The fair values of each main class of assets held by the Fund as at 31 July 2004 and the expected rates of return from the ensuing year are set out in the following table:

	31 July 2004	31 July 2004	31 July 2003	31 July 2003	31 July 2002	31 July 2002
	Fair Value	Expected	Fair Value	Expected	Fair Value	Expected
	£m	return	£m	return	£m	return
		% p.a.		% p.a.		% p.a.
Equities	144	7.90	134	8.00	118	8.00
Gilts	31	4.90	28	4.70	29	4.90
Property and bonds	12	6.20	10	5.90	12	11.60
Cash	16	4.50	13	3.50	11	4.50
Total	<u>203</u>		<u>185</u>		<u>170</u>	

The overall deficiency relating to the University was as follows:

	31 July 2004	31 July 2003	31 July 2002
	£m	£m	£m
Market value of scheme assets	40.7	33.7	30.3
Present value of scheme liabilities	<u>(75.3)</u>	<u>(68.3)</u>	<u>(57.0)</u>
Deficit in the scheme	<u>(34.6)</u>	<u>(34.6)</u>	<u>(26.7)</u>

Analysis of the amount that would be charged to operating profit:

	31 July 2004	31 July 2003
	£m	£m
Current service cost	<u>2.7</u>	<u>2.4</u>
Total operating charge	<u>2.7</u>	<u>2.4</u>

Analysis of the amount that would be charged to other finance income:

	31 July 2004	31 July 2003
	£m	£m
Expected return on pension scheme assets	2.4	2.2
Interest on pension scheme liabilities	<u>(3.7)</u>	<u>(3.4)</u>
Net charge	<u>(1.3)</u>	<u>(1.2)</u>

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Analysis of the amount that would be recognised in the Statement of Total Recognised Gains and Losses:

	31 July 2004	31 July 2003
	£m	£m
Actual return less expected return on pension scheme assets	2.9	(1.2)
Experience gains and losses arising on the scheme liabilities	(0.8)	
Effects of changes in assumptions underlying present value of scheme liabilities	<u>(1.1)</u>	<u>(5.7)</u>
Actuarial gain/(loss)	<u>1.0</u>	<u>(6.9)</u>

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

	31 July 2004	31 July 2003
	£m	£m
Deficit as at 1 August	(34.6)	(26.7)
Contributions paid	3.0	2.9
Current service cost	(2.7)	(2.4)
Other finance charge	(1.3)	(1.2)
Curtailment loss	-	(0.3)
Actuarial gain/(loss)	<u>1.0</u>	<u>(6.9)</u>
Deficit as at 31 July	<u>(34.6)</u>	<u>(34.6)</u>

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

	31 July 2004	31 July 2003	31 July 2002
Difference between the expected and actual return on scheme assets (£M)	2.9	(1.2)	(4.8)
Percentage of scheme assets	7.1%	3.6%	15.8%
Experience gains and losses on scheme liabilities (£M)	(0.9)	-	(6.3)
Percentage of the present value of the scheme liabilities	1.2%	-	11.2%
Total amount recognised in Statement of Total Recognised Gains and Losses (£M)	1.0	(6.9)	11.1%
Percentage of the present value of the scheme liabilities	1.2%	10.1%	19.5%

For the LPFA scheme operated by KUSCO Limited, the figures disclosed below have been derived from the actuarial valuation carried out by Hymans Robertson as at 31 March 2001. The main financial assumptions adopted as at 31 July 2004 were as follows:

	2004	2003	2002
	%	%	%
Price inflation	2.9	2.6	2.4
Salary increases	4.4	4.1	3.9
Increases in pension and deferred pension	2.9	2.6	2.4
Discount rate	6.5	6.2	6.0

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

	31 July 2004	31 July 2004	31 July 2003	31 July 2003	31 July 2002	31 July 2002
	Fair value	Expected	Fair value	Expected	Fair value	Expected
	£m	return	£m	return	£m	return
		%		%		%
Equities	1,093	7.9	1,053	8.0	983	8.0
Bonds	159	5.4	169	5.0	182	5.5
Property	105	6.7	66	6.0	-	-
Cash	17	4.5	-	3.5	17	4.0
Total	<u>1,374</u>		<u>1,288</u>		<u>1,182</u>	

The overall deficiency relating to the company was as follows:

	31 July 2004	31 July 2003	31 July 2002
	£000s	£000s	£000s
Market share of scheme assets	3,481	3,077	2,845
Value placed on liabilities	<u>(4,920)</u>	<u>(4,496)</u>	<u>(3,980)</u>
	<u>(1,439)</u>	<u>(1,419)</u>	<u>(1,135)</u>

Analysis of the amount that would be charged to operating profit:

	2004	2003
	£000s	£000s
Current service cost	162	193
Curtailment and settlements	11	-
Total operating charge	<u>173</u>	<u>193</u>

Analysis of the amount that would be charged to other finance income:

	2004	2003
	£000s	£000s
Expected return on pension scheme assets	237	223
Interest on pension scheme liabilities	(284)	(239)
Net charge	<u>(47)</u>	<u>(16)</u>

Analysis of the amount that would be recognised in the Statement of Total Recognised Gains and Losses:

	2004	2003
	£000s	£000s
Actual return less expected return on pension scheme assets	2	(242)
Experience gains and losses arising on the scheme liabilities	11	(64)
Changes in assumptions underlying the present value of the scheme liabilities	(8)	-
Actuarial gain/(loss)	<u>5</u>	<u>(306)</u>

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

	2004	2003
	£000s	£000s
Deficit as at 1 August	(1,419)	(1,135)
Current service cost	(162)	(193)
Employer Contributions	195	231
Impact of settlements and curtailments	(11)	-
Net return on assets	(47)	(16)
Actuarial gains/(losses)	5	(306)
Deficit as at 31 July	<u>(1,439)</u>	<u>(1,419)</u>

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

	2004	2003	2002
Difference between the expected and actual return on scheme assets (£000s)	2	(242)	1,792
Percentage of scheme assets	0.1%	7.9%	63.6%
Experience gains and losses on scheme liabilities (£000)	11	(64)	2,788
Percentage of the present value of the scheme liabilities	0.2%	1.4%	70.1%
Total amount recognised in Statement of Total Recognised Gains and Losses (£000s)	5	(306)	(999)
Percentage of the present value of the scheme liabilities	0.1%	6.8%	25.1%