Reports and Financial Statements

for the year ended 31 July 2008

Goldsmiths
UNIVERSITY OF LONDON

Contents

Council, Audit Committee, Senior Management Team and Financial Advisors 2007-08

COMPOSITION AND MEMBERSHIP OF THE COUNCIL 2007-08

Chair	Mr Christopher Jonas
Ex officio members:	
• the Warden;	Professor Geoffrey Crossick
• the Pro-Wardens;	Dr Philip Broadhead Professor Simon McVeigh Professor Nirmala Rao
• the Clerk to the Goldsmiths' Company;	Mr Dick Melly
• the President of the Students' Union.	Ms Hannah Bullivant
Elected members:	
• three members of the Academic Board	Dr Richard Grayson Dr Janet Hand (to April 2008) Professor Carrie Paechter
• one member of the Senior Academic Staff	Dr Gareth Stanton
• one member of the Non-Academic Staff, by that Staff in accordance with procedures prescribed by the Ordinances;	Mr Pádraig O'Connor
• one student [Union Chair]	Ms Samyukta Mukhopadhyay
External appointed members:	
• 14 persons, not being members of staff or students who shall be representative of educational, economic, social, cultural, charitable, community and other interests relevant to the work of the College;	Sir Keith Ajegbo (to May 2008) Mr Bob Annibale Mr Mark Baillache Mr Jack Barnes Dr David Barrett Dr Virginia Brooke Ms Althea Efunshile Lady Goodhart The Earl of Harrowby Mr Kenneth May Mrs Alyson McGarrigle Baroness Morris of Yardley Ms Colleen Toomey (to 2010) vacancy
Additional member:	
• at the discretion of the Council, one further who may or may not be a member of staff or a student.	vacancy

COMPOSITION AND MEMBERSHIP OF THE AUDIT COMMITTEE 2007-08

Chair: an independent member of Council appointed by Council:	Mr Jack Barnes
Three members of Council appointed by Council, not being College officers or members of the Finance and Resources Committee:	Sir Keith Ajegbo (to May 2008) Lady Goodhart Dr Virginia Brooke
Two additional representatives appointed by Council:	Mr Alan Jinkinson Mr David Peake

In attendance

Warden:	Professor Geoffrey Crossick
Registrar and Secretary:	Mr Hugh Jones
Director of Finance:	Mr Barry Douglas
Secretaries:	Mrs Liz Thussu (Autumn and Spring terms) and Miss Rosemary Harrison (Summer term)

COMPOSITION AND MEMBERSHIP OF THE SENIOR MANAGEMENT TEAM 2007-08

Chair: Warden:	Professor Geoffrey Crossick
Pro-Wardens:	Dr Philip Broadhead Professor Simon McVeigh Professor Nirmala Rao
Registrar and Secretary:	Mr Hugh Jones
Director of Finance:	Mr Barry Douglas
Secretary: Administrator (Warden's Office):	Ms Reeva Charles

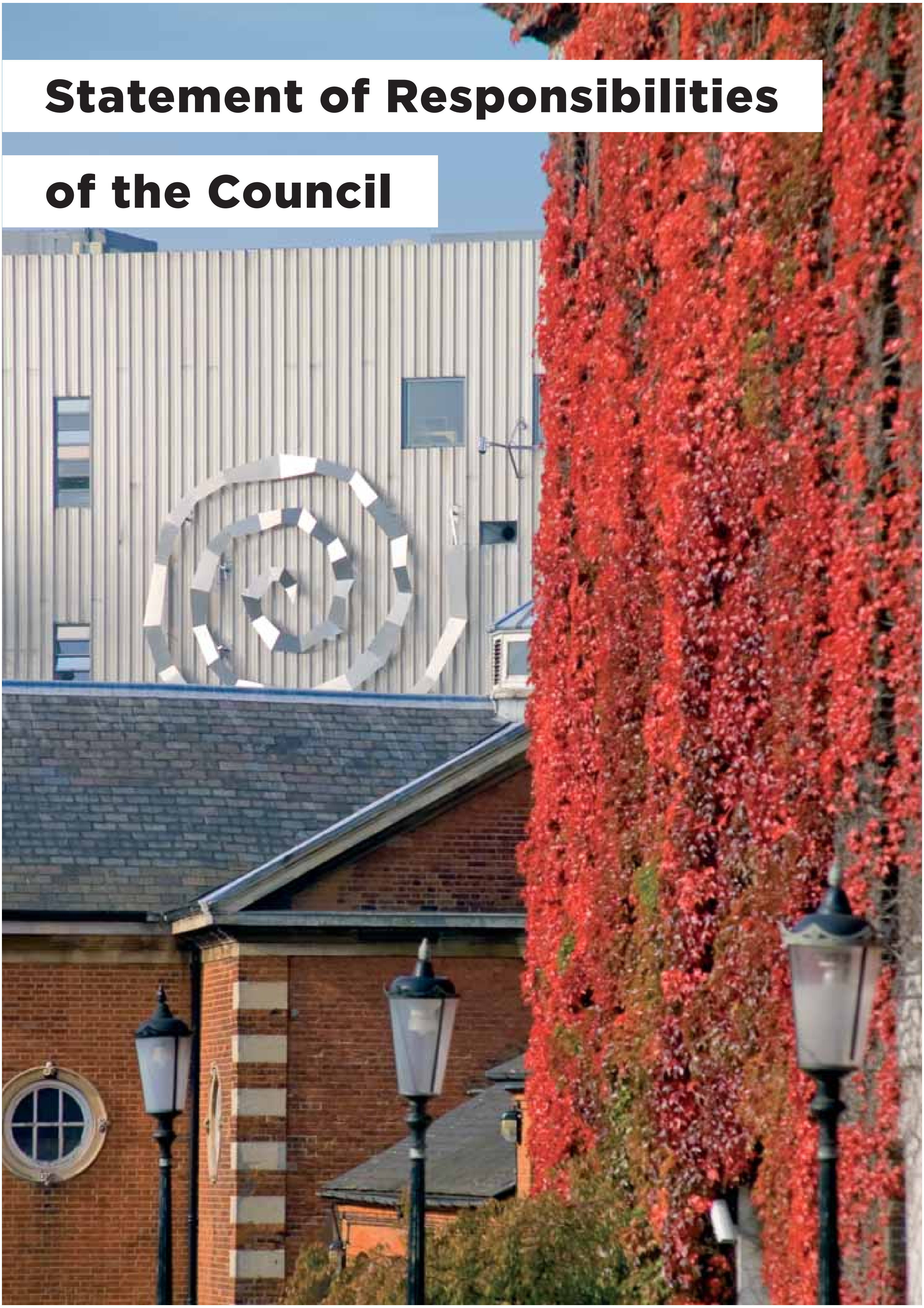
AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
St Albans

BANKERS

National Westminster Bank plc
65 Peckham High Street
London SE15 5RZ

Statement of Responsibilities of the Council



In accordance with the Charter and related Statutes, Council is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited Financial Statements for each financial year. Council is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College and enable it to ensure that the Financial Statements are prepared in accordance with the Charter and Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed with HEFCE, the Council, through its designated Office Holder,[1] is required to prepare Financial Statements for each financial year which give a true and fair view of the College's state of affairs, and of the surplus or deficit and cash flows for that year.

In causing the Financial Statements to be prepared, the Council 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; and
- Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation.

Council is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the Financial Statements.

The Council has taken reasonable steps, including receipt of advice from its Finance and Resources Committee on the allocation of resources and general financial management, and from its Audit Committee which has a wide independent remit over its affairs, to:

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE and any other conditions which that Funding Council may from time to time prescribe, and similarly with regard to funding agreements with the Teacher Development Agency (which is responsible for the funding of Initial Teacher Education) and the Learning Skills Council from which the College receives a small grant for further education provision;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and prevent and detect fraud;
- secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and at least three times per year reviews of financial results involving variance reporting and updates of forecast out-turns;
- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments, centres and units;
- clearly-defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approved levels set by the Council;
- Financial Regulations, approved by the Finance and Resources Committee and Council, supported by more detailed financial controls and procedures published by the Finance Department, and specialist policy documents (eg Fraud Policy) approved by Council, Audit Committee or Finance and Resources Committee as appropriate;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by Council and whose Head provides the Audit Committee with a report on the internal audit activity within the College and an Opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

[1] In accordance with the Financial Memorandum, the College has to designate a principal Office Holder, acceptable to the Funding Council, who is required to:

- satisfy the College's Council that all conditions relating to the use of funds provided by the Funding Council are complied with;
- advise the College's Council if at any time any action or policy under consideration by it appears to the designated office holder to be incompatible with the terms of the Financial Memorandum. The designated Office Holder is required to inform the Chief Officer of the Funding Council in writing should the College's Council decide nevertheless to proceed. The Warden of the College, Professor Geoffrey Crossick, is its designated Office Holder.

