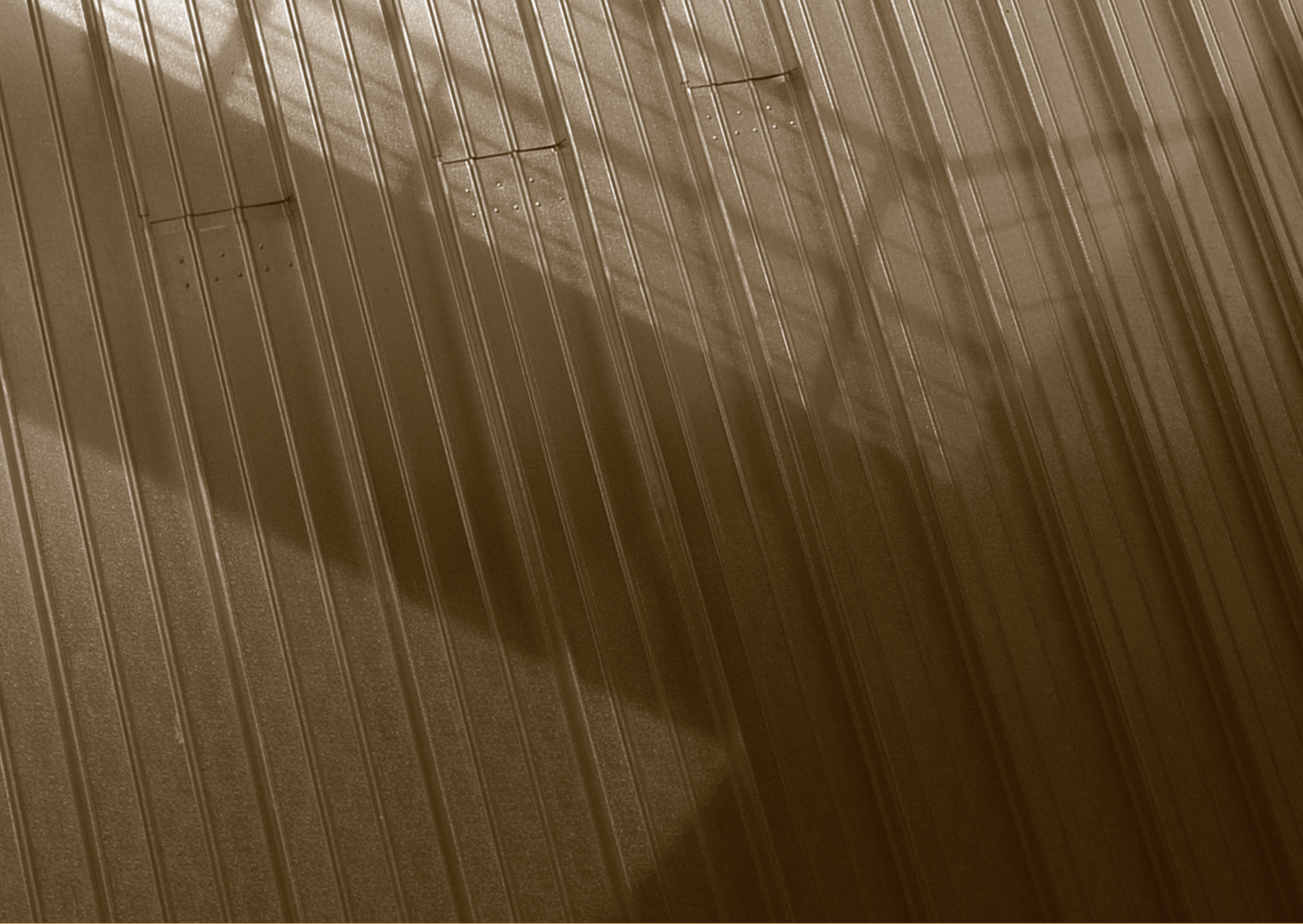

Reports and Financial Statements
for the year ended 31 July 2006

Goldsmiths
UNIVERSITY OF LONDON

Reports and Financial Statements
for the year ended 31 July 2006

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Goldsmiths
UNIVERSITY OF LONDON

Membership of the Council 2005-06

Chair:	Sir William Utting
Ex Officio	
Warden of the College:	Professor Geoffrey Crossick
Pro-Wardens:	Dr Philip Broadhead Professor Helen Carr to 31.12.2005 Professor Nirmala Rao from 1.1.2006 Professor Simon McVeigh
Deputy Chair of Council:	Sir Robert Balchin
Clerk to the Goldsmiths' Company:	Mr Dick Melly
President of the Students' Union:	Mr Dave Charlesworth
Nominated by the University of London:	Professor Warwick Gould Professor Robert Pinker
Nominated by a local education or similar succeeding authority (to be selected by the Council) with responsibilities in South East London:	Cllr Katy Donnelly
Nominated by the Council of the London Borough of Lewisham or such succeeding body as shall exercise local jurisdiction in its place:	Cllr Alyson McGarrigle
Elected by the Academic Board:	Dr Janet Hand Dr Carl Levy Mr Keith Potter
Elected by the Senior Academic Staff:	Dr David Margolies
Elected by the Non-Academic Staff:	Mr Andrew Brett
Elected by the Students:	Ms Kate Muwoki
Co-opted by the Council:	Mr Keith Ajegbo Ms Marjorie Allthorpe-Guyton Mr Bob Annibale Dr David Barrett Lady Celia Goodhart Baroness Morris of Yardley Dame Janet Ritterman Viscount Sandon Vacancy Vacancy Vacancy

