

Kingston University London

Financial Statements 2008-09

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(REPORT OF THE GOVERNING BODY)

2008/09 FINANCIAL STATEMENTS

1. Vision and mission

The University's current mission statement is:

The mission of Kingston University is to promote participation in higher education, which it regards as a democratic entitlement, to strive for excellence in learning, teaching and research; to realise the creative potential and fire the imagination of all its members; and to equip its students to make effective contributions to society and the economy.

2. Strategic Plan

The University's strategic plan to 2012/13 identifies three cross cutting themes as well as covering the University core areas.

The cross-cutting themes are:

- Comprehensive scope
- Academic focus
- Fitness for purpose

The core areas are:

- Learning and teaching and the curriculum
- Research and enterprise
- Student experience
- Management and organisation

Within these areas clear objectives have been articulated along with the indicators of success. The strategic plan was approved by the institutions Governing Body at its meeting of January 2009 and operational and implementation plans will be presented to the Board of Governors at its meeting of 25 November 2009.

3. Key Performance Indicators

The University's KPI's have been reviewed in light of the new strategic plan 2008/09 – 2012/13 and the CUC guidance on the use of KPI's. The agreed KPI's are:

- Student numbers 5 measures
- Widening participation 3 benchmarks
- Progression to degree award
- National student survey
- Research grant and contract income
- Student staff ratio
- Historic cost surplus as a percentage of turnover
- Cash generated from operations

For 2008/09 the University achieved target in all but 3 of the KPI's and in two of those performances were better than previous year. The research grant and contract income target is being developed and therefore performance was measured against prior year result giving a negative variance. In the past year the Governing Body asked the VC to review the KPI's it had approved in 2006. The KPI's were reviewed in the light of the new strategic plan and the CUC guidance on the use of KPI's. The Board agreed the recommendations that the current range and definition of the KPI's were relevant to the new strategic plan except that as staffing is not properly addressed by the SSR KPI the Employment Committee should propose a more appropriate KPI. The Board also agreed that a high level indicator monitoring investment in and maintenance of the estate against agreed capital plan should be introduced. The Finance, Estates and Employment Committees also monitor the KPI's and a wide range of other indicators relating to activity in their areas of responsibility.

(REPORT OF THE GOVERNING BODY)

2008/09 FINANCIAL STATEMENTS

4. Financial Strategy

The University's financial strategy seeks to ensure that resources are deployed to achieve the University's strategic aims and objectives whilst ensuring continuing financial viability. The strategy has been revised to ensure alignment with the new strategic plan and to reflect the projected economic and financial environment and will be presented to the Governing Body in November 2009. The strategy provides expected levels of achievement for the following:

- Annual surplus
- Net liquidity (days)
- Current ratio
- Cash flow as a percentage of income
- Annualised servicing costs
- Staff costs as a percentage of income
- Capital /maintenance costs

The University also produces a ten year financial plan reflecting the expected performance.

5. Achievements

The University has consistently achieved against its strategic objectives through to 2008/09. The main achievements being:

- Sustained student growth for both home and overseas students
- A continuing commitment to widening participation exceeding most of our benchmarks
- Portfolio development in new foundation degrees, new undergraduate and postgraduate courses
- Increased student satisfaction as measured by the National Student Survey
- A more confident research culture as demonstrated by our success in the 2008 Research Assessment Exercise.
- A continuing commitment to collaboration with the other institutions: as a partner in the South West London Academic Network (SWAN with Royal Holloway and St George's) and in the thriving network within further education
- A sustained building programme with four major projects completed during the period of the last plan. Another four major projects will commence in 2009/10, the main one being a £30m development on the Kingston Hill Campus. A comprehensive condition survey across the estate along with a feasibility study has been completed to inform the next phases of campus development.

6. Scope of the Financial Statements

The Financial 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 (KUCCEL), Kingston University Innovations Limited (KUIL), Hadleigh Products Limited (HPL) and Kingston University Press Limited (KUPL). KUSCO was established to provide certain support services to the University and its subsidiaries. KUEL exists to undertake activities which, for legal or commercial reasons are more appropriately channelled through a limited company. KUCCEL was established to further develop conference and vacation letting activity. KUIL was established to hold investments in spin out and spin in activities. HPL exists to handle a range of property transactions. Kingston University Press Limited was established to handle the printing and publishing activity of the University. KUPL was dormant in 2008/09. The statements also include an apportionment of the activities of a joint arrangement with St. Georges University of London engaged in health and social care education.

(REPORT OF THE GOVERNING BODY)

2008/09 FINANCIAL STATEMENTS

7. Overview of the Financial Result for the year

The University's financial performance for the year to 31 July 2009 is summarised as follows:

	<u>2008/09</u> £ 000's	<u>2007/08</u> £ 000's
Total Income	193,773	167,703
Total Expenditure	182,313	156,689
Taxation	106	162
	-----	-----
Surplus for the year after tax	11,354	10,852
	-----	-----
Cash flow from operating activities	21,869	21,757
Cash at bank and in hand	85,996	68,269
Increase in net assets excluding pension liability	11,000	13,126
	-----	-----
Increase in total reserves excluding pension liability	12,728	12,236
	-----	-----

Of the £26m increase in income £21m came from funding and fee income. Within this overall net increase there were some very positive aspects. The financial year 2008/09 was the third year of variable fees contributing an increase of £7.4m. The total variable fee income in the year being £21.3m. Fee income from full time overseas students increased by £4.5m, a 30% increase on the previous year's level of £15.2m and 17% more than planned. There was also encouraging growth in Home EU postgraduate fee income. Not so positive was the HEFCE hold back brought about by the strict implementation of the HEFCE policy on student non completions. The 2007/08 financial statements provided for holdback for the year in the sum of £600k. On revision through the HESA return this was increased to £1.1m, the difference being accounted for in 2008/09. In addition hold back for 2008/09 has been assessed by the University at £1.3m. Our current assessment is that the University will be within its contract range in 2009/10 and therefore no further hold back is anticipated under the current funding arrangements. There was an increase in the release of deferred capital grants, £3.5m, £2.7m of which was due to the change in the capitalisation threshold from £1K to £10K. Further analysis of the income is provided in notes 2 – 6 of the financial statements.