Report of the Warden

INTRODUCTION

The Financial Statements comprise the results of Goldsmiths, University of London.

The College has one subsidiary company, Pure Goldsmiths Ltd, which did not trade in the financial year.

MISSION AND VALUES

Goldsmiths is a research-intensive institution with a distinctive academic profile, a commitment to the quality of the learning experience that it offers its students, and an influence that is both global and local. Goldsmiths' Mission is to offer a transformative experience, generating knowledge and stimulating self-discovery through creative, radical and intellectually rigorous thinking and practice. In pursuing this Mission, we are committed to a set of core values that include achieving academic excellence, embracing complexity, encouraging radical thinking, and creating change locally and globally.

The combined effect of our Mission and values is an institution that produces high-quality research and research-led teaching that is very distinctive.

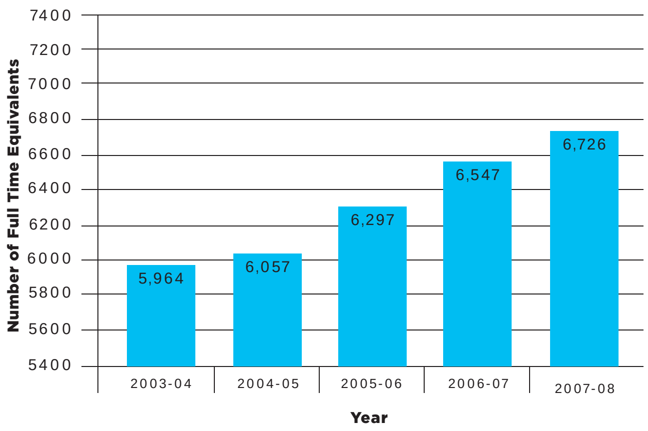
OPERATIONS

Students

Goldsmiths currently has approaching 7,000 full-time equivalent students from around the world and offers a broad range of undergraduate, postgraduate and continuing & professional development courses. These range from the arts and humanities including design, drama, history, literature, media and communications, music, art, visual cultures; the social and behavioural sciences – anthropology, politics, sociology and psychology; computing; and education, with interdisciplinary work across all areas. The unifying factors spanning this range of diverse subjects are a liberal and creative approach to teaching and learning, with the emphasis on freedom of thought and expression alongside high and rigorous standards, and a research-led teaching ethos. Above all, we aim to maximise the benefits that our relatively small size brings, creating a stimulating but supportive atmosphere, in which students know each other, and are known by their tutors.

The College has experienced a steady growth in student numbers over the past as illustrated in the chart below:

Goldsmiths student FTE



In 2007-08 we had 6,726 full-time equivalent (FTE) students — a 2.7% increase over the previous year.

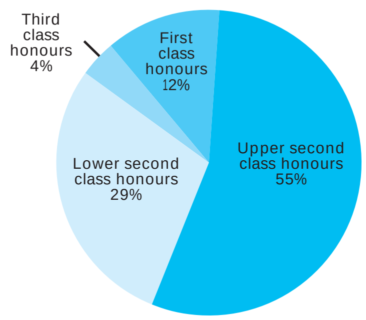
During 2007-08 the number of applications for undergraduate study from home and EU students fell by 6.4% compared to the previous year. This reduction is explained by changes to UCAS, the national university admissions system, which requires students to list five institutions rather than the six to which they had previously been able to apply. This reduced the potential number of applications by 16.7% and means that our relatively small reduction in applications is an indicator of continued high levels of interest in our academic programmes.

The number of overseas applications for undergraduate study was down by almost 8%, with the same reduction in the number of institutions that applicants might select, and it is likely that we will continue to recruit and maintain the number of overseas students at just under 14% of total FTEs.

Our graduation ceremonies are a unique blend of tradition, ceremony, informality and warm celebration. In 2007-08 around 1,200 students graduated at five ceremonies held in the Great Hall of the Richard Hoggart Building.

Overall academic performance is summarised in the following chart:

Undergraduate students successfully completing degree in 2007-08 by classification



Goldsmiths is keen to improve the student experience by working closely with the Students' Union and canvassing the views of students directly. During the year in question, students were given the opportunity to comment via the National Student Survey (NSS) and the International Student Barometer survey. The feedback from both surveys has had a direct influence on College decision-making and has led to the enhancement of the student support provided. For example, during 2007-08, work started on a phased capital programme of improvements in the Library to modernise the facilities and to improve social learning spaces for students.

Students win prestigious Hives design award:
Two of our 200 BA Design students won the Hives design competition in Manchester to design the exterior artwork for a major building in Manchester's Northern Quarter.

Goldsmiths and BAA
Goldsmiths and BAA joined forces this year to create a unique contemporary art and design project: the Goldsmiths /BAA Expo Award. Goldsmiths students from all levels and disciplines proposed innovative installations for Heathrow Terminal 5, culminating in the commission and subsequent installation of two imposing and much commented upon artworks in the Departures Hall.

RESEARCH

Goldsmiths is a member of the 1994 Group, comprising nineteen internationally-renowned, small-to-medium-sized research-intensive universities, which was established to promote excellence in research and teaching, to enhance student and staff experience within the member universities, and to help set the agenda for higher education.

Early in the financial year there was a major focus on the 2008 Research Assessment Exercise (RAE) in which the quality of the research output of academic staff at all universities is evaluated by panels of peers; the outcomes will be announced in December. Goldsmiths has performed well in previous RAEs, its successive results following a positive overall trajectory; we are optimistic that this trend will be sustained.

Reflecting our status as a research-intensive university, a high proportion of our eligible academic staff were entered in this year's submission. The outcome of the exercise is important both for our reputation and for the level of future HEFCE funding that we receive for research.

Goldsmiths' has seen striking increases in research grant income. Recent successes include:

- A grant of £1.24m from the European Union secured by Dr Marian Ursu from the Department of Computing to continue his research into seamless audio-visual interactions between groups of people.
- Professor Frederic Fol Leymarie and Professor William Latham [Computing] have an award of £0.5m to research online games development from a commercial company.
- Dr Lauren Stewart [Psychology] was the winner of a prestigious First Grant award from the ESRC worth £310k for research in Fractionating the Musical Mind: Insights from Congenital Amusia.
- The celebrated sound poet Lawrence Upton's [Music] award of an AHRC Creative Fellowship worth £258K working with Dr John Drever [Music] for a project entitled 'Notation for Sound Art involving live presence'.
- Dr Tim Crawford's [Computing] award from the AHRC's E-Science Programme which gained an award worth £326k for his project entitled Purcell Plus: Exploring an eScience Methodology for Musicologists.
- Dr Alpa Shah [Anthropology] winner of a Research Fellowship from the ESRC to the value of £436k for the project ' Every day life and livelihoods of marginalised communities in Jharkhand'.

ENTERPRISE AND KNOWLEDGE TRANSFER

During 2007-08 we received excellent news that our HEIF grant was to be increased by 66% to £250K [rising to £375K in 2010-11] following a considerable increase in knowledge transfer activity in recent years. Indeed, had HEFCE not capped the permitted growth in HEIF grants we would have been awarded significantly more. We are in the early stages of launching a new spin-out company to commercialise research from our Department of Computing which has the potential to significantly improve productivity in the creative software industry.

The College's subject mix, with its emphasis on the creative and performing arts, media. education, the humanities and social sciences means that our business engagement is primarily geared towards small and medium-sized enterprise. We have plans to increase the use of our Internal Investment Fund, and to expand our collaborative and contract research activity. We continue to make use of pre-commercial funds and relationships with venture capitalists in the HEIF 4 period.

DEVELOPMENT ACTIVITY

During 2007-08, the Development and Alumni Office was reviewed by an independent consultant with a view to strengthening the function. A revised structure is now in place with additional resources headed by a newly appointed Director of Development. The Development and Alumni Office is currently in the process of planning a number of initiatives intended to build the foundations of future fundraising income. In the coming year the Office will be very well placed to engage with all individuals and agencies, including our alumni, interested in supporting Goldsmiths philanthropically. We welcome the government's new match funding initiative which will provide additional incentives for those interested in supporting universities, and we shall actively engage with this new opportunity.

RISK MANAGEMENT

Risks are reviewed regularly by the Senior Management Team and the College maintains a risk register which is also discussed at Council, Goldsmiths' governing body. Risks are ranked taking account of their likelihood and potential impact and the extent to which management can mitigate their effect.

Under the guidance of our internal Auditors, the Kingston City Group, and our Planning Office we are taking active steps to continue to embed the risk management process. The following risks are currently ranked highest by the College's Senior Managers:

Recruitment against international student targets:

International tuition fee income is a relatively high proportion of the College's total income. Although this indicates that our programmes are regarded as attractive in the international market, it also exposes us to greater risk because global changes, most of which are beyond Goldsmiths' control, may threaten an important income stream. The Senior Management Team are addressing this risk by investing in the College's marketing activity and developing appropriate strategies for avoiding an overreliance on any one particular region or country.