Membership of the Audit Committee 2005-06

Chair:	Mr Michael Tuke
Appointed by the Council:	Ms Marjorie Allthorpe-Guyton Lady Celia Goodhart Mr Alan Jinkinson Mr David Peake Vacancy
In attendance:	Warden: Professor Geoffrey Crossick College Secretary: Ms Sharon Page Director of Resources and Planning: Mr Ian Turner Director of Finance: Mr Barry Douglas
Secretary: Committee Administrator:	Ms Jane Offerman

Senior Management Team 2005-06

Warden:	Professor Geoffrey Crossick
Pro-Warden (Academic):	Professor Helen Carr to 31.12.2005 Professor Nirmala Rao from 1.1.2006
Pro-Warden (Research & Enterprise):	Professor Simon McVeigh
Pro-Warden (Students & Learning Development):	Dr Philip Broadhead
College Secretary:	Ms Sharon Page
Director of Resources and Planning:	Mr Ian Turner
Director of Finance:	Mr Barry Douglas

Auditors

Knox Cropper
Chartered Accountants and Registered Auditors
16 New Bridge Street
London
EC4V 6AX

Bankers

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

Responsibilities of the Council

In accordance with the Charter and related Statutes, the Council of the College 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.

The 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 a Financial Memorandum agreed between the Higher Education Funding Council for England (HEFCE) and the Council of the College, 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, subject to any material departures disclosed and explained in the Financial Statements;
- Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation. The 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 the requirement in its Ordinances for the 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:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments, centres and units;
- 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 quarterly reviews of financial results involving variance reporting and updates of forecast out-turns;
- 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;
- comprehensive Financial Regulations detailing financial controls and procedures, approved by the Audit Committee and Council;
- 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

SCOPE OF THE FINANCIAL STATEMENTS

These Financial Statements cover the activities of the College for the year ended 31 July 2006. The College has one subsidiary company, The Constance Howard Foundation, a company limited by guarantee that has not yet traded.

RESULTS FOR THE YEAR

The following table summarises the College's income and expenditure for the year ended 31 July 2006 in comparison with the previous year:

	2006 £'000	2005 Restated £'000
Income	56,656	51,929
Expenditure	57,787	53,418
Deficit on continuing operations after depreciation of assets at valuation	(1,131)	(1,489)
Difference between historical cost depreciation charge and actual depreciation charge calculated on revalued amount	790	816
Historical cost deficit	(341)	(673)

The historical cost deficit on continuing operations of £341k (2005: £673k) represents a decrease of £332k on the previous year's deficit. The results for 2006, and the previous year comparatives, take account of the additional charges arising because of the adoption of the methodology for accounting for superannuation prescribed in the Financial Reporting Standard FRS 17 'Retirement Benefits'. The net costs included in the Income and Expenditure account for 2006 are £516k (2005: £526k).

The College's expenditure for the year increased by 8.2% whilst income increased by 9.1%. The major changes were:

Income

- Funding Council grants increased by 11% to £30,023k (2005: £27,050k).
- Tuition fee income increased overall by 6.8% to £16,595k (2005: £15,533k). Home fee income showed an increase of 13% and the income from international fees an increase of 0.2%.
- Income from research grants and contracts has increased substantially by 34.9% to £2,786k (2005: £2,065k) due to a higher success rate in grant applications and additional funding from Research Councils following the introduction of Full Economic Costing.

Expenditure

- Depreciation costs have increased by 15% to £3,264k (2005: £2,834k) due to new capital expenditure funded mainly by capital grant.
- Staff costs have increased by 7% to £35,622k (2005: £33,285k) and other operating expenses by 10% to £18,273k (2005: £16,606k).

CASH FLOW

Cash increased by £2,090k in the year to £4,048k. Cash inflow from operations totalled £1.920k with a net inflow from other sources of £170k.

CREDITOR PAYMENTS POLICY

It is the College's policy to pay its creditors within the time scale set out in the terms of payment of its suppliers:

RESERVES

An actuarial valuation of the London Pension Fund Authority Pension Fund has shown that the College's share of the scheme's overall deficit at 31 July 2006 was £9,339k. Under the financial reporting standard FRS 17 'Retirement Benefits', this deficit has been recorded on the Balance Sheet and has substantially reduced our stated reserves.

CAPITAL PROJECTS

Capital expenditure during the year totalled £5,124k of which £2,177k related to the Media Building. The remaining £2,947k was used mainly for:

- the installation of lifts in the Education and Lockwood buildings;
- the improvement of teaching rooms and computer facilities;
- the implementation of student and personnel record systems.

FUTURE DEVELOPMENTS

Goldsmiths has in place a new College Strategy which, although wide ranging, focuses in particular on how developments should take place in relation to growth, finance, the estate and partnerships with other organisations. The Strategy is underpinned by a new Mission statement and a summary of the values that define Goldsmiths.

