



A Company limited by guarantee not having a share capital  
An exempt charity for the purposes of the Charities Act 1993

Registered in England and Wales: Number 986729

Registered Office: Old Royal Naval College, Park Row, Greenwich, London, SE10 9LS

## **REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2004**

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## OFFICERS AND PROFESSIONAL ADVISERS

Chancellor	The Lord Holme of Cheltenham CBE
Pro Chancellor and Chairman	Lady A-M S Nelson
Vice-Chancellor	Prof. R.H. Trainor
Secretary & Clerk to the Court	Mrs L. Cording
External Auditors	RSM Robson Rhodes LLP Chartered Accountants and Registered Auditors Bryanston Court, Selden Hill Hemel Hempstead HP2 4TN
Internal Auditors	Deloitte & Touche Hill House 1 Little New Street London EC4A 3TR
Bankers	Barclays Bank PLC Maidstone Corporate Banking Centre P.O. Box No 427 40/46 High Street Maidstone Kent ME14 1TW
Solicitors	Stephenson Harwood One St. Paul's Churchyard London EC4M 8SH



## MEMBERSHIP OF THE COURT

The following persons served as Governors during the year ended 31 July 2004. In the case of those who became or ceased to be governors during the year, the appropriate dates are shown.

	<b>Appointed</b>	<b>Resigned</b>
<b>Article 7(1) – Vice-Chancellor</b>		
Prof R.H. Trainor (ex-officio)		
<b>Article 7(2)a – Independent Members</b>		
Mr S Atkinson		
Mr R J Baglin		
Mr J E Brathwaite		
Mr C R H Bull		31.08.03
Mrs G D duCharme		
Mr J C Gould		
Mr J R H Loudon		
Mrs M McKinlay		
Lady A-M S Nelson		
Dr D Quarmby		
Lady P Tomlinson		
<b>Article 7(2)b – Academic Council Members</b>		
Dr R M Allen		31.08.03
Prof S Golding	1.10.03	
Prof L Johnson	1.10.03	
Dr M Stiasny		31.08.03
<b>Article 7(2)c – Student Members</b>		
Mr K Mahmood	1.8.03	31.07.04
<b>Article 7(2)d – Co-opted Members</b>		
Mr S Collinson		7.10.03
Mr S Etherington	1.04.04	
Dr L Garner		
Mr D Heathcote		
Ms V M Marshall		1.11.03
DR A S Pugh	1.04.04	



## MEMBERSHIP OF COURT COMMITTEES 2003-2004

The following are the Court Committees and their membership during the year ended 31 July 2004. In the case of those who became or ceased to be members during the year, the appropriate dates are shown.

<b>Pro-Chancellor's Advisory Group</b>	Chris Bull Anne-Marie Nelson Gillian duCharme John Gould James Loudon	(Chairman: resigned 31.08.03) (Chairman from 1.09.03)
<b>Audit</b>	John Gould Simon Atkinson Richard Baglin Tony Martin	(Chairman)  (not a member of the Court)
<b>Finance &amp; Estates</b>	Anne-Marie Nelson James Loudon Stephen Collinson Vaila Marshall Mary McKinlay David Quarmby Rick Trainor	(Chairman to 31.08.03) (Chairman from 1.09.03) (resigned 7.10.03) (resigned 1.11.03)
<b>Nominations</b>	Chris Bull Anne-Marie Nelson Robert Allen Gillian duCharme Les Johnson Rick Trainor	(Chairman: resigned 31.08.03) (Chairman from 1.09.03) (resigned 31.08.03)  (w.e.f. 20.10.03)
<b>Remuneration</b>	Chris Bull James Loudon Anne-Marie Nelson Gillian duCharme John Gould Rick Trainor	(Chairman: resigned 31.08.03) (Chairman from 1.9.03)
<b>Staffing &amp; General</b>	Gillian duCharme Simon Atkinson Richard Baglin John Gould Paulette Tomlinson Rick Trainor	(Chairman)



## REPORT OF THE GOVERNORS (AS DIRECTORS)

### INTRODUCTION

#### 1. Constitution and activities

The University of Greenwich is a company limited by guarantee without share capital and was incorporated in 1971. The University's financial statements are in compliance with the Companies Acts. On the 1 January 1995 the University became an exempt charity.