Maintenance of staffing:

Goldsmiths is operating in an increasingly competitive environment for the highly skilled staff required to implement its ambitious plans — including maintaining its continued success as a world-class research institution. A recent review of our Human Resources (HR) Department has resulted in increased investment to enhance the support for managers in dealing with HR issues. In addition, our Staff Development Strategy has been refocused to provide additional support and an improved approach to performance management.

Generation of resources for investment:

A number of changes in the national and international environment threaten Goldsmiths plans for improved financial performance in the medium-term. For example, changes to the funding arrangements for students who study for qualifications that are lower or equivalent to those already held, have resulted in a significant phased loss of grant over the next three years. In addition, pressure remains on our costs due to salary and general inflation plus the deterioration of the global economic environment. The Senior Management Team has responded by embarking upon the development of a new Financial Strategy.

Business continuity:

The College has recognised the need for a more co-ordinated, comprehensive approach to planning for disruptions to its operations. A project team led by the Registrar and Secretary has been formed to implement a framework recommended by the consultants advising us on business continuity and to ensure plans of major service areas individually and collectively deal with risks identified.

FINANCIAL HIGHLIGHTS

Summary Outturn statement 2007-08

	2008 £'000	2007 Restated £'000	Change %
Income	**71,862**	**64,405**	**12%**
Staff	42,735	39,828	7%
Non Staff	26,360	24,681	7%
Expenditure	**69,095**	**64,509**	**7%**
Operating surplus/(deficit)	**2,767**	**(104)**	
Historical cost surplus	**3,557**	**686**	**518%**

SURPLUS

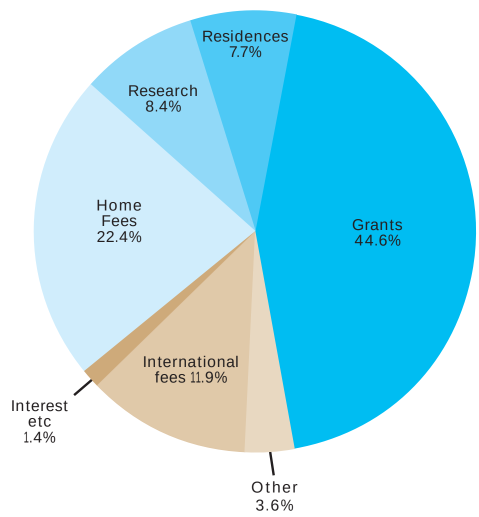
The historic cost surplus has improved from £686K to £3,557k – a more than fourfold increase. We are pleased that some of this increase represents improved performance and the delivery of our financial objectives, but we also recognise that a part is the result of particular factors operating in that year which are unlikely to be repeated. Goldsmiths aims to achieve surpluses of at least 3% of turnover per annum and the 2007-08 surplus of 5% provides a welcome boost to our reserves. Goldsmiths will reinvest these surpluses in its infrastructure in order to continually improve the facilities for its students, staff and visitors to the campus.

INCOME

Income in 2007-08 has increased by £7.46m [11.6%] over 2006-07. A proportion of this growth is the result of the additional income received from the second year of variable tuition fees but even if this is discounted, growth has been significant and is around our target level of 8%.

Goldsmiths income is made up as follows:

Income 2007-08

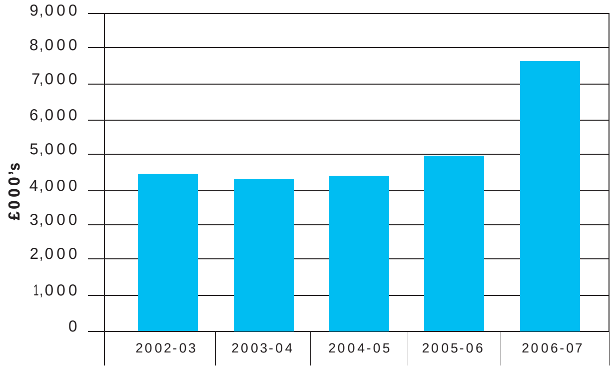


FUNDING COUNCIL GRANTS

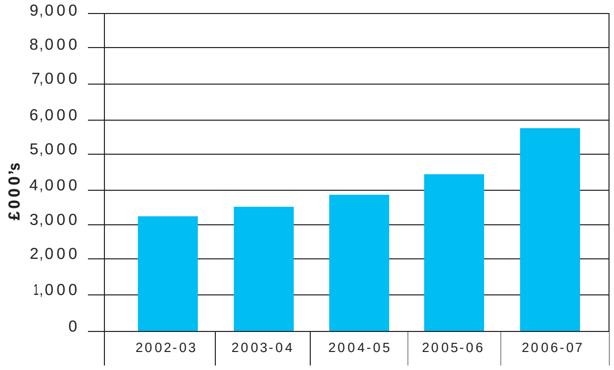
Goldsmiths receives grants from the Higher Education Funding Council for England (HEFCE), the Teacher Development Agency (TDA) and the Learning and Skills Council. However, HEFCE grants account for over 87% of the total. The HEFCE grant for research accounts for over one third of the total mainstream grant reflecting the College's research-intensive character. Overall, funding council grants rose by 3.9%.

TUITION FEES

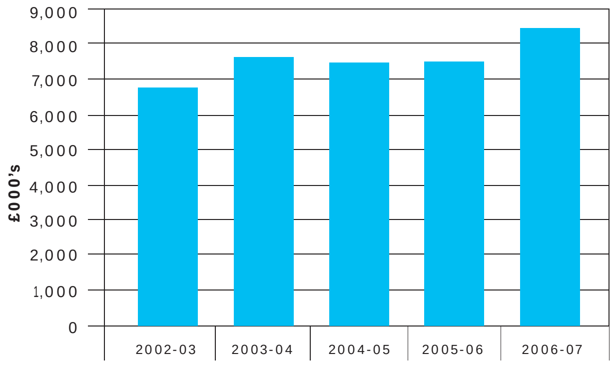
Home and EU undergraduates



Home and EU postgraduates (incl grants)



International



Total tuition fee income growth over the past five years

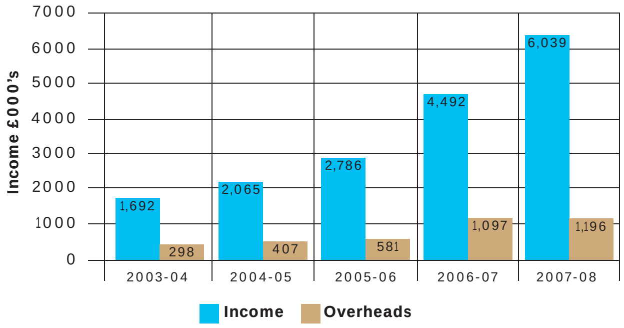
2003-04	2004-05	Change	2005-06	Change	2006-07	Change	2007-08	Change
£'000	£'000	%	£'000	%	£'000	%	£'000	%
15,274	15,484	1%	16,523	7%	20,932	27%	24,597	18%

Tuition fees have risen by almost 18% against the previous year to £24,597k in 2007-08. Almost 80% of the growth in overall fee income is accounted for by the increase in full-time home and EU fee income which is partially explained by a second year of the variable fee regime. It should also be noted that there has been an increase of 6% in the fee income from international students indicating continued demand for our academic programmes in the wider international market.

RESEARCH

In the past, partly as a consequence of its subject mix, Goldsmiths' income from research grants and contracts has been a relatively low proportion of overall turnover. However, following the launch of a new strategy and a decision by the Senior Management Team in 2004-05 to place a greater emphasis on securing additional grant income, Goldsmiths has consistently run ahead of the target growth of 25% per annum (using 2004-05 figures as the base year). In 2007-08 turnover topped £6m, representing an increase of 34% over the previous year. Details of our performance over the last five years are in the chart below:

Research Income - 5 Years to 31 July 2008



The growth of research grant and contract income has been part of a strategy to diversify our income streams and reduce Goldsmiths' reliance on funding from HEFCE. The introduction of funding based on the principles of 'full Economic Costing' (fEC) has immediately improved the funding available from research council and government grants and is likely to have a positive influence more generally in the longer term. The receipt of fEC grants has contributed, and will continue to contribute, to improvements in the College's long-term financial sustainability.

OTHER OPERATING INCOME

Other operating income rose by 6.7%. Income from our Residences, Conferences and Catering operations rose by around 3% taking the total to £5.5m. The bulk of the increase however, resulted from a rise in 'other income' which increased by £452k resulting in a total of £1.6m. During the year, the College benefited from, amongst other things, an improved level of recovery of Value Added Tax.

INVESTMENT INCOME ETC.

Cash balances have remained healthy all year which, taken with the relatively high money market rates, has resulted in an increase in earnings of 92% to £947k.