Total expenditure increased by £25.6m of which £7.7m related to staff costs, £16.8m to other operating expenses, £3m to interest payable with depreciation reducing by £1.9m. The staff cost increased by 8.5% over the previous year. There was a 4.6% increase in staff numbers to support growth in student numbers and other activities. The exceptional increase in other operating expenses is due largely to the change in the capitalisation threshold for equipment. The change in the year amounts to £8.1m, £5.3m of which relates to prior years asset net book value written off and which is also reflected in lower depreciation and a higher level of release of deferred capital grant. The net overall I&E impact of this change (both income and expenditure) is £1.6m. Other notable increases are for bursaries £2.4m, franchising costs £1.6m, residencies costs £1.3m, mitigated by income, from additional leased accommodation and increase in premises cost of £1m. The interest payable increase of £3m is attributable to an increase of £1.5m as a result of FRS17 adjustments and £1.5m in respect of the £30m mid term loan drawn down in July 2008. During 2008/09 there were both budget under spends and also cost implications of increased student recruitment. As a result of this £3.9m of expenditure could impact on the year 2009/10.

(REPORT OF THE GOVERNING BODY)

2008/09 FINANCIAL STATEMENTS

The following indicators show the changes in liquidity borrowing and reserves:

	<u>2008/09</u>	<u>2007/08</u>
Cash flow as a percentage of income	11.3%	13.0%
Net liquidity (days)	181	171
Current ratio	3.1%	2.7%
External borrowing as a percentage of income	31.5%	37.0%
Discretionary reserves (excluding pension assets liability) as a percentage of total income	46.0%	44.8%

The University continues to generate substantial cash from operating activities to support its investment in infrastructure and academic developments. The treasury management policy specifies the parameters within which surplus funds can be invested in terms of financial standing of the institutions and monetary value. The turbulence in the financial markets over the last year has tested the policy and some variations to its application were made. The University operates a robust debt recovery process resulting in low levels of default and doubtful debt provisioning. The non recovery element of in- year debt as a percentage of income was as follows:

	<u>2008/09</u>	<u>2007/08</u>
Student fee debt	3.6%	4.2%
Student accommodation debt	1.2%	1.2%
Commercial debt	19.4%	19.9%

During 2008/09 the University drew down the remaining £5m of a £35m fixed interest rate facility which has 22 years remaining from 1 August 2009. Details of all obligations are stated at note 14 and 15 of the financial statements.

8. Principal risks and uncertainties

The HE sector and therefore the University will face significant challenges over the next few years mainly associated with:

- Government policy on higher education
- The pressures on public expenditure
- The projected economic and financial outlook

Even before the onset of the global economic crisis student growth had slowed with additional student number (ASN's) increasingly targeted on joint programmes with employers. The Higher Education Funding Council for England (HEFCE), on the instructions of the Government asked Universities for 2008/09 to maintain their student intake at the previous year's level. Although there was some relaxation of this there was no associated HEFCE funding with the additional numbers. Uncertainty about future Government policy on higher education continues but there seems little prospect of a return to previous growth levels for HEFCE funded undergraduate students. There is also a concern that the pressure on public expenditure will lead to a significant reduction in the unit rate of income for funded students. The economic and financial outlook may impact on the non HEFCE element of the University's income stream. Home/EU postgraduate student growth has been consistently good over the last 5 years and remained so for 2008/09. Overseas student growth was at a record level for the University in 2008/09 the growth mainly being in postgraduate programmes. Whilst currently there are no signs of a downturn the University recognises that the risk exists and should be managed. Individually any of the above developments would be challenging. There is a clear possibility that more than one will materialise.

(REPORT OF THE GOVERNING BODY)

2008/09 FINANCIAL STATEMENTS

9. Future plans

The University is committed to maintaining its investment in academic developments and infrastructure and will therefore have to respond to the future challenges in order to do so. The strategic plan agreed in March 2009 is in the process of being implemented. The plan is based upon three broad assumptions:

- Growth in overall student numbers will continue but at a slower rate than in the past and according to a more diverse pattern (off campus, mixed-mode) part time students, more postgraduate particularly CPD students, and more overseas students.
- The growth of students funded through HEFCE, TDA and the NHS will remain constrained for some time.
- Public expenditure on higher education will be restricted with no guarantee that the current unit of funding will be maintained.

The response to the future challenges has led the University to:

- Improve its approach to scenario planning also developing in greater detail the mitigating actions in the strategic risk register building on the preventative action already agreed.
- Review its arrangements for performance improvement and VfM; one of the cross cutting themes in the strategic plan being fitness for purpose.


The University will ensure that any action necessary to meet the future financial challenges will be properly evaluated, well planned and implemented in good time in line with an agreed change management programme. The University has and still does occupy a strong financial position which facilitates this approach and will avoid the need to react in an unplanned way to adverse circumstances. Clearly the University will have to become less reliant on existing income streams and is seeking to develop good margin activity through its business development initiative. This will require improved planning, target setting and monitoring in order to optimise the enterprise resource devoted to this. The University's improved position in the RAE and its commitment to improve further its performance in the 2012/13 research excellence framework provides the foundation to grow external research income. The University will also need to manage its cost base more effectively and critically examine whether elements of the current organisation will continue to be fit for purpose in the future.

10. Conclusion

The University has had another successful year both academically and financially. The plan for 2009/10 is for a surplus in excess of the financial strategy minimum and the expectation is that this will be achieved. Demand for our courses is still buoyant and the early indications are that planned student recruitment targets have been achieved. As this report has stated, the next few years will be extremely challenging but the Governing Body are committed to ensuring academic quality, student satisfaction and financial viability into the future.



Grenville Collings
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 is responsible for the administration and management of the affairs of Kingston University and its subsidiaries, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for ensuring that proper accounting records are kept that disclose at any time and with reasonable accuracy the financial position of the University and its subsidiaries, to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, applicable law and United Kingdom Generally Accepted Accounting Practice. In addition, within the terms and conditions of the Financial Memorandum 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 that 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.

Financial statements are published on Kingston University's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of Kingston University's website is the responsibility of the Board of Governors. The Board of Governors' responsibility also extends to the ongoing integrity of the financial statements contain therein.

In relation to the preparation of the 2008-2009 financial statements, the Board of Governors has ensured 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;
- Kingston University has adequate resources to continue in operations for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

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

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 Board of Governors formally adopted the CUC Code of Practice at its meeting on 23 September 2009. In previous years the Board had ensured that it followed the Code in its approach to corporate governance. In that regard the Board will be preparing for a review of its effectiveness to be carried out in the Academic Year 2010-11. This will be the second such review that the Board has conducted.