The University was established as an institution for education and research and these activities have continued during the year without significant change. In keeping with its traditions, the University prepares students for the world of work and seeks to serve a range of international, national and regional communities. The University's international presence and commitment extends to more than 100 countries.

#### 2. Mission and objectives

The University of Greenwich nurtures excellence in learning and teaching, research, consultancy, and advanced professional practice serving a range of international, national and regional communities.

The institutional objectives are:

- to continue to enhance the quality of learning and teaching, research, consultancy, and advanced professional practice
- to nurture excellence by ensuring student support which enhances the capabilities of students and assists them to fulfil their potential
- to offer programmes of study which explicitly link curriculum development and research activity
- to attract and retain students and staff from a wide range of backgrounds and to enhance equal opportunities for all
- to develop effective local, regional, national and international partnerships with other educational institutions, professional bodies, and public and private enterprises
- to engage with local and regional communities, and to provide services which meet their needs and encourage participation in University activities
- to redeploy financial resources and to diversify sources of funding to meet these objectives

#### 3. Academic issues

The University's portfolio of academic programmes continued to develop in the year 2003 – 2004. Combined Honours programmes have been introduced which build on existing strengths within Schools and departments and on greater collaboration between disciplines. Our academic portfolio of programmes has been developed in concert with regional and sub-regional economic and social development strategies where appropriate.



## **REPORT OF THE GOVERNORS (AS DIRECTORS) (continued)**

### **3. Academic issues (continued)**

The development of our Medway Campus portfolio remains a strategic priority and notable amongst recent successes have been the introduction of the first nursing programmes at that campus and the establishment of the Medway School of Pharmacy with the University of Kent. Alongside these new nursing programmes an innovative project was launched giving health professionals from Lille and Kent the opportunity to share information on ways of delivering high quality patient care and allowing them to benefit from study placements and training courses in the other country.

During the year, major efforts were focussed on the development of an Academic Enterprise Strategy which involved broad consultation across the University. HEFCE funds will underwrite the implementation and delivery of the strategy from 2004-05 onwards. The University will be working with other Higher Education Institutions across its regions in engaging with business and industry and in providing venture capital for innovative projects.

During the course of the year the University went through a Quality Assurance Agency Institutional Audit under its new rules. We are delighted to have been awarded full assurance.

The University was pleased that its continued popularity with students allowed us to maintain our student numbers to the targeted level. An increase in the number of international students in the course of the session continues to enrich the already diverse nature of our student population.

The University continues to develop its strategies for widening access and participation through a wide range of work involving raising aspirations of younger school students.

### **4. Collaboration**

The University continues to place significant emphasis on collaborative activity both internally between and across Schools and departments, and externally with other educational institutions with business and industry, and with the local community.

The University is continuing to accelerate the development of its links across its regions in London, Kent and Medway. Collaboration with the University of Kent intensified following the award of the substantial funding from the Office of the Deputy Prime Minister through the Sustainable Communities Project to enable us to develop the Medway Campus as a joint Higher Education Campus with both Universities, Mid Kent College and Canterbury Christ Church University College. Financial assistance for the campus was also made available from Medway Council, the Higher Education Funding Council for England and South East England Development Agency. Building work has begun and the Learning Resources Centre, teaching space and ICT facilities are on target for completion by the beginning of session 2005-06.

Active engagement with the London Development Agency, SEEDA, the Thames Gateway, London Borough of Greenwich, Medway Council and public and private sector agencies involved in the Greenwich Peninsula continues to involve many University staff. The creation of a new Urban Renaissance Institute on our Medway Campus will bring together University experts from a wide range of disciplines and specialists from local and national government, the private sector and other educational institutions. The institute has the backing of Medway Council and SEEDA, which is funding the post of Director. This will increase the University's involvement with business extending the already effective relationships which have been established for technology and knowledge transfer.