EXPENDITURE

Staff costs

Goldsmiths' long-term success is very dependent on its ability to maintain its investment in the excellent staff required to deliver, and to support the delivery of, high-quality teaching and research.

Other Operating Expenditure

During 2007-08 staff costs rose by 7.3% to £42.7m and accounted for 62% of expenditure. It should be noted that this significant increase (compared to inflation) is in part a reflection of the success in securing a rapid growth in research income, and the rise in research-related staffing expenditure amounted to over £550k.

Other operating expenditure grew by almost 7%. However, once the growth in expenditure on research grants and contracts is removed [£900k] the increase falls to a more modest 2.4%less than the prevailing rate of inflation. The relatively low level of increase in non-pay expenditure has contributed to the improvement in the College's surplus compared to 2006-07.

Capital expenditure

Goldsmiths invested £5.3m in buildings and £0.9m in equipment assets during 2007-08. A project to re-clad, re-roof and fully double-glaze the Whitehead Building facing the College Green has transformed its appearance. The Whitehead Building project accounted for £4m of the sum invested. A further £1m represented initial expenditure on a major new building which will be located at the rear of the College Green to house our highly-rated Department of Media and Communications, and provide space for future growth.

Endowments

During the year the College benefited from the generosity of a former employee who left a bequest of £425k to be invested to earn income to support a Chair in the Department of Educational Studies. Endowments rose as a consequence by 32% to £1.8m.

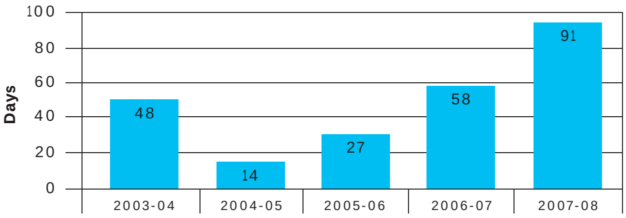
Goldsmiths endowments are invested in bonds and in a pooled equity fund to earn income to contribute to academic posts etc. and to enable the capital value of the fund to grow over time. In 2007-08 however, due to a poor stock market performance the fund had a negative return of £46k over the year.

Cash

After a low point in 2004-05, Goldsmiths' cash balances have remained healthy. Net cash flows from operating activities were strong in the year at £6.9m (2007: £7.1m) and net debt reduced to £1.9m (2007: £9.2m).

The chart below shows the amount of cash held at the year end expressed in terms of number of days of expenditure.

Cash & short-term investments/ Total expenditure (days)



Our Financial Strategy includes a target minimum cash balance of 40 days of expenditure and the table shows that it has been comfortably exceeded in the past two years.

ACCOUNTING POLICIES

Detailed accounting policies are found in Note 1 to the Accounts. Certain prior year adjustments have been made and the prior year figures have been restated. Details are shown in Note 23.

OUTLOOK

Goldsmiths will continue to provide research, research-led teaching, knowledge transfer and engagement with the local, national and international communities. It will be innovative and creative in its approach. In common with other universities however, we are operating in an increasingly difficult and challenging environment. Nationally negotiated pay increases have in the past three years increased salary rates by well ahead of general inflation. The rising costs of pensions and high inflationary increases to non-pay items such as energy also put pressure on overall finances. Additionally the changes in government policy towards funding for students with equivalent or lower level qualifications, has increased the strain on our finances.

Goldsmiths is currently forecasting modest outturns in the medium-term. We recognise that these will not in themselves be sufficient to secure the College's long-term sustainability. We recognise the need to increase net income while also acting to control and reduce expenditure. With this in mind, we are revising our key strategies, especially through the development of a new Financial Strategy, as well as embarking on changes to our administrative and operational structures. We appreciate that all higher education institutions are operating in a more uncertain funding and global economic environment, but are nonetheless confident that the strategic and operational measures that we are taking will ensure that we can respond to the challenges and generate the surpluses necessary for Goldsmiths' future sustainability and success.

CONCLUSION

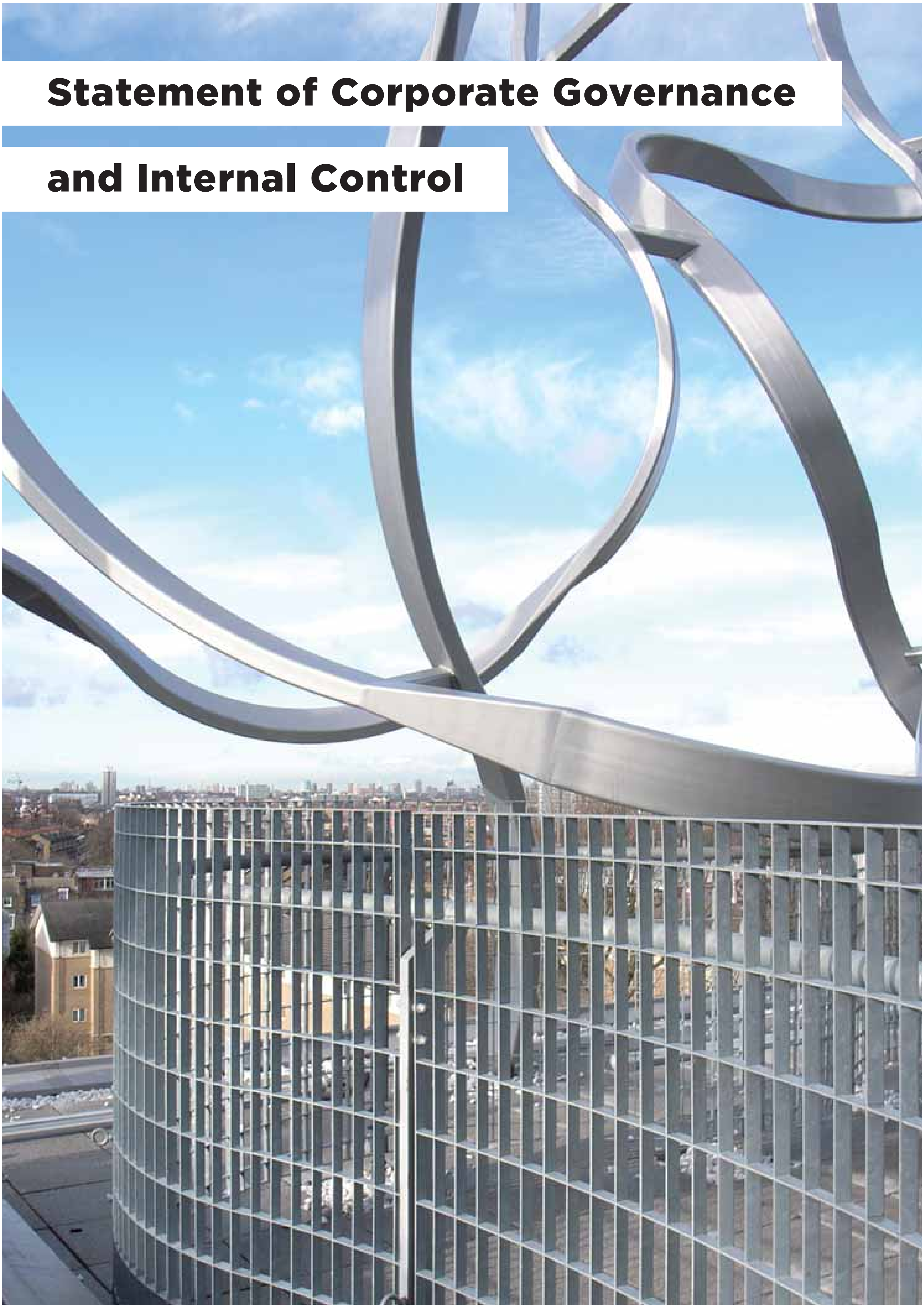
The College aims to grow its activities over the medium-term. The Senior Management Team, guided by the College Strategy and the new Financial Strategy, will continue to invest in its staff and facilities to ensure improved overall financial and academic performance in the medium-term whilst maintaining the essential characteristics that make Goldsmiths a leading, distinctive UK higher education institution.

The College relies heavily upon all of its staff to realise its objectives, and I would like to take this opportunity to record my thanks to them all for their support and endeavour over the past year. Special thanks are due to our independent members of Council, whose advice and support have been invaluable during this period of change.