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 2009 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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

- a. We meet at regular intervals six times a year to consider the plans and strategic direction of the institution.
- b. We receive periodic reports from the chairman of the Audit Committee concerning, internal control, governance, value for money, risk management and data quality.
- c. University has established a Risk Management Committee to oversee risk management, which met five times during the year, reporting to the Audit Committee as well as the University Executive.
- d. The Audit Committee meets four times a year and receives regular reports from the Head of Internal Control (Managing director of Kingston City Group – Internal Audit Consortium), which include an independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement.
- e. A regular programme of review exists to keep up-to-date the record of risks facing the organisation at both strategic and operational levels.
- f. A robust risk prioritisation methodology based on risk ranking has been established in the identification and evaluation of risks.
- g. A series of organisation-wide risk registers is now maintained on an on-going basis by nominated risk managers across the institution.
- h. A programme of risk awareness training has also been started and will continue as part of the annual Risk Management programme.
- i. A system of key performance and risk indicators has been developed and incorporated in detailed strategic

- j. 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.
- k. 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 Kingston City Group, 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 June 2008. Kingston City Group submits regular reports 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 executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter, other reports and attendance at certain Audit Committee meetings.

INDEPENDENT AUDITORS' REPORT

TO THE

BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

We have audited the financial statements of Kingston University for the year ended 31 July 2009 which comprise the Income and Expenditure Account, the Balance Sheets for the Group and the University, the Consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Note of Historical Costs Surpluses and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of The Board of Governors and auditors

As described in the Statement of Board of Governors Responsibilities the University's Board is responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. We also report to you if, in our opinion, the information given in the Report of the Board of Governors is not consistent with the financial statements, the Board has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the remuneration of the Board of Governors or other transactions is not disclosed.

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 income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We read the other information contained in the Report of the Board and consider whether it is consistent with the audited financial statements. The other information comprises only the Corporate Governance Statement, the Statement of the Responsibilities of the Board of Governors and the Annual Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the University's statutes and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the University's statutes or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the University and the Group, 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.

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Group as at 31 July 2009 and of its surplus of income over expenditure for the year then ended;
- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the University as at 31 July 2009 and of its surplus of income over expenditure 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 Institutions";
- income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received; and
- income has been applied in accordance with the University's statutes and where appropriate with the applicable Financial Memorandums with the Higher Education Funding Council for England.

BDO LLP

BDO LLP
Chartered Accountants and Registered Auditor
Epsom, Surrey

Date: 25 November 2009

(BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)).

CONSOLIDATED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2009

	Notes	2008/09 £000s	2007/08 £000s
INCOME			
Funding Council grants	2	81,377	75,291
Tuition fees and education contracts	3	78,700	63,933
Research grants and contracts	4	2,917	2,720
Other income	5	27,444	23,804
Endowment and investment income	6	3,335	1,955
Total income		193,773	167,703
EXPENDITURE			
Staff costs	7	98,380	90,695
Other operating expenses	8	68,990	52,202
Depreciation	9 & 10	8,530	10,413
Interest payable	11	6,413	3,379
Total expenditure		182,313	156,689
Surplus on continuing operations after depreciation of assets		11,460	11,014
Taxation		106	162
Surplus on continuing operations after depreciation of assets and tax	21	11,354	10,852

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

**STATEMENT OF
TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2009**

	2008/09 £000s	2007/08 £000s
Surplus on continuing operations after depreciation of assets, disposal of assets and tax	11,354	10,852
Movement in restricted and endowment reserves	2	(104)
Adjustments associated with pension schemes:		
Actuarial loss in respect of pension schemes	(21,415)	(9,162)
Experience gains and losses arising on the scheme liabilities		
Total recognised gains and losses since last annual report	<u>(10,059)</u>	<u>1,586</u>
Reconciliation		
Opening reserves and endowments	85,584	83,998
Total recognised gains and losses for the year	(10,059)	1,586
Closing reserves and endowments	<u>75,525</u>	<u>85,584</u>

**CONSOLIDATED STATEMENT OF
HISTORICAL COST SURPLUSES AND DEFICITS
FOR THE YEAD ENDED 31 JULY 2009**

	Notes	2008/09 £000s	2007/08 £000s
Surplus on continuing operations before taxation		11,460	11,014
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	19 & 21	713	713
Historical cost surplus for the period before taxation		12,173	11,727
Historical cost surplus for the period after taxation		12,067	11,565

BALANCE SHEET

AS AT 31 JULY 2009


		Consolidated 2008/09 £000s	University 2008/09 £000s	Consolidated 2007/08 £000s	University 2007/08 £000s
	Notes				
Fixed Assets					
Tangible assets	9	164,477	154,554	170,392	160,353
Investments	9	85	9,326	85	9,186
Total fixed assets		164,562	163,880	170,477	169,539
Endowment Assets	10	1,451	1,451	1,450	1,450
Current Assets					
Stock	12	262	262	157	157
Debtors	13	6,829	9,276	5,897	8,558
Cash at bank and in hand		85,996	84,375	68,269	66,061
		93,087	93,913	74,323	74,776
Creditors: amounts falling due within one year	14	(30,370)	(30,194)	(27,503)	(26,700)
Net current assets		62,717	63,719	46,820	48,076
Total assets less current liabilities		228,730	229,050	218,747	219,065
Creditors: amounts falling due after more than one year	15	(60,946)	(60,946)	(61,963)	(61,963)
Net Assets excluding pension liability		167,784	168,104	156,784	157,102
Pension Liability	16	(70,417)	(67,483)	(47,629)	(45,527)
Net Assets including pension liability		97,367	100,621	109,155	111,575

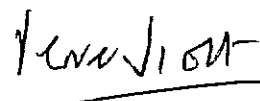
BALANCE SHEET (continued)

AS AT 31 JULY 2009

Deferred capital grants	17	21,841	21,841	23,571	23,571
Endowment					
Specific	18	1,451	1,451	1,450	1,450
Reserves					
Revaluation reserve	19	55,922	55,922	56,635	56,635
Restricted reserve	20	116	116	116	116
General reserve	21	88,454	88,774	75,012	75,330
Total reserves excluding pension liability reserve		144,492	144,811	131,763	132,081
Pension liability reserve		(70,417)	(67,483)	(47,629)	(45,527)
Total reserves including pension liability reserve		74,075	77,328	84,134	86,554
TOTAL		97,367	100,621	109,155	111,575