## REPORT OF THE GOVERNORS (AS DIRECTORS) (continued)

### 4. Collaboration (continued)

Considerable development work has been undertaken with our Partner College network and we were successful in achieving a significant increase in student numbers for the development of Foundation Degrees which will be offered from 2004-05. In developing these degrees considerable emphasis has been placed on the development of employer links, building on the work of partner colleges through the work force development teams.

We have continued to work with partner institutions overseas to provide Greenwich degrees in students' home countries. Long standing collaborations in Hong Kong and Malaysia continue to flourish. During the year several members of staff, including the Vice-Chancellor, attended awards ceremonies for 260 students in Hong Kong and Malaysia. The University also continued to attract considerable interest from mainland China.

Our School of Computing and Mathematics expanded already successful partnerships, promoting undergraduate computing programmes in Hong Kong, Malta, Malaysia, Trinidad, Bahrain, the United Arab Emirates and Sarawak. Widening access and participation through a wide range of activities involving raising aspirations of younger school students and the development and implementation of compacts and progression accords with Schools across the region remains an important part of the University's mission. We have been involved in three Aim Higher partnerships, taking particular responsibility for Ambassador and Mentoring work in South East London and for further education progression and work based learning in Kent and Medway.

Over 200 participants took a range of short courses at our Summer University held in 2003 and the University looks forward to running more summer courses in 2004. The Summer University is designed to help prospective students prepare for Higher Education and develop new skills.

The Internationally renowned Fire Safety Engineering Group has been awarded a major Engineering and Physical Science Research Council Grant to work with research groups from the Universities of Liverpool and Ulster on a project studying the experiences and behaviour of survivors of the World Trade Centre disaster in 2001. The project aims to use the individual and collective experiences of the survivors to assist in shaping future building codes and standards, building design practice and building management procedures. This important work will be undertaken over a period of three years and will bring together a multi disciplinary team of scientists from the three Universities.

The Natural Resources Institute undertakes research and consultancy assignments throughout the developing world. Assignments range from one to two week consultancies to major research assignments of several years duration. During 2003-04 NRI, in partnership with a private UK based development consultancy, was awarded the contract to manage the seven year DFID funded project Chars Livelihoods Programme in Bangladesh. NRI is also leading a consortium with a Kenyan consultancy company on a two year assignment to introduce new trade finance instruments in Uganda, Tanzania and Zimbabwe. DFID also selected NRI together with the Centre for Arid Zone Studies at the University of North Wales, Bangor to collaborate on improving the collection and use of agricultural statistics in Ethiopia.

The Engineering School is working with the consortium constructing the Channel Tunnel Rail Link between Ebbsfleet and St Pancras. Our engineers are providing compression tests on concrete beams and cylinders as part of the quality control protocol association with the production of concrete segments used to line the tunnel bore.



## REPORT OF THE GOVERNORS (AS DIRECTORS) (continued)

### 5. Current and future developments

The new structure of the academic year, with a move away from the semester structure, commenced in September 2004. This is intended to reduce the burden of assessment on staff and students and remove barriers to student progression.

The Medway School of Pharmacy looks forward to welcoming new students in the discipline in the coming session. A Head of School and other staff were appointed in the course of the year and the programmes have received initial accreditation by the British Pharmaceutical Society. Rosie Winterton MP, Minister of State for Health, visited the School soon after its launch and praised this initiative, which will help tackle the shortage of Pharmacists both nationally and in the region.

The Woolwich Island site, which formed a significant part of the former Woolwich campus, was disposed of in September 2004.

### 6. Scope of the financial statements

The Financial Statements comprise the consolidated results of the University (including the Natural Resources Institute) and its subsidiary companies UGMT Limited, Greenwich Property Limited and the Centre for Contaminated Land Remediation (CCLR).

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education.

### 7. Results for the year

The Group results for the year ended 31 July 2004 are summarised as follows:-

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
University	3,762	(6,963)
UGMT Ltd	(1)	62
Greenwich Property Ltd	(322)	(622)
Centre for Contaminated Land Remediation (CCLR)	(1)	-
Group historical cost surplus / (deficit)	<u>3,438</u>	<u>(7,523)</u>

2003-04 was a very encouraging year for the University with a substantial improvement on its recent financial performance. The reported historical cost surplus of £3.4m took account of an exceptional charge of £0.6m in respect of the continuing dispute with the Inland Revenue in respect of withholding tax on a PFI scheme. Thus, the underlying Income and Expenditure Account position of the University for this year is one of some comfort.