Professor Geoffrey Crossick
Warden

November 2008

Statement of Corporate Governance and Internal Control



Council, the Governing Body of the College, has responsibility for maintaining a sound system of internal control that supports the achievement of its strategic aims, whilst safeguarding the public and other funds and assets for which it is responsible. It does this in accordance with the responsibilities assigned to the Governing Body in the College's Statutes and the Financial Memorandum with HEFCE, and taking into account good practice guidance published for universities and for the public sector generally. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve strategic aims; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system 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 for the year ended 31 July 2008 and up to the date of approval of the Financial Statements, and accords with HEFCE guidance. Council has responsibility for reviewing the effectiveness of the system of internal control and has established the following processes:

- Meetings at least three times per year to consider the plans and strategic direction of the institution; [2]

- the receipt of Audit Committee Minutes, detailing the Committee's oversight of internal control procedures,including receipt of regular reports from the Head of Internal Audit;

- the receipt of reports from managers concerning progress on key projects, including risk management;

- initiatives to develop a more robust approach to the management of risk more broadly, including clarification of responsibilities for risk assigned to Council, Audit Committee and the Senior Management Team (last reviewed 2006-07); a programme of risk awareness training; a robust risk prioritisation methodology based on risk ranking and cost-benefit analysis, and the maintenance of a Strategic Risk Register regularly reviewed by Council;

- a system of key performance indicators regularly reviewed by Council;

- a Conflicts of Interests Policy which deals with the declaration and handling of all types of conflict, and a published register of interests. Council's ongoing review of the effectiveness of the system of internal control is informed by the internal audit unit, which operates to standards defined in the HEFCE Audit Code of Practice and which has been reviewed for effectiveness by the HEFCE Audit Service. The internal auditors submit regular reports which include the Head of Internal Audit's independent Opinion on the adequacy and effectiveness of the College's system of internal control, with recommendations for improvement. It should be noted that these reports are informed by the knowledge and expertise the internal auditors gain from their work in other institutions.

Council is also informed about the effectiveness of the system of internal control 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.

[2] During its December 2006 review of compliance with the CUC Code of Practice, Council gave explicit consideration to the CUC Code recommendation (clause 4) to hold four meetings a year. It concluded that in the light of the size and overall pattern of business of the College, the current convention of holding three meetings a year was normally sufficient.

Independent auditors' report to the Council of Goldsmiths, University of London

We have audited the Financial Statements of Goldsmiths, University of London (the “College”) for the year ended 31 July 2008 which comprise the Income and Expenditure Account, the statement of total recognised gains and losses, the note of historical cost surpluses and deficits, the balance sheet, the cash flow statement and the related notes 1 to 38. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Council of the College, as a body, in accordance with the Financial Memorandum dated July 2006. Our audit work has been undertaken so that we might state to the Council 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 Council and the Council’s members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

As described in the statement of the Council’s responsibilities, the Council is responsible for the preparation of the Financial Statements in accordance with the College’s statute, the Statement of Recommended Practice on Accounting for Further and Higher Education and other applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

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

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

We also report if, in our opinion, the Council’s report is not consistent with the Financial Statements, if the College 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 Council’s report, including the corporate governance statement, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements.

BASIS OF OPINION

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

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

OPINION

In our opinion:

(a) the Financial Statements give a true and fair view of the state of affairs of the College as at 31 July 2008 and of the surplus of the College for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions;

(b) in all material respects income from the Higher Education Funding Council for England, the Training and Development Agency for Schools, the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the College have been applied only for the purposes for which they were received; and

(c) in all material respects income has been applied in accordance with the College’s statutes and, where appropriate, with the Financial Memorandum, dated July 2006 with the Higher Education Funding Council for England, the funding agreement with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
St Albans

27 November 2008

Income and Expenditure Account

for the year ended 31 July 2008

	Note	2008 £'000	2007 Restated (see note 23) £'000
INCOME			
Funding body grants	2	32,024	30,828
Tuition fees and support grants	3	24,708	20,974
Research grants and contracts	4	6,039	4,492
Other operating income	5	8,073	7,565
Endowment and investment income	6	1,018	546
Total Income		**71,862**	**64,405**
EXPENDITURE			
Staff costs	7	42,735	39,828
Other operating expenses	9	20,907	19,566
Depreciation of tangible fixed assets	12	3,919	3,585
Interest and other finance costs	10	1,534	1,530
Total Expenditure		**69,095**	**64,509**
Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and before taxation		2,767	(104)
Taxation	11	-	-
Surplus/(deficit) after depreciation of tangible fixed assets at valuation and taxation		**2,767**	**(104)**
Transfer from accumulated income within specific endowments		**4**	**10**
Surplus/(deficit) for the year retained within general reserves		**2,771**	**(94)**

Note of Historical Cost Surpluses and Deficits

for the year ended 31 July 2008

	Note	2008 £'000	2007 Restated £'000
Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and taxation		**2,767**	**(104)**
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	22	790	790
Historical cost surplus for the period after taxation		**3,557**	**686**

None of the College's major activities were acquired or discontinued during the above financial years

Details of the prior year adjustments are given at note 23.

Statement of Total Recognised Gains and Losses
for the year ended 31 July 2008

	Note	2008 £'000	2007 Restated £'000
Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and tax		2,767	(104)
(Depreciation)/Appreciation of endowment asset investment	20	(46)	6
New endowment fund	20	483	59
Endowment funds reclassified	20	-	(11)
Actuarial (loss)/gain recognised in pension scheme	32	(1,981)	3,111
Total recognised gains relating to the year		**1,223**	**3,061**
Prior year adjustment	23	(4,633)	-
Total recognised gains since last Financial Statements		**(3,410)**	**3,061**
Reconciliation			
Opening reserves and endowments		29,085	26,024
Total recognised gains for the year		1,223	3,061
Closing reserves and endowments		**30,308**	**29,085**

Balance Sheet
as at 31 July 2008

	Note	2008 £'000	2007 Restated £'000
Fixed Assets			
Tangible assets	12	71,797	69,579
Investments	13	28	28
		71,825	**69,607**
Endowment Assets	14	**1,791**	**1,358**
Current Assets			
Stock		36	82
Debtors	15	5,191	3,975
Investments		8,467	6,110
Cash at bank and in hand		7,760	3,521
		21,454	**13,688**
Less: Creditors - amounts falling due within one year	16	(14,623)	(12,775)
Net current assets		**6,831**	**913**
Total assets less current liabilities		**80,447**	**71,878**
Less: Creditors - amounts falling due after more than one year	17	(18,695)	(19,036)
Less: Provisions for liabilities	18	(699)	(255)
Total net assets excluding pension liability		**61,053**	**52,587**
Net pension liability	32	(8,725)	(6,591)
TOTAL NET ASSETS INCLUDING PENSION LIABILITY		**52,328**	**45,996**
Represented by:			
Deferred capital grants	19	**22,020**	**16,911**
Endowments			
Expendable	20	72	60
Permanent	20	1,719	1,298
		1,791	**1,358**
Reserves			
Income and Expenditure Account excluding pension reserve		11,631	7,917
Pension reserve		(8,725)	(6,591)
Income and Expenditure Account including pension reserve	21	**2,906**	**1,326**
Revaluation reserve	22	25,611	26,401
		28,517	**27,727**
TOTAL FUNDS		**52,328**	**45,996**

Signed and approved on behalf of Council by:

Mr Mark Baillache
Chair of Finance and Resources Committee

Professor Geoffrey Crossick
Warden

Date: 27 November 2008

Cash Flow Statement
for the year ended 31 July 2008

	Note	2008 £'000	2007 Restated £'000
Net cash inflow from operating activities	26	6,901	7,079
Returns on investments and servicing of finance	27	(493)	(878)
Capital expenditure and financial investment	28	941	(1,617)
Management of liquid resources	29	(2,357)	(6,110)
Financing	30	(274)	1,081
Increase/(decrease) in cash in the period		**4,718**	**(445)**
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period		4,718	(445)
Increase in liquid resources		2,357	6,110
Decrease/(increase) in loans		274	(1,081)
Change in net debt		**7,349**	**4,584**
Opening net debt at 1 August		(9,223)	(13,807)
Closing net debt **at 31 July**		**(1,874)**	**(9,223)**

Notes to the Accounts
for the year ended 31 July 2008

1. PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

These Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards. The Financial Statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets. A prior year adjustment has been made and details of this are given in Note 23.

BASIS OF CONSOLIDATION

The Financial Statements do not include those of the Students' Union because the College does not control those activities. The College's subsidiary, Pure Goldsmiths Ltd, has not yet begun to trade and so no consolidation is required.

INCOME RECOGNITION

Funding council block grants are accounted for in the period to which they relate. Fee income is stated gross and credited to the Income and Expenditure Account over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the Income and Expenditure Account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded. Income from the sale of goods or services is credited to the Income and Expenditure Account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Increases or decreases in value arising on the revaluation or disposal of endowment assets the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the statement of total recognised gains and losses.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the College are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the Income and Expenditure Account.

Endowment and investment income is credited to the Income and Expenditure Account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the Income and Expenditure Account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the Income and Expenditure Account as a debit, to the extent that it is not covered by a previous revaluation surplus.

AGENCY ARRANGEMENTS

Funds which the institution receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the institution where the institution is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

LEASES AND HIRE PURCHASE CONTRACTS

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Finance leases, which substantially transfer all the benefits and risks of ownership of an asset to the College, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the Income and Expenditure Account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the lease term.