The College Strategy sets ambitious targets for growth. Whilst it acknowledges that there is increased competition for both home and international students, it concludes that there is a realistic prospect of meeting the student number targets that have been set because Goldsmiths provides a significant number of popular high-quality academic programmes in areas of growing demand, and is continually looking to create new and innovative provision. Our approach, together with enhancement of recruitment staffing and other activities, provides a strong foundation from which to build further success in home and international recruitment.

The Government's new system of variable tuition fees will provide additional income to remedy some of the serious underfunding of higher education; this income will ramp up over the three years from 2006-07. A good proportion of the additional income will be spent on bursaries and other ways of addressing the needs of students from disadvantaged backgrounds. A further proportion of the fee income will fund the increase in the College's pay bill resulting from the Framework Agreement.

In addition to providing high-quality teaching, Goldsmiths is a major research institution and a member of the 1994 Group of research-intensive universities. There is a renewed emphasis within the College on the need to capitalise better on its research strengths by rapidly increasing research grant and contract income; the strengthening of the Research Office together with a refocused Business Development Office will support enhanced performance in this area. Improvements in levels of funding for grants from UK Research Councils as a result of the introduction of Full Economic Costing will mean that funding from research grants and contracts will become a vital part of the Strategy to improve our financial performance in the medium to long term.

The College Strategy has an overall aim of generating surpluses in the long-term of at least the level recommended by HEFCE, ie 3% of turnover (or currently £1.7m per annum). The surpluses are necessary to generate reserves to fund investment required in the College's infrastructure. The College's financial strategy contains a number of detailed proposals for moving towards achieving this objective. Key to its success will be our ability adequately to finance strategic initiatives whilst constraining costs.

The College is working to gain mutual benefits from existing links with institutions within the higher education sector and elsewhere; it will aim to develop new ones both within the UK and internationally. The College's teaching and research offers particular benefits to the creative industries, and enhanced engagements are planned with this sector. These will bring economic benefits within the region, provide opportunities for students and alumni and mark out Goldsmiths as a major international force in the creative industries. We also hope to make a significant contribution to the London 2012 Olympic and Paralympic Games through our participation in the Olympic Cultural Festival. This programme will also celebrate the renaissance of East London made possible by the Olympic Games, and will provide us with opportunities in terms of providing research, volunteering, education and training.

The estate will benefit from three major developments over the next three years. Grants totalling £6.3m from the Science Research Investment Fund and HEFCE's project capital funding will enable investment in the College's Whitehead Building and the replacement of temporary accommodation with a new building to house staff and students of our highly rated Department of Media and Communications and enable the development of critical creative research and practice. We are also in the early stages of planning the development of a modern residences block to complement existing student housing on campus and provide the opportunity for rationalisation of our residences provision. The College has ambitious plans in many areas – which include the creative industries, research activity and diverse student recruitment – and it will be seeking to exploit the opportunities for new buildings and refurbishment of the estate to deliver on these objectives.

DISABILITY STATEMENT

The College welcomes applications from students with learning difficulties and disabilities. We are committed to a policy which allows, as far as possible, for equality of opportunity and access to the higher and further education programmes which we provide. In support of this policy, the College is steadily updating its infrastructure using funds set aside in an earmarked capital programme totalling £3m created following a comprehensive disability audit of its accommodation. The College has undertaken a considerable amount of work in relation to the Disability Discrimination Act 2000 and the Disabled Persons (Employment) Act 1994 and will continue its capital programme over the next few years to ensure that the majority of the campus and halls are accessible to all.

CONCLUSION

The College aims to grow its activities over the medium term. The estates developments planned, including the construction of the new buildings, are expected to support the realisation of our goal to increase student numbers, to diversify income streams and improve underlying financial performance. An important element in this improvement in performance will be close attention to our cost base. The College's latest financial forecast shows deficits in the early years reflecting, in part, the continued impact of the downturn in the number of international students experienced in the recent past and the significant increase in the cost of pension contributions. However, the College's Senior Management Team, guided by the new College Strategy, will put in place measures that should significantly improve overall financial performance in the medium term whilst maintaining the essential characteristics that make Goldsmiths a leading UK higher education institution.

The College relies heavily upon all 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 challenging period.

Finally it remains for me to thank Sir William Utting who retired as Chair of Council and Chair of its Finance and Resources Committee. Sir William has provided distinguished service to the College over a period of 12 years in a number of different capacities and we will miss the warmth and good humour with which he assisted us in moving the College forward.

Professor Geoffrey Crossick
Warden

November 2006

Corporate Governance

Council, the Governing Body of Goldsmiths College, has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Governing Body in the College's Statutes and the Financial Memorandum with HEFCE.

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2006 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.
- The receipt of periodic reports from the Chair of the Audit Committee concerning internal control, and requests for reports from managers on the steps being taken to manage risks, including progress reports on key projects.
- The Audit Committee has taken on the formal responsibility for providing the oversight of risk issues.
- The Audit Committee receives reports from the Head of Internal Audit which include their independent opinion on the adequacy and effectiveness of the Institution's system of internal control, together with recommendations for improvement.
- A regular programme of facilitated workshops, under the direction of the Director of Resources and Planning, a member of the College's Senior Management Team, is held to identify and keep up to date the record of risks facing the organisation.
- A programme of risk awareness training is under way.
- A system of key performance and risk indicators has been developed.
- A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis has been established.
- An organisation-wide risk register is now maintained.
- Reports are received from budget holders, department heads and project managers on internal control activities.