Several factors that have contributed to this improvement, notably the benefit of the voluntary severance exercise for Administrative Offices carried out at the end of the 2002-03 financial year. Other important factors were the continued benefit of the campus rationalisation strategy, which is nearing completion, improving programme fees collections and additional investment income resulting from higher than forecast cash balances.





## REPORT OF THE GOVERNORS (AS DIRECTORS) (continued)

### 7. Results for the year (continued)

The positive position on the Income and Expenditure Account resulted in a continued improvement in key areas of the Balance Sheet - net assets increased by 17% to £25.9m, net current assets increased by 100% to £12m and short term investments continue to grow with a 21% improvement over the year.

Of vital importance to the University's financial performance is the attainment of its targeted number of students in respect of its major teaching contracts. The number of recorded students in 2003-04 is summarised below:-

	2003/2004		2002/2003	
	Full-time	Part-time	Full-time	Part-time
HEFCE funded	8,573	5,476	9,025	5,928
TTA funded	593	205	534	238
Health contract	870	887	799	792
Overseas (non EU)	2,494	656	2,490	342
Others	229	371	80	116
	<u>12,759</u>	<u>7,595</u>	<u>12,928</u>	<u>7,416</u>
Total		<u>20,354</u>		<u>20,344</u>

### 8. Financial instruments

The Group finances its operations from its retained surplus, direct long-term borrowing and effective long-term borrowing under PFI arrangements. It also has some long-term debt inherited from a Local Education Authority under the Education Reform Act 1998, but the cost of this is currently fully reimbursed by the Higher Education Council for England (HEFCE).

The powers of the University to raise funds, and enter into hedging arrangements, are controlled by the University's Memorandum of Association, its Financial Memorandum with HEFCE, and the Charities Acts.

Powers to invest surplus funds are restricted by the Trustee Investments Act 1961, and by regulations of the University's Finance & Estates Committee. Year-end cash and investments totalled £32m including £2.4m required to be retained in a separate charged account under the terms of the Bond. The University adopts a cautious investment policy for surplus funds, with deposits limited by amount and maturity across financial institutions with a minimum investment rating of AA-. No funds are held with a maturity date in excess of 12 months.

The Group's financial instruments comprise borrowings, cash and liquid resources, and various items, such as trade debtors and trade creditors that arise directly from its operations.

The Group's policy is that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk and currency risk. The Court reviews and agrees policies for managing each of these risks and these are summarised below. These policies have remained unchanged.



## REPORT OF THE GOVERNORS (AS DIRECTORS) (continued)

### 9. Liquidity risk

Under the terms of the Bond, the Group is required to maintain a ratio of current assets to current liabilities at not less than 1:1. It is also required to retain 12 months of Bond servicing cost, (currently £2.4m), in a charged account and to maintain a minimum cash balance of £5m.

The Group's total debt at 31 July 2004 was £47.6m, of which £27.9m is in respect of the Bond; £15.0m represents a PFI debt repayable in 2026, and £4.7m is debt inherited from a Local Education Authority, the debt servicing of which is currently re-imbursable by HEFCE. At 31 July 2004, the maturity profile of borrowings (all of which were long term) shows an average maturity of 23 years. It is calculated that 4% is repayable in each of the periods that fall within one year and in 1 to 2 years, 7% in 2 to 5 years and 89% in more than 5 years.

In addition to its known financial liabilities, the Group has disputed with the Inland Revenue assessments raised in respect of withholding tax on payments made under a PFI scheme. Appeals have been lodged against these assessments.

### 10. Foreign currency risk

Approximately 2.5% of the Group's business is research and consultancy contracts that are denominated in foreign currencies. The Group's policy is to minimise currency exposures on contracts by considering currency exposure as part of its risk assessment on these contracts. Where appropriate a contingency is built into the contract price, and subcontracting is priced in the currency of the contract. All other turnover is denominated in sterling.