TAXATION
The College is an educational charity incorporated under a Royal Charter granted on 1 January 1990. It 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 Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the College is potentially exempt from taxation in respect of income or gains received within categories covered by Section 505 of ICTA 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. The College receives no similar exemption in respect of Value Added Tax.

In regard to income from research and consultancy and from non-student lettings and associated income, the College has applied the Inland Revenue guidelines and has considered that the level of activity in each of those areas does not constitute a trade and so will not give rise to a charge to tax. Accordingly, no provision has been made in the Accounts for taxation.

TANGIBLE FIXED ASSETS
In accordance with the transitional arrangements of FRS 15, all land and buildings existing at 31 July 1993 and revalued at 31 July 1994 by Frank Durrant Westmore and Reeves, Chartered Surveyors, will be retained at those values as cost. Properties used for educational and hostel purposes have been valued on the Depreciated Replacement Cost basis and residential properties on the basis of Open Market Value For Existing Use. Subsequent additions since 1994 are stated at cost.

All plant and equipment below an initial cost of £7,500 per individual item or group of related items have been expensed in the year of acquisition. Plant and equipment costing £7,500 and over are capitalised and written off over their useful lives as indicated in the depreciation table below.

Where fixed assets are acquired with the aid of specific grants, they are capitalised and depreciated according to the categories in which they fall. The related grants are treated as deferred capital grants and released to income over their expected useful lives. Fixed assets in the course of construction are not depreciated until their year of completion.Depreciation is provided on cost or valuation on a straight-line basis so as to write off the assets over their estimated useful lives. The rates of depreciation used are as follows:

Land and Buildings	Per Annum	Fixtures, Fittings and Equipment	Per Annum
Freehold			
Land	NIL	Library stacks	10%
Buildings (long-term)	2.5%	Administrative computer systems	20%
Buildings (short-term refurbishments)	10%	Other plant and equipment	33.33%
Buildings (long-term refurbishments)	5%		
Leasehold			
Asset held under finance lease	4%		

Works of art and other valuable artefacts are not capitalised. The College has no heritage assets.

REPAIRS AND MAINTENANCE
Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the Income and Expenditure Account in the period it is incurred. The College has a planned maintenance programme, which is reviewed on an annual basis.

INVESTMENTS
Fixed Asset Investments and Endowment Asset Investments are shown at market value where known. Endowment and restricted funds held on temporary deposit or on short-term money market form part of the liquid funds. These funds are shown as capital contributed plus net accumulated interest.

STOCK
Stock is stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

CASH FLOWS AND LIQUID RESOURCES
Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash. Liquid resources comprise assets held as readily

disposable store of value. They include term deposits, government securities and loan stock held as part of the College's treasury management activities.

FOREIGN CURRENCY TRANSLATIONS

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year, with all resulting exchange differences being taken to the Income and Expenditure Account in the period in which they arise.

ACCOUNTING FOR CHARITABLE DONATIONS

Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment funds

Where charitable donations are to be retained for the benefit of the College as specified by the donors these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments — the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the College.
2. Restricted expendable endowments — the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the College can convert the donated sum into income.
3. Restricted permanent endowments — the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Investment for permanent endowments

Total return is the whole of the investment return received by the College on the permanent endowment funds regardless of how it has arisen. The total return, less any part of the return which has previously been applied for the purposes of the College, remains in the unapplied total return fund. This fund remains part of the permanent endowment until such time as a transfer is made to the Income and Expenditure Account.

PENSIONS

The two pension schemes in which the College participates are the Universities Superannuation Scheme (USS) for academic and academically-related staff and the London Pension Fund Authority (LPFA) for other administrative, technical, clerical and manual staff. Both schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). The liabilities are valued every three years by actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years actuaries review the progress of the schemes. Pension costs are assessed in accordance with advice of the actuaries, based on the latest actuarial valuations of the schemes.

The College accounts for pension scheme costs in accordance with FRS 17 'Retirement Benefits'. Under FRS 17 the net pension fund asset or liability for the LPFA scheme is disclosed on the Balance Sheet and the movement on the scheme's net assets/liabilities in the year is reflected partly through the Income and Expenditure Account (to the extent they relate to current service costs and the expected return on scheme assets less interest charges on scheme liabilities) and partly through the Statement of Total Recognised Gains and Losses (to the extent they relate to changes in the actuarial assumptions).

The College is unable to identify its share of the underlying assets and liabilities in the USS 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 annual employers' pension contributions borne by the College are included in salary costs charged to the various heads of expenditure. Further details of the schemes are given in Note 32 to the Accounts. Costs relating to premature retirement, restructuring and unfunded pensions are treated as additional salary costs.

PROVISIONS

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

Notes to the Accounts
for the year ended 31 July 2008

	2008 £'000	2007 £'000
2. FUNDING BODY GRANTS		
Recurrent grants		
Higher Education Funding Council	25,339	24,282
Teacher Development Agency	3,405	3,554
Learning and Skills Council	280	210
Specific grants		
Higher Education Funding Council	952	863
Teacher Development Agency	512	805
Learning and Skills Council	2	4
Deferred capital grants released in year		
Buildings (Note 19)	1,046	735
Equipment (Note 19)	488	375
	32,024	**30,828**

	2008 £'000	2007 £'000
3. TUITION FEES AND SUPPORT GRANTS		
Full-time Home and EU student fees	13,897	10,956
International student fees	8,518	8,019
Part-time student fees	1,819	1,628
Short course fees	363	329
Research training support grants	111	42
	24,708	**20,974**

Fees funded through the United States Family Education Loan Programme amounted to £1,288k and represented 5.71% of total full-time fees.

	2008 £'000	2007 £'000
4. RESEARCH GRANTS AND CONTRACTS		
Research Councils	2,771	2,515
UK-based charities	1,511	551
Other grants and contracts	1,757	1,426
	6,039	**4,492**
5. OTHER OPERATING INCOME		
Residences, catering and conferences	5,527	5,366
Other services rendered	926	1,031
Other income	1,620	1,168
	8,073	**7,565**
6. ENDOWMENT AND INVESTMENT INCOME		
Income from expendable endowments (Note 20)	1	-
Income from permanent endowments (Note 20)	70	53
Other interest receivable	947	493
	1,018	**546**

Notes to the Accounts
for the year ended 31 July 2008

	2008 Number	2007 Number

7. STAFF COSTS

The average weekly number of persons (including senior post-holders) employed by the College during the period, expressed as full-time equivalents, was:

	2008 Number	2007 Number
Teaching and research	456	453
Administrative	160	142
Technical	63	63
Clerical	202	191
Other	60	61
	941	**910**

	£'000	£'000
Salaries and wages	34,801	32,905
Social security costs	2,962	2,631
Other pension costs (Note 32)	4,376	3,969
Restructuring costs	596	323
	42,735	**39,828**

Academic departments	25,124	24,089
Academic services	2,854	2,691
Research grants and contracts	3,077	2,525
Residences, catering and conferences	681	621
Premises	2,281	2,069
Administration	6,846	6,591
General educational	688	469
Other services rendered	458	450
Other	726	323
	42,735	**39,828**

8. REMUNERATION OF DIRECTORS AND HIGHER PAID EMPLOYEES

The emoluments of the Warden's post were:

Remuneration	194	158
USS pension contributions (paid at the same rates as for other academic staff)	26	22
	220	**180**

	Number	Number
Remuneration of other higher paid staff, excluding employer's pension contributions, fall in the following band:		
£100,000-£109,999	1	-

	2008 £'000	2007 Restated £'000
9. OTHER OPERATING EXPENSES		
Academic departments	3,192	3,456
Academic services	1,264	1,245
Research grants and contracts	1,766	870
Residences, catering and conferences	3,131	3,159
Premises	4,900	4,916
Administration	3,433	3,323
General educational	2,871	2,157
Other services rendered	350	440
Total	**20,907**	**19,566**
Other operating expenses include:		
External auditors' remuneration in respect of audit services	53	39
Internal auditors' remuneration in respect of audit services	83	80
Operating leases (property)	590	569
10. INTEREST AND OTHER FINANCE COSTS		
Loans not wholly repayable within five years	525	280
Finance leases	986	1,144
Net interest on LPFA pension scheme liabilities (note 32)	23	106
	1,534	**1,530**

11. TAXATION

The charitable status of the College and the application of the Inland Revenue guidelines to its other quasi-commercial activities do not render the College liable to Corporation Tax. Accordingly no provision has been made for taxation.