Our 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 the audit of other institutions.

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

Independent Auditors' Report to the Council of Goldsmiths College

We have audited the Financial Statements of Goldsmiths College for the year ended 31 July 2006 which comprise the Income and Expenditure Account, the Note of Historical Surpluses and Deficits, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out therein.

This report is made solely to the Council's members, as a body, in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. Our audit work has been undertaken so that we might state to the Council's members those matters which we are required to state to them in an auditors' report and for no other purposes. 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 opinion 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with legislation. We also report to you whether in our opinion monies expended out of funds from whatever source administered by the College for specific purposes were properly applied for those purposes and where relevant managed in accordance with appropriate legislation and whether monies expended out of funds provided by the Higher Education Funding Council for England and the Learning and Skills Council and the Teacher Development Agency were applied in accordance with the Financial Memorandum, and any other terms and conditions attached to them.

We also report to you if, in our opinion, the Report of the Warden is not consistent with the Financial Statements, if the College has not kept proper accounting records, if 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 also, at the request of Council, review whether the Corporate Governance statement reflects the College's compliance with the relevant provisions of the Combined Code specified for our review by Council and we report if it does not.

We read the other information contained in the Warden's Report and consider the implications for our report if we become aware of any apparent misstatements.

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 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 that 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:

(i) the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2006 and of the deficit of income in relation to expenditure and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;

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

(iii) in all material respects, income has been applied in accordance with the College's Charter and Statutes and, where appropriate, with the Financial Memorandum (dated 1 October 2003) with the Higher Education Funding Council for England and funding agreements with the Learning and Skills Council, and the Teacher Development Agency.

Knox Cropper
Chartered Accountants
and Registered Auditors

16 New Bridge Street
London EC4V 6AX

15 December 2006

Income and Expenditure Account
for the year ended 31 July 2006

	Note	2006 £'000	2005 Restated £'000
INCOME			
Funding Council grants	2	30,023	27,050
Academic fees and support grants	3	16,595	15,533
Research grants and contracts	4	2,786	2,065
Other operating income	5	6,898	6,885
Endowment income and interest receivable	6	354	396
Total Income		**56,656**	**51,929**
EXPENDITURE			
Staff costs	7	35,622	33,285
Other operating expenses	9	18,273	16,606
Depreciation	12	3,264	2,834
Interest payable	10	628	693
Total Expenditure		**57,787**	**53,418**
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before taxation		**(1,131)**	**(1,489)**
Taxation	11	-	-
Deficit on continuing operations after depreciation of assets at valuation and taxation		**(1,131)**	**(1,489)**
Transfer from/(to) accumulated income within specific endowments		2	(16)
Deficit for the year retained within general reserves		**(1,129)**	**(1,505)**

NOTE OF HISTORICAL SURPLUSES AND DEFICITS
for the year ended 31 July 2006

	Note	2006 £'000	2005 £'000
Deficit on continuing operations after depreciation of assets at valuation and taxation		**(1,131)**	**(1,489)**
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	20	790	816
Historical cost deficit for the period after taxation		**(341)**	**(673)**

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

Statement of Total Recognised Gains and Losses
for the year ended 31 July 2006

	Note	2006 £'000	2005 Restated £'000
Deficit after depreciation of assets at valuation and tax		(1,131)	(1,489)
Appreciation of endowment asset investments	19	25	69
New endowment funds	19	4	2
Endowment funds reclassified	19	(76)	-
Actuarial loss recognised in pension scheme	30	(213)	(313)
Total recognised losses relating to the year		**(1,391)**	**(1,731)**
Prior year adjustment - FRS 17	21	-	(7,771)
Total recognised losses since last financial statement		**(1,391)**	**(9,502)**
Reconciliation			
Opening reserves and endowments		31,748	41,250
Total recognised losses for the year		(1,391)	(9,502)
Closing reserves and endowments		**30,357**	**31,748**

Balance Sheet
as at 31 July 2006

	Note	2006 £'000	2005 Restated £'000
Fixed Assets			
Tangible assets	12	64,481	62,621
Investments	13	28	28
		64,509	**62,649**
Endowment Asset Investments	14	**1,270**	**1,319**
Current Assets			
Stocks and stores		106	118
Debtors	15	3,392	3,430
Investments		-	-
Cash at bank and in hand		4,048	1,958
		7,546	**5,506**
Creditors: amounts falling due within one year	16	(8,712)	(8,504)
Net current liabilities		**(1,166)**	**(2,998)**
Total assets less current liabilities		**64,613**	**60,970**
Creditors: amounts falling due after more than one year	17	(7,265)	(7,371)
Total net assets excluding pension deficit		**57,348**	**53,599**
Pension deficit	30	(9,339)	(8,610)
TOTAL NET ASSETS INCLUDING PENSION DEFICIT		**48,009**	**44,989**
Represented by:			
Deferred capital grants	18	**17,652**	**13,241**
Endowments - specific	19	**1,270**	**1,319**
Reserves			
Revaluation reserve	20	27,191	27,981
Other reserves	21	1,896	2,448
TOTAL FUNDS		**48,009**	**44,989**