The financial statements on pages 11 to 46 were approved and authorised for release by the Governing Body on 25 November 2009 and were signed on its behalf by:


Grenville Collings
 Chairman of the Board of Governors


Peter Scott
 Vice-Chancellor and Chief Executive

CONSOLIDATED
CASH FLOW STATEMENT
FOR THE YEAD ENDED 31 JULY 2009

		2008/09 £000s	2007/08 £000s
	Notes		
Cash flow from operating activities	22	21,869	21,757
Returns on investments and servicing of finance	23	(1,027)	(263)
Capital expenditure and financial investment	24	(3,201)	(8,038)
Financing	25	86	29,702
Increase in cash in the period		17,727	43,158
Reconciliation of net cash flow to movement in net funds/(debt)			
Increase in cash in the period		17,727	43,158
Movement in endowment asset		17	(91)
Change in net debt resulting from cash flows		(4,086)	(29,702)
Movement in funds in period		13,658	13,365
Net funds/(debt) at 1 August		13,024	(341)
Net funds at 31 July	26	26,682	13,024

NOTES TO THE ACCOUNTS

Year ended 31 July 2009

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) Accounting for Further and Higher Education July 2007 and applicable UK accounting standards.

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 a joint arrangement with St George's Hospital Medical School on 1 January 1996. Under the terms of the joint arrangement, assets and liabilities are divided equally and 50% of the value of the appropriate assets and liabilities has been included in the Balance Sheet of the University. The arrangement has been accounted for as a joint arrangement that is not an entity in compliance with FRS9. The basis of apportionment of the income and expenditure is in proportion to the awards granted by each institution.

The consolidated financial statements include the financial statements of the University and all its subsidiary undertakings for the financial years 31 July 2009 and 2008. The consolidated financial statements exclude the financial statements of the Kingston University Students' Union as the Union does not constitute a subsidiary or quasi-subsidiary undertaking under the definitions of Financial Reporting Standards 2 and 5.

c Tangible Fixed Assets

Land and Buildings

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

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

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

Other Tangible Fixed Assets

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

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

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

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 £10,000 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 Recognition of income

The recurrent grant from HEFCE represents the funding allocation that is attributable to the current financial year and is credited directly to the Income and Expenditure account.

Tuition fees represent student fees received and receivable, attributed to the current accounting period.

Income from Research Grants and Contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

Income used to acquire tangible fixed assets is credited to deferred capital grants and released to the Income and Expenditure Account over the estimated useful lives of the relevant assets.

The University acts as an agent in collection and payment of training bursaries from the Training and Development Agency and of Access Funds from the HEFCE. Related payments received from the Training and Development Agency and the HEFCE and subsequent disbursements to students are excluded from the Income and Expenditure Account and are shown separately in Note 31 to the accounts.

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.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

j Pension Costs

The University contributes to a number of defined benefit pension schemes and accounts for the costs in relation to these schemes in accordance with FRS17 (Retirement benefits), which has been adopted from 2005/06.

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

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

k Finance Leases

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

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

l Endowment Assets

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

m 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.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

2 FUNDING COUNCIL GRANTS

	2008/09 £000s	2007/08 £000s
Recurrent grant (including research element)	65,444	63,231
HEFCE specific grants	4,139	3,428
TDA	4,263	4,587
LSC (formerly FEFC) grant	350	381
Deferred capital grants released in year	7,181	3,664
	81,377	75,291

Capital grants release for 2008/09 includes an accelerated release of income of £2.7m in respect of change of capitalisation threshold for equipment to £10k from previous level of £1k

3 TUITION FEES AND EDUCATION CONTRACTS

	2008/09 £000s	2007/08 £000s
Full-time UK and EU students	42,529	32,982
Part-time UK and EU students	5,016	4,070
Channel Island students	466	402
Overseas full-time students	19,765	15,248
Overseas part-time students	1,034	1,079
NHS teaching contracts	8,026	7,995
Short course fees	1,864	2,157
	78,700	63,933

4 RESEARCH GRANTS AND CONTRACTS

	2008/09 £000s	2007/08 £000s
Research Councils	1,057	924
UK based charities	277	186
Other research grants and contracts	1,583	1,610
	2,917	2,720

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

5 OTHER INCOME

	2008/09 £000s	2007/08 £000s
Residencies and catering	15,016	12,838
Income from UK public bodies	3,441	3,473
Income from EU based organisations	272	309
Income from University shops	156	145
Income from sports facilities	284	252
Course validation fees/teaching contracts	1,489	728
Knowledge transfer partnerships	802	790
Nursery fees	145	143
Field trips	286	273
Graduation ceremonies	431	376
Sale of teaching materials	394	342
Release from deferred capital grant	177	194
Release from endowment reserve	16	20
Other income	4,535	3,921
	<u>27,444</u>	<u>23,804</u>

6 ENDOWMENT AND INVESTMENT INCOME

	2008/09 £000s	2007/08 £000s
Interest receivable	3,335	1,955
	<u>3,335</u>	<u>1,955</u>

7 STAFF

	2008/09 £000s	2007/08 £000s
Staff Costs		Restated
Wages and salaries	80,915	73,873
Social security costs	6,699	5,987
Other pension costs	10,766	10,835
	<u>98,380</u>	<u>90,695</u>

Staff costs for the year include exceptional payments in respect of compensation for loss of office totalling £978,000 (2008 £663,000).

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

7 STAFF continued

Vice-Chancellor and Chief Executive

Emoluments
Employer's contribution to pension fund

2008/09 £000s	2007/08 £000s
205	193
24	16
229	209

Executive Managers

£130,001 - £140,000
£120,001 - £130,000
£110,001 - £120,000
£100,001 - £110,000

2008/09 No.	2007/08 No.
1	1
5	2
4	1

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

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

2008/09 No.	2007/08 No.
851	831
45	54
1,161	1,082
2,057	1,967

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

8 OTHER OPERATING EXPENSES

	2008/09 £000s	2007/08 £000s
Residencies, catering and conferences	8,674	6,828
Staff development	1,438	1,266
Recruitment costs	776	767
Other employee costs	1,770	1,656
Teaching materials	2,663	2,800
Academic equipment	5,473	1,368
Franchising costs	10,327	8,723
Other academic expenses	12,520	9,622
Overseas recruitment costs	696	494
Agency costs	1,409	1,477
Administrative Equipment	3,963	-
Utilities	1,283	1,552
Repairs and general maintenance	2,589	2,465
Other premises expenses	1,394	1,158
Grant to Kingston University Students' Union	612	582
Rent	1,325	1,162
Rates	518	270
Auditors remuneration: audit services	43	81
Equipment hire	519	478
Other expenses	10,998	9,453
	<u>68,990</u>	<u>52,202</u>

Other academic expenses and administrative equipment for 2008/09 now include expenditure on equipment that was capitalised in previous years; this is due to change in capitalisation threshold for equipment to £10k in 2008/09.