Notes to the Accounts
for the year ended 31 July 2008

12. TANGIBLE ASSETS

	Land & Buildings		Fixtures Fittings & Equipment	Assets in course of construction	Total
	Freehold	Assets held under finance leases			
	£'000	£'000	£'000	£'000	£'000
Valuation/cost					
At 1 August 2007					
Valuation	44,350	-	-	-	44,350
Cost	39,511	10,404	8,249	541	58,705
Additions at cost	4,213	-	874	1,050	6,137
Transfers	331	-	4	(335)	-
Disposals	-	-	(3,272)	-	(3,272)
At 31 July 2008					
Valuation	**44,350**	**-**	**-**	**-**	**44,350**
Cost	**44,055**	**10,404**	**5,855**	**1,256**	**61,570**
Total	**88,405**	**10,404**	**5,855**	**1,256**	**105,920**
Depreciation					
At 1 August 2007	21,753	4,161	7,562	-	33,476
Charge for year	2,766	416	737	-	3,919
Disposals	-	-	(3,272)	-	(3,272)
At 31 July 2008	**24,519**	**4,577**	**5,027**	**-**	**34,123**
Net book value					
At 31 July 2008	**63,886**	**5,827**	**828**	**1,256**	**71,797**
At 1 August 2007	**62,108**	**6,243**	**687**	**541**	**69,579**

A valuation of the College's land and buildings was made in 1994 and details of the method of valuation with the name and qualifications of the valuer are given in Accounting Policies (Note 1 to the Accounts). The historic cost of the properties valued in 1994 is £7,676k.

	2008	2007
	£'000	£'000
13. INVESTMENTS		
Investments are shown at cost and represent 27,782 ordinary shares, fully paid, in CVCP Properties plc and 240 £1 shares in i2 Media Ltd.	**28**	**28**

The College has one subsidiary, Pure Goldsmiths Ltd. This company was dormant at 31 July and at that date had no issued share capital.

	2008 £'000	2007 Restated £'000
14. ENDOWMENT ASSET INVESTMENTS		
Balance at 1 August	1,358	1,313
Additions	479	50
Reclassified funds	-	(11)
(Depreciation)/appreciation in market value	(46)	6
Balance at 31 July	**1,791**	**1,358**
Represented by:		
UK Equities	873	919
Cash balances	918	439
	1,791	**1,358**
15. DEBTORS		
Amounts falling due within one year		
Student debtors	1,656	1,110
Other debtors	2,132	1,717
Prepayments and accrued income	1,391	1,122
	5,179	**3,949**
Other debtors - amounts falling due after more than one year	12	26
	5,191	**3,975**
16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Mortgages and unsecured loans	153	139
Obligations under finance leases (Note 24)	171	121
Trade creditors	4,437	4,062
Social security and other taxation payable	1,013	935
Accruals and deferred income	8,849	7,518
	14,623	**12,775**
17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Mortgage secured on residential property	8,237	8,390
Obligations under finance leases (Note 24)	10,458	10,646
	18,695	**19,036**

A 25 year mortgage taken out in March 1996 is held by Capital Bank plc (part of the Bank of Scotland) on Raymont Hall. The mortgage is secured on Raymont Hall and the average rate of interest paid in the year was 7.57%.

A 30 year mortgage taken out in December 2006 is held by Lloyds TSB plc on Surrey House and Chesterman House at a fixed interest rate of 4.995%. The facility has been provided unsecured subject to the College providing a negative pledge over all assets.

	2008 £'000	2007 Restated £'000
18. PROVISIONS FOR LIABILITIES		
Staff pensions and re-grading		
At 1 August	255	203
Utilised in year	(101)	-
Charged to the Income and Expenditure Account	545	52
At 31 July	**699**	**255**

The provision is mainly for probable claims under the new pay framework agreement and has been calculated using the average settlement percentage for staff who have already been paid arrears. We expect the majority of the expenditure to be incurred in the next two years.

19. DEFERRED CAPITAL GRANTS FROM FUNDING COUNCILS

	2008 £'000	2007 Restated £'000
At 1 August		
Buildings	16,271	16,887
Equipment	640	765
Total	**16,911**	**17,652**
Cash received		
Buildings	6,312	119
Equipment	331	250
Total	**6,643**	**369**
Released to Income and Expenditure Account		
Buildings depreciation (note 2)	1,046	735
Equipment depreciation (note 2)	488	375
Total	**1,534**	**1,110**
At 31 July		
Buildings	21,537	16,271
Equipment	483	640
Total	**22,020**	**16,911**

20. ENDOWMENTS

	Restricted Expendable £000's	Restricted Permanent £000's	Restricted Total £000's	Restricted Total £000's
At 1 August as restated				
Capital	60	1,284	1,344	1,299
Accumulated income	-	14	14	14
	60	**1,298**	**1,358**	**1,313**
Income for year (note 6)	1	70	71	53
Expenditure	(41)	(34)	(75)	(62)
New funds	52	431	483	59
Reclassified funds	-	-	-	(11)
(Decrease)/Increase in market value of investments	-	(46)	(46)	6
At 31 July	**72**	**1,719**	**1,791**	**1,358**
Represented by				
Capital			1,740	1,138
Accumulated income			51	220
			1,791	**1,358**

Notes to the Accounts
for the year ended 31 July 2008

	2008 £'000	2007 Restated £'000
21. INCOME AND EXPENDITURE ACCOUNT		
Balance at 1 August as previously stated	6,020	1,896
Prior year adjustment (note 23)	(4,694)	(4,377)
Balance at 1 August as restated	1,326	(2,481)
Releases from revaluation reserve (note 22)	790	790
Surplus/(deficit) after depreciation of assets at valuation and tax	2,771	(94)
Actuarial (loss)/gain on LPFA pension scheme (note 32)	(1,981)	3,111
As at 31 July	**2,906**	**1,326**
22. REVALUATION RESERVE		
Land and buildings at 1 August	26,401	27,191
Contributions to depreciation (note 21)	(790)	(790)
As at 31 July	**25,611**	**26,401**

23. PRIOR YEAR ADJUSTMENT

1. One of the College properties, Loring Hall, was acquired under a 25 year lease for nil premium in the year ended 31 July 1998 The terms of the lease explicitly grant the College the right to acquire the freehold at a peppercorn on termination of the lease in 2022. In view of this and other factors, a decision was made last year to treat the lease as a finance lease and to recognise the interest costs on a straight-line basis. However, this method of accounting has been found to be inappropriate as it does not give a constant periodic rate of charge on the outstanding balance across the lease term. A further prior year adjustment has now been made to recognise the interest costs so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period. The consequence of this adjustment is to increase interest payable for 2006-07 by £339k, to reduce the Income and Expenditure Reserve by £4,694k and to increase Creditors falling due over one year. A further effect of this new treatment of the lease is the reduction in debtors of £169k being the netting off of prepaid charges to Creditors falling due over one year. The overall reduction in Creditors falling due over one year is £4,819k.

2. Under SORP 2007 donations must in general be treated as income for the year; or as permanent or expendable endowments. Donations of £60k (including £43k from the previous year) have been identified and have been transferred from deferred income to expendable endowments as at 31 July 2007. This has resulted in a reallocation of cash to Endowment Assets of £60k with a corresponding reduction in Creditors falling due within one year and an adjustment to transfers from accumulated income of £22k.

3. Creditors which are regarded as provisions are now shown separately on the balance sheet and this has resulted in a reduction in Creditors falling due within one year of £255k.

The effect in the relevant accounts is summarised as follows:

	2007 As previously reported £'000	2007 Adjustment £'000	2007 As Restated £'000
Income and Expenditure Account			
Interest Payable	1,191	339	1,530
Endowment transfers	12	(22)	(10)
		317	

23. PRIOR YEAR ADJUSTMENT (continued)

	2007 As previously reported £'000	2007 Adjustment £'000	2007 As Restated £'000
Balance Sheet			
Endowment Assets	1,298	60	1,358
Endowments	(1,298)	(60)	(1,358)
Income and Expenditure Account	(6,020)	4,694	(1,326)
Cash	3,581	(60)	3,521
Provisions	-	(255)	(255)
Debtors	4,144	(169)	3,975
Creditors - falling due within one year	(13,384)	609	(12,775)
Creditors - falling due after more than one year	(14,217)	(4,819)	(19,036)

24. LEASE OBLIGATIONS

	2008 £'000	2007 Restated £'000
Obligations under finance leases fall due as follows:		
Between two and five years	872	686
Over five years	9,586	9,960
Total over one year (note 17)	**10,458**	**10,646**
Within one year (note 16)	171	121
Total	**10,629**	**10,767**
Operating lease commitments for the forthcoming financial year are as follows:		
Land and Buildings - leases expiring after 5 years	612	590
	612	**590**

25. CAPITAL COMMITMENTS

	2008 £'000	2007 Restated £'000
Commitments contracted as at 31 July	125	4,177
Authorised but not contracted as at 31 July	19,676	12,807
(To be partially funded by HEFCE capital grant of £9.7m)		
	19,801	**16,984**