Signed and approved on behalf of Council by:

Mr Christopher Jonas
Chair of Council
Date: 14 December 2006

Professor Geoffrey Crossick
Warden

Cash Flow Statement
for the year ended 31 July 2006

	Note	2006 £'000	2005 Restated £'000
Net cash inflow from operating activities	24	1,920	1,964
Returns on investments and servicing of finance	25	(274)	(297)
Tax paid		-	-
Capital expenditure and financial investment	26	459	(5,832)
Management of liquid resources	27	74	2,381
Financing	28	(89)	(75)
Increase/(decrease) in cash in the period		**2,090**	**(1,859)**

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2006 £'000	2005 Restated £'000
Increase/(decrease) in cash in the period	2,090	(1,859)
Increase in liquid funds	(74)	(2,381)
Decrease in loans	89	75
Change in net debt	**2,105**	**(4,165)**
Opening net debt at 1 August	(5,072)	(907)
Closing net debt at 31 July	**(2,967)**	**(5,072)**

Notes to the Accounts
for the year ended 31 July 2006

1. PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION
The Financial Statements have been prepared in accordance with the statement of recommended practice (SORP): Accounting for Further and Higher Education and in accordance with applicable Accounting Standards. They conform to guidance published by the Higher Education Funding Council for England.

BASIS OF ACCOUNTING
The Financial Statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets.

CONSOLIDATION
In accordance with FRS 2, the Financial Statements do not contain those of the Goldsmiths Students' Union as, whilst the College is obliged to monitor expenditure and budgets within codes of practice, it does not exert control or have dominant influence over policy decisions which do not conflict with those codes. The expenditure shown in the Income and Expenditure Account of the College relates to the College's contribution to Union activities.

RECOGNITION OF INCOME
Income from sponsored research grants, contracts and other services rendered is recognised to the extent of direct expenditure incurred during the year plus any related contributions towards overhead costs.

All income from short-term deposits and endowments is credited to the Income and Expenditure Account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the Income and Expenditure Account to specific endowments.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

FOREIGN CURRENCY TRANSLATION
Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions.

MAINTENANCE OF PREMISES
Expenditure on routine corrective maintenance is charged to the Income and Expenditure Account as incurred.

TANGIBLE FIXED ASSETS

In keeping with 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. Additions since revaluation are stated at cost.

Buildings purchased under leasing arrangements that transfer substantially all the risks and rewards of ownership to the College have been capitalised. The capital element of future rental obligations is included in creditors. The interest element of the rental obligations is charged to the Income and Expenditure Account so as to produce a proportionate rate of charge on the basis of future obligations for each accounting period. Assets held under finance leases are depreciated on the same basis as similar assets according to categories shown below.

All plant and equipment below an initial cost of £7,500 per individual item or group of related items have been written off against the funds provided for their purchase. 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:

Freehold land	Nil
Freehold buildings (long-term)	2.5% per annum
Freehold buildings (short-term and refurbishments)	10% per annum
Leaseholds	over the terms of the leases
Plant and equipment (library stacks)	10% per annum
Administrative computer systems	20% per annum
Other plant and equipment	33.33% per annum

Works of art and other valuable artefacts are not capitalised.

STOCKS

Stocks are stated at the lower of cost and net realisable value. Stocks held by departments are written off as purchased as being of immaterial value.

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.

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 the 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 30 to the Accounts.

Costs relating to premature retirement, restructuring and unfunded pensions are treated as additional salary costs.

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.

Notes to the Accounts
for the year ended 31 July 2006

	2006 £'000	2005 £'000
2. FUNDING COUNCIL GRANTS		
Recurrent grants		
Higher Education Funding Council		
Teaching	14,845	14,469
Research	7,877	6,493
Teacher Development Agency	3,949	3,687
Learning and Skills Council	212	279
Total Recurrent grants	**26,883**	**24,928**
Specific grants		
Higher Education Funding Council	1,145	838
Teacher Development Agency	732	686
Learning and Skills Council	17	0
Total Recurrent and Specific grants	**28,777**	**26,452**
Deferred capital grants released in year		
Buildings (Note 18)	679	467
Equipment (Note 18)	567	131
	30,023	**27,050**

3. ACADEMIC FEES AND SUPPORT GRANTS

	2006 £'000	2005 £'000
Full-time students charged home fees	7,170	6,313
Students charged international fees	7,458	7,445
Part-time student fees	1,592	1,439
Short course fees	303	287
Research training support grants	72	49
	16,595	**15,533**

Fees funded through the United States Family Education Loan Programme amounted to £462k and represented 3.16% of total full-time fees

4. RESEARCH GRANTS AND CONTRACTS

	2006 £'000	2005 £'000
Research Councils	1,450	955
UK-based charities	358	412
Other grants and contracts	978	698
	2,786	**2,065**

Notes to the Accounts
for the year ended 31 July 2006

	2006 £'000	2005 Restated £'000
5. OTHER OPERATING INCOME		
Residences, catering and conferences	5,195	5,220
Other services rendered	675	707
Other income	1,028	903
Exceptional VAT recovery	-	55
	6,898	**6,885**