Included in academic expenses and administrative equipment in 2008/09 is £5.4m, in respect of NBV of equipment purchased prior to 2008/09.

Operating Lease Expenses included in the above are:

Land and buildings related	<u>799</u>	<u>762</u>
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NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

9 FIXED ASSETS

**Tangible Assets
CONSOLIDATED**

Cost or Valuation

Balance as at 1 August 2008

Valuation

Cost

Additions

Disposals

Balance as at 31 July 2009

	Freehold Land £000s	Freehold Buildings £000s	Plant, Machinery, Equipment £000s	Total £000s
Balance as at 1 August 2008				
Valuation	32,874	37,875	-	70,749
Cost	-	127,635	63,461	191,096
Additions	-	5,557	2,470	8,027
Disposals	-	-	(32,232)	(32,232)
Balance as at 31 July 2009	32,874	171,067	33,699	237,640

Depreciation

Balance as at 1 August 2008

Charge in year

Disposals

Balance as at 31 July 2009

Balance as at 1 August 2008	-	40,663	50,790	91,453
Charge in year	-	5,767	2,747	8,514
Disposals	-	-	(26,804)	(26,804)
Balance as at 31 July 2009	-	46,430	26,733	73,163

Net Book Value

As at 31 July 2009

32,874	124,637	6,966	164,477
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As at 31 July 2008

32,874	124,847	12,671	170,392
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NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

9 FIXED ASSETS (continued)

UNIVERSITY

Cost or Valuation

Balance as at 1 August 2008

	Freehold Land £000s	Freehold Buildings £000s	Plant, Machinery, Equipment £000s	Total £000s
Valuation	32,874	37,875	-	70,749
Cost	-	116,407	62,472	178,879
Additions	-	5,557	2,470	8,027
Disposals	-	-	(32,232)	(32,232)
Balance as at 31 July 2009	32,874	159,839	32,710	225,423

Depreciation

Cost or Valuation

Charge in year

Disposals

Balance as at 31 July 2009

	-	39,427	49,848	89,275
	-	5,651	2,747	8,398
	-	0	(26,804)	(26,804)
Balance as at 31 July 2009	-	45,078	25,791	70,869

Net Book Value

As at 31 July 2009

32,874	114,761	6,919	154,554
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As at 31 July 2008

32,874	114,855	12,624	160,353
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As at 31 July 2009 the University had accrued approximately £932,000 (2008:£1,526,000) in respect of capital expenditure. The net book value of freehold buildings includes £8,859,000 (2008:£9,050,000) in respect of assets acquired under finance leases. The depreciation charge on these assets is £191,000 (2008:£191,000).

Included in the net book value of freehold land and buildings are Exchequer Assets of £9,033,158 (2008:£9,291,808). 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.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

9 FIXED ASSETS (continued)

INVESTMENTS

CONSOLIDATED

As at 31 July 2009

As at 31 July 2008

UNIVERSITY

At 1 August 2008

Additions

Revaluation

As at 31 July 2009

Shares In Subsidiary Undertakings £000s	Other Investments £000s	Total £000s
	85	85
	85	85
9,101	85	9,186
140	-	140
-	-	-
9,241	85	9,326

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

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

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

10 ENDOWMENT ASSETS

CONSOLIDATED AND UNIVERSITY

Freehold Buildings £000s	Art Collection £000s	Total £000s
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Dorich House building and art collection:

Cost or Valuation

Balance as at 1 August 2008	1,129	382	1,511
Balance as at 31 July 2009	1,129	382	1,511

Depreciation

Balance as at 1 August 2008	208	-	208
Charge in year	16	-	16
Balance as at 31 July 2009	224	-	224

Net Book Value

Balance as at 31 July 2009	905	382	1,287
Balance as at 31 July 2008	921	382	1,303

Endowment Cash

Balance as at 31 July 2009	164
Balance as at 31 July 2008	147

Total Endowment Asset

Balance as at 31 July 2009	1,451
Balance as at 31 July 2008	1,450

IMPAIRMENT REVIEW

In accordance with FRS11 the University has conducted a review which concluded that there was no material impairment of fixed assets during 2008/09.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

11 INTEREST PAYABLE

	2008/09 £000s	2007/08 £000s
On loans payable within 5 years	23	32
On loans payable wholly or partly in more than 5 years	2,334	948
On finance leases	1,185	1,196
	3,542	2,176
On pension schemes	2,871	1,203
	6,413	3,379

12 STOCK

	Consolidated 2008/09 £000s	University 2008/09 £000s	Consolidated 2007/08 £000s	University 2007/08 £000s
Refectory	42	42	28	28
Stamps and franking credits	48	48	43	43
Shop stock	40	40	42	42
Building materials	123	123	34	34
Branded merchandise	9	9	10	10
	262	262	157	157

13 DEBTORS

	Consolidated 2008/09 £000s	University 2008/09 £000s	Consolidated 2007/08 £000s	University 2007/08 £000s
Trade debtors	5,565	5,441	5,491	5,255
Provision for doubtful debts	(2,738)	(2,738)	(2,751)	(2,751)
	2,827	2,703	2,740	2,504
Amounts owed by subsidiary undertakings	-	2,621	-	2,972
Accrued income	1,724	1,724	1,089	1,079
Other debtors	330	325	408	369
Prepayments	1,948	1,903	1,660	1,634
	6,829	9,276	5,897	8,558

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

**14 CREDITORS - AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	Consolidated 2008/09 £000s	University 2008/09 £000s	Consolidated 2007/08 £000s	University 2007/08 £000s
Amounts owed to subsidiary undertakings	--	686	-	64
Obligations under finance leases	567	567	484	484
Term loan facility	1,334	1,334	430	430
Trade creditors	4,785	4,646	3,977	3,862
Other creditors including tax and social security	12,573	12,327	10,270	9,997
Student deposits	259	259	192	192
Accruals	5,110	4,708	6,518	6,395
Tuition fees in advance	1,081	1,081	892	892
Deferred income	2,900	2,825	2,887	2,531
Deferred credit on revenue grants	1,761	1,761	1,853	1,853
	30,370	30,194	27,503	26,700