	2008 £'000	2007 Restated £'000
26. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FROM OPERATIONS		
Surplus/(deficit) for the year	2,771	(94)
Pension costs less contributions payable	153	363
Depreciation	3,919	3,585
Contribution to depreciation from capital grants	(1,534)	(1,110)
Investment income	(1,018)	(546)
Loan interest paid	1,511	1,424
Decrease in stock	46	24
(Increase) in debtors	(1,041)	(583)
Increase in creditors	1,650	3,761
Increase in provisions	444	255
Net cash inflow from operations	**6,901**	**7,079**
27. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Income from endowments and specific funds (note 6)	71	53
Other interest receivable (note 6)	947	493
Interest paid (note 10)	(1,511)	(1,424)
	(493)	**(878)**
28. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS		
Payments to acquire tangible fixed assets	(6,006)	(2,025)
Deferred capital grants received (note 19)	6,643	369
Endowment and specific fund additions and income	304	39
	941	**(1,617)**
29. MANAGEMENT OF LIQUID RESOURCES		
Payments into short term deposits	(2,357)	(6,110)
	(2,357)	**(6,110)**
30. FINANCING		
New loan and existing loan redemptions	(153)	6,764
Capital element of finance lease capital	(121)	(5,683)
	(274)	**1,081**

31. ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2007 Restated £'000	Cash Flow £'000	Other Changes £'000	At 31 July 2008 £'000
Cash at bank and in hand				
Endowment Asset Investment	439	479	-	918
Other	3,521	4,239	-	7,760
Current Asset Investments	6,110	2,357	-	8,467
Debts due within one year	(257)	257	(324)	(324)
Debts due after more than one year	(19,036)	17	324	(18,695)
	(9,223)	**7,349**	**-**	**(1,874)**

32. PENSION SCHEMES

The two principal pension schemes for the College's staff are the Universities Superannuation Scheme (USS) and the London Pension Fund Authority (LPFA). The assets of the schemes are held in separate trustee-administered funds. The schemes are defined benefit schemes which are externally funded and are valued every three years by actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

University Superannuation Scheme

The College participates in the Universities Superannuation Scheme (USS), a defined benefits scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Ltd. The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The College 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 2005. 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. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

Standard mortality tables were used as follows:

Pre-retirement mortality	PA92 rated down 3 years
Post-retirement mortality	PA92 (c=2020) for all retired and non-retired members

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are males 19.8 years and females 22.8 years.

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

32. PENSION SCHEMES (continued)

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; and under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme; the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005 the financial security of the scheme has undergone considerable volatility. The actuary has estimated that the funding level had increased to 91% at 31 March 2007 but that at 31 March 2008 it had fallen back to 77%. This fluctuation in the scheme's funding level is due to a combination of the volatility of the investment returns on the scheme's assets in the period since 31 March 2005 compared to the returns allowed for in the funding assumptions and also the changing gilt yields, which are used to place a value on the scheme's liabilities. These estimated funding levels are based on the funding levels at 31 March 2005, adjusted to reflect the fund's actual investment performance and changes in gilt yields (ie the valuation rate of interest). On the FRS17 basis, using a AA bond discount rate of 6% based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%. An estimate of the funding level measured on a buy-out basis was approximately 78%.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the College contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out 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 £1.7 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by 0.5 billion
Rate of mortality	More prudent assumption (Mortality used at last actuarial valuation, rated down by a further year)	Increase by 0.8 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.

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.

32. PENSION SCHEMES (continued)

The total pension cost for the College was £3,200k (2007: £2,913k). This includes £410k (2007: £375k) outstanding contributions at the balance sheet date. The contribution rate payable by the College was 14% of pensionable salaries.

London Pension Fund Superannuation Scheme

The London Pension Fund Superannuation Scheme is valued every three years by a professionally qualified independent actuary using the projected unit credit method, the rate of contribution payable being determined by the actuary. The latest formal valuation of the fund was at 31 March 2007, with the next formal valuation due as at 31 March 2010. In accordance with Financial Reporting Standard ('FRS') 17, the actuarial valuation at 31 July 2007 has been reviewed and updated as at 31 July 2008 based upon the annual financial assumptions shown below:

Life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non-pensioners and 2017 for pensioners. Based on these assumptions, average future life expectancies at age 65 are summarised as follows:

	Males	Females
Current pensioners	19.6 years	22.5 years
Future pensioners	20.7 years	23.6 years

	2008	2007
Pension increase rate	3.8%	3.3%
Salary increase rate	5.3%	4.8%
Expected return on assets	7.2%	7.4%
Discount rate	6.7%	5.8%

The employer's pension fund assets and expected rate of return at 31 July are as follows:

	Expected rate of return:		Fair value as at:	
	2008 % per annum	2007 % per annum	2008 £'000	2007 £'000
Equities	7.6%	7.9%	11,865	13,636
Target return portfolio	6.3%	6.6%	3,979	4,846
Alternative assets	6.8%	7.0%	4,515	2,961
Cash	4.8%	5.1%	(78)	708
			20,281	**22,151**

32. PENSION SCHEMES (continued)

The following results were measured in accordance with the requirements of FRS17, based on the assumptions summarised above:

	Present value of defined benefit obligation		Fair value of scheme assets		Net liability recognised in the balance sheet	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Opening	(28,742)	(28,792)	22,151	19,453	(6,591)	(9,339)
Current service cost	(854)	(1,056)	-	-	(854)	(1,056)
Interest cost	(1,680)	(1,484)	-	-	(1,680)	(1,484)
Contributions by members	(337)	(322)	337	322	-	-
Actuarial gain/(loss)	1,856	2,124	(3,837)	987	(1,981)	3,111
Past service cost	(288)	-	-	-	(288)	-
Impact of settlements and curtailments	(34)	(19)	-	-	(34)	(19)
Contributions by employer	-	-	1,022	794	1,022	794
Contributions - unfunded benefits	-	-	24	24	24	24
Expected return on assets	-	-	1,657	1,378	1,657	1,378
Estimated unfunded benefits paid	24	24	(24)	(24)	-	-
Estimated benefits paid	1,049	783	(1,049)	(783)	-	-
Closing defined benefit obligation	**(29,006)**	**(28,742)**	**20,281**	**22,151**	**(8,725)**	**(6,591)**

	2008 £'000	2007 £'000
Analysis of the amount charged to staff costs within the operating surplus		
Current service cost	854	1,056
Past service cost	288	-
Curtailments and settlements	34	19
Total operating charge	**1,176**	**1,075**
Analysis of the amount that is charged to interest payable		
Expected return on pension scheme assets	1,657	1,378
Interest on pension scheme liabilities	(1,680)	(1,484)
Net charge	**(23)**	**(106)**

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Amount recognised in Statement of Total Recognised Gains and Losses (STRGL)					
Cumulative actuarial gains/(losses) at 1 August	2,547	(564)	(351)	(38)	-
Actuarial (losses)/gains recognised in STRGL	(1,981)	3,111	(213)	(313)	(38)
Cumulative actuarial gains/(losses) at 31 July	**566**	**2,547**	**(564)**	**(351)**	**(38)**

The College's contribution for non-academic staff as a percentage of pensionable salaries was 18.1% from April 2007 and 19.8% from April 2008. The pension charge for the year to 31 July 2008 was £1,176k (£2007: £1,056k).

Notes to the Accounts
for the year ended 31 July 2008

	2008 £'000	2007 £'000
33. HARDSHIP FUNDS		
Balance at 1 August	38	64
Funding council grants	273	308
Interest earned	6	6
Disbursed to students and administration	(284)	(340)
Underspent at 31 July	**33**	**38**
34. TDA TRAINING BURSARIES		
Balance at 1 August	415	286
Grant received	3,173	3,452
Payments to trainees	(3,402)	(3,323)
Underspent at 31 July	**186**	**415**
35. TDA SECONDARY SHORTAGE SUBJECT SCHEME		
Balance at 1 August	-	7
Grant received	30	53
Payments to trainees	(27)	(60)
Underspent at 31 July	**3**	**-**

Funding council grants shown in notes 33-35 are available solely for students, the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account. The balance at 31 July is included in Creditors.

	2008 £'000	2007 £'000
36. TDA MINORITY ETHNIC RECRUITMENT		
Balance at 1 August	17	7
Grant received	18	35
Underspend recovered	-	(7)
Expenditure	(17)	(18)
Underspent at 31 July	**18**	**17**
37. STUDENT ASSOCIATES SCHEME		
Balance at 1 August	54	-
Grant received	89	87
Expenditure	(75)	(33)
Underspent at 31 July	**68**	**54**

38. RELATED PARTY TRANSACTIONS
Due to the nature of the College's operations and the composition of the Council (being drawn from local public and private sector organisations) it is possible that transactions take place with organisations in which a member of Council or a member of staff may have an interest. There are no transactions of which the College is aware but any such transactions that may arise would be conducted at arm's length and in accordance with the College's Conflicts of Interest Policy.

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