6. ENDOWMENT INCOME AND INTEREST RECEIVABLE

	2006 £'000	2005 Restated £'000
Specific endowments (Note 19)	62	78
Other interest receivable	292	318
	354	**396**

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:

	Number	Number
Teaching and research	432	406
Administrative	147	139
Technical	59	61
Clerical	184	181
Other	69	75
	891	**862**

	£'000	£'000
Salaries and wages	29,210	27,341
Social security costs	2,465	2,294
Other pension costs (Note 30)	3,653	3,198
Restructuring costs	294	452
	35,622	**33,285**
Academic departments	21,998	20,777
Academic services	2,415	2,359
Research grants and contracts	1,575	1,173
Residences, catering and conferences	584	592
Premises	1,851	1,756
Administration	6,066	5,344
General educational	433	417
Other services rendered	406	415
Other	294	452
	35,622	**33,285**

Notes to the Accounts
for the year ended 31 July 2006

	2006 £'000	2005 Restated £'000
8. REMUNERATION OF DIRECTORS AND HIGHER PAID EMPLOYEES		
The emoluments of the Warden's post were:		
Remuneration	144	115
USS pension contributions (paid at the same rates as for other academic staff)	17	15
Taxable benefit in kind (fiscal year basis)	-	-
	161	**130**
Remuneration of other higher paid staff, excluding employer's pension contributions, fall in the following band:	Number	Number
£70,000-£79,999	3	4
£80,000-£89,999	2	2

9. OTHER OPERATING EXPENSES	£'000	£'000
Academic departments	3,367	3,184
Academic services	1,217	1,126
Research grants and contracts	630	485
Residences, catering and conferences	3,993	3,767
Premises	4,407	3,766
Administration	3,242	3,046
General educational	1,291	1,101
Other services rendered	126	131
	18,273	**16,606**
Other operating expenses include:		
Auditors' remuneration (external audit)	37	37
Auditors' remuneration (internal audit)	66	51
Equipment operating lease rentals	-	-

10. INTEREST PAYABLE		
Loans not wholly repayable within five years	109	102
Finance leases	391	390
Net interest on LPFA pension scheme liabilities	128	201
	628	**693**

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 2006

12. TANGIBLE ASSETS

	Land & Buildings		Equipment	Total
	Freehold	Financed Leasehold		
	£'000	£'000	£'000	£'000
Valuation/cost				
At 1 August 2005				
Valuation	44,350	-	-	44,350
Cost	28,305	5,785	6,998	41,088
Additions at cost	4,008	-	1,116	5,124
At 31 July 2006				
Valuation	**44,350**	**-**	**-**	**44,350**
Cost	**32,313**	**5,785**	**8,114**	**46,212**
Depreciation				
At 1 August 2005	15,793	826	6,198	22,817
Charge for year	2,343	165	756	3,264
At 31 July 2006	**18,136**	**991**	**6,954**	**26,081**
Net book value				
At 31 July 2006	**58,527**	**4,794**	**1,160**	**64,481**
At 1 August 2005	**56,862**	**4,959**	**800**	**62,621**

Buildings with a net book value of £16,887k have been funded from Treasury sources; should these particular buildings be sold, the College would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the HEFCE.

	2006	2005
	£'000	£'000
13. INVESTMENTS	**28**	**28**

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.

Notes to the Accounts
for the year ended 31 July 2006

	2006	2005
	£'000	£'000
14. ENDOWMENT ASSET INVESTMENTS		
Balance at 1 August 2005	1,319	1,232
Additions	2	18
Reclassified funds	(76)	-
Appreciation in market value	25	69
Balance at 31 July 2006	**1,270**	**1,319**
Represented by:		
Equities	913	888
Bank balances	357	431
	1,270	**1,319**

	2006	2005
15. DEBTORS		
Amounts falling due within one year		
Student debts	1,015	852
Other debts	784	1,076
Prepayments and accrued income	1,593	1,502
	3,392	**3,430**
Amounts falling due after more than one year	-	-
	3,392	**3,430**

	2006	2005
16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Mortgages and unsecured loans	45	37
Obligations under finance leases (Note 22)	62	53
Trade creditors	3,557	3,231
Social security and other taxation payable	842	787
Accruals and deferred income	4,206	4,396
	8,712	**8,504**

	2006	2005
17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Mortgage secured on residential property repayable by 2021	1,721	1,765
Others (Note 22)	5,544	5,606
	7,265	**7,371**

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 average rate of interest paid in the year was 6.12%.