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

	Consolidated 2008/09 £000s	University 2008/09 £000s	Consolidated 2007/08 £000s	University 2007/08 £000s
Obligations under finance leases	11,046	11,046	11,613	11,613
Term loan facility	43,186	43,186	39,520	39,520
Deferred income	3,366	3,366	3,482	3,482
Other loans	3,348	3,348	7,348	7,348
	60,946	60,946	61,963	61,963

Term Loans

	Consolidated 2008/09 £000s	University 2008/08 £000s	Consolidated 2007/08 £000s	University 2007/08 £000s
Balance at 1 August	39,949	39,949	10,327	10,327
Capital repayments	(430)	(430)	(378)	(378)
New loans	5,000	5,000	30,000	30,000
Total loans outstanding at 31 July	44,519	44,519	39,949	39,949

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

Obligations Term Loans

Consolidated 2008/09 £000s	University 2008/09 £000s	Consolidated 2007/08 £000s	University 2007/08 £000s
----------------------------------	--------------------------------	----------------------------------	--------------------------------

Obligations under loans fall due as follows:

Within one year	1,334	1,334	430	430
In the second to fifth years inclusive	6,461	6,461	5,289	5,289
In over five years	36,725	36,725	34,231	34,231
	44,520	44,520	39,950	39,950

Obligations under Finance Leases

Consolidated 2008/09 £000s	University 2008/09 £000s	Consolidated 2007/08 £000s	University 2007/08 £000s
----------------------------------	--------------------------------	----------------------------------	--------------------------------

Obligations under finance leases fall due as follows:

Within one year	1,733	1,733	1,581	1,581
In the second to fifth years inclusive	7,276	7,276	7,120	7,120
In over five years	14,305	14,305	16,495	16,495
	23,314	23,314	25,196	25,196
Less finance charges allocated to future periods	(11,703)	(11,703)	(13,099)	(13,099)
	11,611	11,611	12,097	12,097

Analysis of terms of repayment and rates of interest

For loans and leases falling due after more than five years

Lender	Value and type	Start date	Term	Interest rate
Roodhill Leasing (Middle Mill)	£4.1m lease	22/05/1997	01/04/2022	7.50%
Roodhill Leasing (Kingston Bridge House)	£3.4m lease	22/05/1997	01/04/2022	7.50%
Roodhill Leasing (Kingston Hill Chancellors)	£5.3m lease	22/09/1994	01/04/2019	7.50%
Barclays	£17m term loan	20/12/2005	30/09/2020	4.84%
Barclays	£35m term loan	31/07/2008	31/07/2031	5.35%

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

16 PENSION LIABILITY

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

LGSS	LPFA	Total	Total
2009	2009	2009	2008

CONSOLIDATED

Opening balance	(45,527)	(2,102)	(47,629)	(37,086)
<u>Movement in year:</u>				
Current service cost	(4,693)	(178)	(4,871)	(5,736)
Contributions	6,048	319	6,367	5,514
Other finance (cost)	(2,746)	(123)	(2,869)	(1,160)
Actuarial loss or Actuarial gain recognised in statement of total recognised gains and losses	(20,565)	(850)	(21,415)	(9,161)
Closing balances	<u>(67,483)</u>	<u>(2,934)</u>	<u>(70,417)</u>	<u>(47,629)</u>

UNIVERSITY

Opening balance	(45,527)	-	(45,527)	(36,585)
<u>Movement in year:</u>				
Current service cost	(4,693)	-	(4,693)	(5,491)
Contributions	6,048	-	6,048	5,216
Other finance (cost)/gain	(2,746)	-	(2,746)	(1,202)
Actuarial loss or Actuarial gain recognised in statement of total recognised gains and losses	(20,565)	-	(20,565)	(7,465)
Closing balances	<u>(67,483)</u>	<u>-</u>	<u>(67,483)</u>	<u>(45,527)</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

17 DEFERRED CAPITAL GRANTS

	Consolidated 2008/09 £000s	University 2008/09 £000s	Consolidated 2007/08 £000s	University 2007/08 £000s
Balance at 1 August	23,571	23,571	22,574	22,574
Movements:				
Grants received	5,628	5,628	4,860	4,860
Release to income and expenditure account	(7,358)	(7,358)	(3,863)	(3,863)
Balance at 31 July	21,841	21,841	23,571	23,571
Amount to be released within one year	(4,255)	(4,255)	(4,255)	(4,255)
Amounts to be released after more than one year	17,586	17,586	19,316	19,316

18 ENDOWMENTS

	Consolidated 2008/09 £000s	University 2008/09 £000s	Consolidated 2007/08 £000s	University 2007/08 £000s
Balance at 1 August	1,450	1,450	1,557	1,557
Transfer (to)/from income and expenditure account	(125)	(125)	(164)	(164)
Income received	126	126	57	57
Balance at 31 July	1,451	1,451	1,450	1,450

This endowment funds relate to the Dora Hare Estate, £1,356k; Phillip Russell Scholarship, £54k and others, £41k.

19 REVALUATION RESERVE

	Consolidated 2008/09 £000s	University 2008/09 £000s	Consolidated 2007/08 £000s	University 2007/08 £000s
Balance at 1 August	56,635	56,635	57,348	57,348
<u>Transfer to General Reserve:</u>				
Difference between historical cost depreciation and actual charge for the period calculated on re-valued amount	(713)	(713)	(713)	(713)
Balance at 31 July	55,922	55,922	56,635	56,635

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

20 RESTRICTED RESERVES

2009/08	2008/07
£000s	£000s
116	116
-	-
<u>116</u>	<u>116</u>

Consolidated and University
Balance at 1 August
Increase in restricted reserves
Balance at 31 July

21 MOVEMENT ON GENERAL RESERVE

	Consolidated 2008/09 £000s	University 2008/09 £000s	Consolidated 2007/08 £000s	University 2007/08 £000s
Income and expenditure account reserve at 1 August	75,012	75,330	62,066	63,432
Surplus retained for the year	11,354	11,337	10,852	9,709
Transfer from pension reserve	1,375	1,394	1,381	1,476
Transfer from revaluation reserve	713	713	713	713
	<u>88,454</u>	<u>88,774</u>	<u>75,012</u>	<u>75,330</u>

22 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008/09 £000s	2007/08 £000s
Surplus before tax	11,460	11,014
Interest payable	6,413	3,379
Interest receivable	(3,335)	(1,955)
Release of capital grant	(7,358)	(3,863)
Change in accounting policy of equipment	5,427	-
Depreciation	8,530	10,413
Loss on sale of assets	-	17
Increase in investments	-	200
Increase in stocks	34	(13)
Increase in debtors	205	590
Increase in creditors	2,315	1,535
Pension costs less contributions payable	(1,496)	224
Transfer of research grant to deferred credit	1,527	1,853
Release of revenue grant	(1,853)	(1,637)
	<u>21,869</u>	<u>21,757</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

23 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2008/09 £000s	2007/08 £000s
Interest receivable	2,515	1,913
Interest paid	(2,357)	(950)
Finance lease charges paid	(1,185)	(1,226)
	<u>(1,027)</u>	<u>(263)</u>

24 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2008/09 £000s	2007/08 £000s
Purchase of tangible fixed assets	(8,830)	(14,948)
Deferred capital grant received	5,629	6,910
	<u>(3,201)</u>	<u>(8,038)</u>

25 FINANCING

	2008/09 £000s	2007/08 £000s
Medium term loan repayments	(430)	(417)
New loans obtained	5,000	30,497
Loan repaid	(4,000)	
Capital element on finance leases	(484)	(378)
	<u>86</u>	<u>29,702</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

**26 ANALYSIS OF CHANGES IN
NET(DEBT)/FUNDS**

	At 1 August 2008 £000s	Cash flows £000s	Other Non-cash Changes £000s	At 31 July 2009 £000s
Cash at bank and in hand	68,269	17,727	-	85,996
Cash in endowment assets	147	17	-	164
Debt due within one year	(430)	430	(1,334)	(1,334)
Debt due after one year	(42,866)	(5,000)	1,334	(46,532)
Finance leases due within one year	(484)	484	(567)	(567)
Finance leases due after one year	(11,612)	-	567	(11,045)
	<u>13,024</u>	<u>13,658</u>	<u>-</u>	<u>26,682</u>

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

	Leases £000s	Loans £000s	Total £000s
Balance at 1 August 2008	12,096	43,296	55,392
Capital Repayments	(484)	(430)	(914)
New loans	-	5,000	5,000
Balance at 31 July 2009	<u>11,612</u>	<u>47,866</u>	<u>59,478</u>

28 OPERATING LEASE COMMITMENTS

At 31 July 2009 the Group was committed to making the following payments during the next year in respect of operating leases:

	2006/09 Land and Buildings £000s	2007/08 Land and Buildings £000s
Leases which expire:		
Within one year	150	89
In the second to fifth years inclusive	459	451
In more than five years	190	222
	<u>799</u>	<u>762</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

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:	23/5/02
Completion of building project and commencement of unitary charge:	1/12/03
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 2008/09 was £2,591,000. Estimated annual payments in the future are not expected to be

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.

	2008/09	2007/08
	£000s	£000s
<i>Reconciliation of present value of plan liabilities</i>		
At the beginning of the year	107,517	103,400
Current service cost	4,258	4,225
Interest cost	7,225	6,020
Actuarial losses/(gains)	12,755	(4,613)
Benefits paid	(908)	(2,781)
Past service costs	435	1,266
At the end of the year	131,282	107,517

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

30 **PENSIONS** (continued)

Reconciliation of present value of plan liabilities

	2008/09 £000s	2007/08 £000s
	131,282	107,517
Schemes wholly or partly funded	<u>131,282</u>	<u>107,517</u>

Reconciliation of fair value of plan assets

	2008/09 £000s	2007/08 £000s
At the beginning of the year	61,990	66,900
Expected rate of return on plan assets	4,478	4,818
Actuarial gains/(losses)	(7,841)	(12,077)
Contribution by group	7,977	5,130
Benefits paid	(2,805)	(2,781)
At the end of the year	<u>63,799</u>	<u>61,990</u>

Reconciliation to balance sheet

	2008/09 £000s	2007/08 £000s
Present value of funded obligations	(131,282)	(107,517)
Fair value of plan assets	63,799	61,990
Plan deficit	(67,483)	(45,527)
Related deferred tax asset	-	-
Net liability	<u>(67,483)</u>	<u>(45,527)</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

30 PENSIONS (continued)

2008/09 £000s	2007/08 £000s
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The amounts recognised in profit and loss are as follows:

Included in Other Operating expenses:

Current service cost	4,258	4,225
Past service cost	435	1,266

Included in Interest payable:

Interest cost	7,225	6,020
Expected return on plan assets	(4,478)	(4,818)

7,440	6,693
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Analysis of amount recognised in statement of total recognised gains and losses

2008/09 £000s	2007/08 £000s
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Actual return less expected return on pension plan assets	(7,829)	(13,608)
Experience gains and losses arising on the scheme liabilities	(13,586)	4,553
Changes in assumptions underlying the present value of the scheme liabilities	-	(107)

Actuarial gains/(loses) recognised in the statement of total recognised gains and losses	(21,415)	(9,162)
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Narrative description of the basis used to determine the overall expected rate of return of assets:

Overall expected rate of return on plan assets is based upon historical returns of investment performance adjusted to reflect expectations of future long-term returns by asset class.