Notes to the Accounts
for the year ended 31 July 2006

	2006 £'000	2005 £'000
18. DEFERRED CAPITAL GRANTS FROM HEFCE AND ITS PREDECESSORS		
At 1 August:		
Buildings	12,987	13,013
Equipment	254	385
Total	**13,241**	**13,398**
Cash received:		
Buildings	4,579	441
Equipment	1,078	-
Total	**5,657**	**441**
Released to Income and Expenditure:		
Buildings depreciation (note 2)	679	467
Equipment depreciation (note 2)	567	131
Total	**1,246**	**598**
At 31 July:		
Buildings	16,887	12,987
Equipment	765	254
Total	**17,652**	**13,241**
19. ENDOWMENTS AND SPECIFIC FUNDS		
At 1 August	1,319	1,232
Income for year (note 6)	62	78
Expenditure	(64)	(62)
New funds	4	2
Reclassified funds	(76)	-
Increase in market value of investments	25	69
At 31 July	**1,270**	**1,319**
Representing:		
Chairs and lectureships funds	1,126	1,101
Prize and memorial funds	144	206
Other funds	-	12
	1,270	**1,319**

Notes to the Accounts
for the year ended 31 July 2006

	2006 £'000	2005 Restated £'000
20. REVALUATION RESERVE		
Land and buildings at 1 August	27,981	28,797
Contributions to depreciation (note 21)	(790)	(816)
As at 31 July	**27,191**	**27,981**
21. GENERAL RESERVE		
Balance at 1 August as previously stated	11,058	11,221
Prior year adjustment	(8,610)	(7,771)
Balance at 1 August as restated	**2,448**	**3,450**
Releases from revaluation reserve (note 20)	790	816
Deficit after depreciation of assets at valuation and tax	(1,129)	(1,505)
Actuarial loss on LPFA pension scheme	(213)	(313)
As at 31 July	**1,896**	**2,448**

Prior year adjustment

FRS 17 requires the net Pension Scheme asset or liability to be disclosed on the Employer's Balance Sheet and the movement on the scheme's net assets/liabilities in the year to be 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 Recognised Gains and Losses (to the extent they relate to changes in the actuarial assumptions). The adoption of FRS 17 represents a change in accounting policy and therefore the corresponding amounts have been restated accordingly.

Changes to the corresponding amount are analysed below:

	As previously reported £'000	Prior year adjustment £'000	As Restated £'000
General Reserve balance at 1 August 2004	11,221	(7,771)	3,450
General Reserve deficit for the year	(979)	(526)	(1,505)
Actuarial loss relected through the Statement of Total Recognised Gains and Losses	-	(313)	(313)
Net Pensions Liabilty	-	8,610	8,610
		-	

The prior period adjustments affecting the General Reserve deficit for the year consists of:

Employees' current service pension costs	(744)
Contributions net of benefits paid	419
Net finance costs on pension scheme liabilities	(201)
	(526)

Notes to the Accounts
for the year ended 31 July 2006

	2006 £'000	2005 Restated £'000
22. LEASE OBLIGATIONS		
Obligations under finance leases fall due as follows:		
Between two and five years	340	303
Over five years	5,204	5,303
Total over one year (note 17)	**5,544**	**5,606**
Within one year (note 16)	62	53
Total	**5,606**	**5,659**
Operating lease commitments for the forthcoming financial year are as follows:		
Land and Buildings		
On leases expiring within one year	-	-
On leases expiring within two and five years	-	-
On leases expiring after five years	1,644	1,590
Equipment		
On leases expiring within one year	-	-
On leases expiring within two and five years	-	-
On leases expiring after five years	-	-
Total	**1,644**	**1,590**

23. CAPITAL COMMITMENTS

	2006 £'000	2005 Restated £'000
Commitments contracted as at 31 July	500	2,483
Authorised but not contracted as at 31 July	11,763	10,931
(To be partially funded by HEFCE capital grant of £8.1m)		
	12,263	**13,414**

24. RECONCILIATION OF OPERATING DEFICIT TO NET CASH FROM OPERATIONS

	2006 £'000	2005 Restated £'000
Deficit for the year	(1,129)	(1,505)
FRS17 Pension adjustment	516	526
Depreciation	3,264	2,834
Contribution to depreciation from capital grants	(1,246)	(598)
Loss on disposal of fixed assets	-	14
Investment income	(354)	(396)
Loan interest paid	628	693
Decrease/(increase) in stocks	12	(14)
Decrease/(increase) in debtors	38	(557)
Increase in creditors	191	967
Net cash inflow from operations	**1,920**	**1,964**

Notes to the Accounts
for the year ended 31 July 2006

	2006 £'000	2005 £'000
25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Income from endowments and specific funds (note 6)	62	78
Income from short-term investments (note 6)	292	318
Interest paid (note 10)	(628)	(693)
	(274)	**(297)**

	2006 £'000	2005 £'000
26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS		
Payments to acquire tangible fixed assets (note 12)	(5,124)	(6,291)
Deferred capital grants received (note 18)	5,657	441
Endowment and specific fund additions and income (note 19)	(74)	18
	459	**(5,832)**

	2006 £'000	2005 £'000
27. MANAGEMENT OF LIQUID RESOURCES		
Endowment asset movements	74	(18)
Short-term deposits	-	2,399
	74	**2,381**

	2006 £'000	2005 £'000
28. FINANCING		
Loan redemptions	(36)	(31)
Capital element of finance lease repayments	(53)	(44)
	(89)	**(75)**

	At 31 July 2005 £'000	Cash Flow £'000	Other Changes £'000	At 31 July 2006 £'000
29. ANALYSIS OF CHANGES IN NET DEBT				
Cash at bank and in hand	1,958	2,090	-	4,048
Endowment asset investment	431	(74)	-	357
Debts due within one year	(90)	89	(106)	(107)
Debts due after more than one year	(7,371)	-	106	(7,265)
	(5,072)	**2,105**	**-**	**(2,967)**

Notes to the Accounts
for the year ended 31 July 2006

30. 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 (SP2). The assets of the scheme are held in a separate trustee-administered fund. 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 assumptions which have the most significant effect on the result of the valuation are those relating to rate of return on investments (ie the valuation rate of interest) and the rates of increase in salary and pensions. 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 additional increases in salaries due to age and promotion in line with 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 (plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the valuation 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.

Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at the valuation date and under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded.

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 institution contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. An additional factor that could impact on the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as 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 next formal triennial actuarial valuation is due on 31 March 2008. The contribution will be reviewed as part of each valuation.

The total pension cost for the institution was £2,675k (2005: £2,447k). This includes £341k (2005: £310k) outstanding contributions at the balance sheet date. The contribution rate payable by the College was 14% of pensionable salaries.

Notes to the Accounts
for the year ended 31 July 2006

30. PENSION SCHEMES (continued)

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 for the purpose of setting employer's actual contributions was at 31 March 2004.

In accordance with Financial Reporting Standard ('FRS') 17, the actuarial valuation at 31 July 2005 has been reviewed and updated as at 31 July 2006 based upon the following annual financial assumptions:

	2006 Percentage per annum	2005 Percentage per annum
Inflation assumption	3.1%	2.8%
Rate of increase in salaries	4.6%	4.3%
Rate of increase in pensions payment	3.1%	2.8%
Discount rate	5.1%	5.0%

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

	Expected rate of return at:		Fair value as at:	
	2006 Percentage per annum	2005 Percentage per annum	2006 £'000	2005 £'000
Equities	7.6%	7.3%	1,225,500	1,389,000
Bonds	6.3%	4.7%	386,500	169,800
Property	6.7%	5.4%	238,800	119,600
Cash	4.8%	4.5%	157,800	82,400
Total	**7.0%**	**6.8%**	**2,008,600**	**1,760,800**

On the basis of the actuary's calculation the asset share in respect of the College as at 31 July 2006 was 0.97% (2005 0.98%) made up as follows:

Estimated asset share	**19,453**	**17,334**
Present value of scheme liabilities	(28,478)	(25,634)
Present value of unfunded liabilities	(314)	(310)
Total value of liabilities	(28,792)	(25,944)
Net Pension Liability	**(9,339)**	**(8,610)**

With effect from April 2006, the College's contribution was 13.7% of pensionable salaries for non-academic staff. The pension charge for the year to 31 July 2006 was £978k (2005: £751k).

Notes to the Accounts
for the year ended 31 July 2006

	2006 £'000	2005 £'000
30. PENSION SCHEMES (continued)		
Analysis of the amount charged to the Income and Expenditure Account		
Service cost		
Expenditure Account	978	751
Past service costs	-	-
Curtailments and settlements	-	16
Total operating charge	**978**	**767**
Analysis of the net return on pension scheme assets		
Expected return on pension scheme assets	1,182	1,164
Interest on pension scheme liabilities	(1,310)	(1,365)
Net return	**(128)**	**(201)**
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	791	1,803
Experience gains and losses arising on the scheme liabilities	(8)	760
Changes in assumptions underlying the present value of the scheme liabilities	(996)	(2,876)
Actuarial loss in pension plan recognised in STRGL	**(213)**	**(313)**
Movement in deficit during the year		
Deficit at the beginning of the year	(8,610)	(7,771)
Current service cost	(978)	(751)
Contributions in respect of unfunded benefits	23	23
Impact of settlement and curtailments	-	(16)
Employer contributions net of benefits paid	567	419
Net return on assets	(128)	(201)
Actuarial loss	(213)	(313)
Deficit at 31 July	**(9,339)**	**(8,610)**
History of experience gains and losses		
Difference between the expected and actual return on assets	791	1,803
Value of assets	19,453	17,334
Percentage of assets	*4.1%*	*10.4%*
Experience gains/(losses) on liabilities	(8)	760
Present value of liabilities	28,792	25,944
Percentage of the present value of liabilities	*0.0%*	*2.9%*
Actuarial gains/(losses) recognised in STRGL	(213)	(313)
Present value of liabilities	28,792	25,944
Percentage of the present value of liabilities	*(0.7%)*	*(1.2%)*

Notes to the Accounts
for the year ended 31 July 2006

	2006 £'000	2005 £'000
31. HARDSHIP FUNDS		
Balance at 1 August	**22**	**6**
Funding Council grants	437	435
Interest earned	5	5
Disbursed to students and administration	(400)	(424)
Underspent at 31 July	**64**	**22**
32. TDA TRAINING BURSARIES		
Balance at 1 August	**361**	**281**
Grant received	2,895	2,472
Payments to trainees	(2,970)	(2,392)
Underspent at 31 July	**286**	**361**
33. TDA SECONDARY SHORTAGE SUBJECT SCHEME		
Balance at 1 August	**10**	**-**
Grant received	103	106
Payments to trainees	(106)	(96)
Underspent at 31 July	**7**	**10**
34. TDA MINORITY ETHNIC RECRUITMENT		
Balance at 1 August	**36**	**16**
Grant received	33	50
Expenditure	-	(30)
Underspent at 31 July	**69**	**36**

Funding Council grants shown in notes 31-33 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.

35. 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 inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of the Council may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

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