2008/09 £000s	2007/08 £000s
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<i>Actual return on plan assets</i>	(3,470)	(7,210)
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NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

30 **PENSIONS** (continued)

Principal actuarial assumption used at the balance sheet date

2008/09	2007/08
%	%

Discount rates	6.0	6.5
Expected rate of return on plan assets	6.4	7.0
Future salary increases	5.2	5.3
Future pension increases	3.7	3.8
Inflation assumption	3.7	3.8

Four year history

	2008	2007	2006	2005
	£000s	£000s	£000s	£000s
Present value of the plan liabilities	(131,282)	(107,517)	(103,400)	(99,400)
Fair value of the plan assets	63,799	61,990	66,900	57,500
(Deficit)/surplus on the pension plans	<u>(67,483)</u>	<u>(45,527)</u>	<u>(36,500)</u>	<u>(41,900)</u>
<i>Experience adjustments arising on:</i>				
Plan liabilities	(340)	1,140	(150)	
Plan assets	<u>(8,090)</u>	<u>(12,190)</u>	<u>1,920</u>	

The group's best estimate of the contributions expected to be paid in the year beginning 1 August 2009 is £6.35m

The approximate split of the scheme assets and assumed rates of return adopted by the Employer for the purpose of FRS17 is shown below:

	Long-term expected rate of return at 31 July 2009 (% pa)	Asset split at 31 July 2009 (%)	Long-term expected rate of return at 31 July 2008 (% pa)	Asset split at 31 July 2008 (%)
Equities	8.0	61.3%	7.8	66.1%
Property	7.0	5.2%	6.8	7.1%
Government bonds	4.5	24.2%	4.8	20.5%
Corporate bonds	5.9	0.0%	6.5	0.0%
Cash/other	0.9	9.3%	5.9	6.3%
Total	<u>6.4</u>	<u>100%</u>	<u>7.0</u>	<u>100%</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

30 **PENSIONS** (continued)

A defined benefit pension scheme (LPFA) is operated on behalf of the employees of KUSCO Limited, the figures disclosed below have been derived from the actuarial valuations carried out by Hymans Robertson as at 31 July 2009.

<i>Reconciliation of present value of plan liabilities</i>	2008/09 £000s	2007/08 £000s
At the beginning of the year	4,597	4,731
Current service cost	178	195
Interest cost	308	274
Actuarial losses	500	(409)
Benefits paid	(164)	(244)
Past service costs		50
At the end of the year	5,419	4,597

<i>Reconciliation of present value of plan liabilities</i>	2008/09 £000s	2007/08 £000s
Schemes wholly or partly funded	5,419	4,597
	5,419	4,597

<i>Reconciliation of fair value of plan assets</i>	2008/09 £000s	2007/08 £000s
At the beginning of the year	2,495	4,232
Expected rate of return on plan assets	185	316
Actuarial gains/(losses)	(350)	(2,106)
Contribution by group	376	356
Benefits paid	(221)	(303)
At the end of the year	2,485	2,495

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

30 **PENSIONS** (continued)

Reconciliation to balance sheet

	2008/09 £000s	2007/08 £000s
Present value of funded obligations	(5,419)	(4,597)
Fair value of plan assets	2,485	2,495
Plan deficit	(2,934)	(2,102)
Related deferred tax asset		
Net liability	<u>(2,934)</u>	<u>(2,102)</u>

The amounts recognised in profit and loss are as follows:

	2008/09 £000s	2007/08 £000s
<i>Included in other operating expenses:</i>		
Current service cost	178	195
Past service cost	0	50
<i>Included in interest payable:</i>		
Interest cost	308	274
Expected return on plan assets	(185)	(316)
	<u>301</u>	<u>203</u>

Analysis of amount recognised in statement of total recognised gains and losses

	2008/09 £000s	2007/08 £000s
Actual return less expected return on pension plan assets	(500)	409
Experience gains and losses arising on the scheme liabilities	(350)	(2,106)
Changes in assumptions underlying the present value of the scheme liabilities		
Actuarial gains/(loses) recognised in the statement of total recognised gains and losses	<u>(850)</u>	<u>(1,697)</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

30 **PENSIONS** (continued)

	2008/09 £000s	2007/08 £000s
<i>Cumulative amount of gains/(losses) recognised in the statement of total recognised gains and losses</i>	(1,600)	(750)
	<u>(1,600)</u>	<u>(750)</u>

Narrative description of the basis used to determine the overall expected rate of return of assets

Overall expected rate of return on plan assets is based upon historical returns of investment performance adjusted to reflect expectations of future long-term returns by asset class.

	2008/09 £000s	2007/08 £000s
<i>Actual return on plan assets</i>	<u>(165)</u>	<u>(269)</u>

<i>Principle actuarial assumption used at the balance sheet date</i>	2008/09 %	2007/08 %
Discount rates	6.0	6.7
Expected rate of return on plan assets	6.9	7.2
Future salary increases	5.1	5.3
Future pension increases	3.6	3.8

<i>Four year history</i>	2008 £000s	2007 £000s	2006 £000s	2005 £000s
Present value of the plan liabilities	(5,419)	(4,597)	(4,731)	(4,691)
Fair value of the plan assets	2,485	2,495	4,232	3,634
(Deficit)/surplus on the pension plans	<u>(2,934)</u>	<u>(2,102)</u>	<u>(499)</u>	<u>(1,057)</u>
<i>Experience adjustments arising on:</i>				
Plan liabilities	(350)	(2,106)	186	(232)
Plan assets	<u>(500)</u>	<u>409</u>	<u>337</u>	<u>145</u>

The group's best estimate of the contributions expected to be paid in the year beginning on 1 August 2009 is £368,000.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

30. PENSIONS (continued)

Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not linked to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables – rated down 1 year
Female members' mortality	PA92 MC YoB tables – no age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £38,842.6 million and the value of the schemes' technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protected Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

30. PENSIONS (continued)

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

Surpluses or deficits which arise at future valuation may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set below:

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

30. PENSIONS (continued)

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The average numbers of employees in Kingston University that were members of this scheme during 2008/09 was 26.

31 OTHER FUNDING

The University received additional funds from the funding councils (HEFCE and TDA) which it holds and distributes to either students or other educational partners.

	Access Funds (HEFCE)	Life Long (HEFCE)	Graduate (TDA)
Balance as at 1 August 2008	4,428	348,194	568,174
Funds received	585,854	745,999	3,903,668
Disbursement of funds	587,053	1,094,193	3,580,642
Balance as at 31st July 2009	<u>3,229</u>	<u>-</u>	<u>891,200</u>

The unspent balance is held with creditors within deferred income and other creditors.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2009

32 RELATED PARTY TRANSACTIONS

In the course of normal operations, related party transactions entered into by the University have been contracted on an arm's length basis during the year, in accordance with the University's financial regulations and procurement policy.

Transactions relating to franchised arrangements with West Thames College amounted to payments of £294k (2007/08: £263k), an organisation in which the principal Thalia Marriott was a member of the Kingston University Board until November 2008.

Transactions relating to franchised arrangements with St. Georges Hospital Medical School, an organisation in which the Principal Professor Peter Kopelman is a member of the Kingston University Board were as follows:

	2008/09 £000s	2007/08 £000s
Franchising income	286	233
Franchising costs	(345)	(335)
	(59)	(102)