The Group's policy towards currency risk is to eliminate all exposures that will impact on reported profit as soon as they arise. This is reflected in a sensitivity analysis, which estimates that five to ten percentage point increases in the value of sterling against all other currencies would have had minimal impact on profit. The University did not enter into any hedging arrangements during the year.

### 11. Interest rate risk

10% of the Group's borrowings are at variable rates of interest, and relate to a debt inherited from a Local Education Authority, the repayments of which are currently re-imbursable by HEFCE. The balance of 90% is at fixed interest rates, of which 65% relates to the 30 year bond with 35% being in respect of the PFI arrangement. The Group has limited powers to enter into interest rate swaps for its borrowings and does not propose to enter into any such arrangements at the present time.

### 12. Directors

All the Governors of the University are Directors of the Company. Details of all Directors during 2003/04 are set out on page 3. No Director had any interest in any contract made by the University during the financial year, other than a contract of employment as a member of staff.



## **REPORT OF THE GOVERNORS (AS DIRECTORS) (continued)**

### **13. Personnel policy and strategy**

Following the conclusion in July 2003 of a national framework agreement on new pay and grading structures in the Higher Education Sector the university embarked on a major exercise to review its grade structures and pay progression arrangements, jointly with its local trade union representatives. The Higher Education Role Analysis (HERA) competency-based assessment tool was selected as the preferred job evaluation scheme to underpin the new grading framework and at the end of the year a pilot study was launched to benchmark a cross-section of university posts using the HERA methodology.

Other initiatives during the year included the adoption of a policy on workplace stress and the conclusion of a local agreement with trade unions on the avoidance and resolution of disputes.

### **14. Disability policy**

The University operates in accordance with the requirements of the Disability Discrimination Act 1995, and practises the concept of “reasonable adjustment” enshrined in the Acts in considering applications for employment from people with a disability. Under its Equal Opportunities Policy the University is committed to develop effective measures for ensuring that all groups and individuals, including disabled staff and students, are able to work, study and develop their full potential in an environment which is free from discrimination and harassment

### **15. Race equality**

The University values the richness of the diversity of its students and staff, and in promoting equal opportunities seeks to develop effective measures for ensuring that all groups and individuals are able to work and study in an environment which is free from discrimination and harassment. We have developed a Race Equality Policy and have an ambitious agenda for the coming year.

We will continue to review our policies and procedures to ensure that they do not have an adverse impact on any group and that they are consistent with the goal of combating racism and promoting race equality.

### **16. Employee involvement**

Employee representatives are elected by and from members of staff as members of the University Court and of the Academic Council. Access to minutes of these meetings is available to all staff through the University's intranet and on paper. Internal communications are facilitated through discussions at meetings and regular briefings on the main University-wide developments which are cascaded to staff via senior managers and by the regular issue of the University's newsletter Greenwich Line.

The Vice-Chancellor held meetings with staff at each campus during the course of the year to keep staff up to date with strategic issues, and also had regular meetings with representatives of campus trade unions. These supplemented termly meetings of the Joint Negotiating Committees for both academic and support staff.



## **REPORT OF THE GOVERNORS (AS DIRECTORS) (continued)**

### **17. Vice Chancellor**

The Vice Chancellor, Professor Rick Trainor, who has steered the University since September 2000 is moving on and the University wishes him well in his new position. We look forward to welcoming Baroness Tessa Blackstone, as our next Vice Chancellor at the beginning of September 2004.

### **18. Auditors**

In accordance with the elective resolution passed by the Members of the Company on 5 July 1991 under Section 379A of the Companies Act 1985 (as amended) dispensing with the obligations in Section 386 of the Companies Act 1985 (as amended) to appoint auditors annually, RSM Robson Rhodes LLP term of appointment as auditors continued.

On behalf of the Court

L Cording  
Secretary



## CORPORATE GOVERNANCE

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the University's corporate governance arrangements and the manner in which the University has applied the principles set out in Section 1 of the Combined Code of Corporate Governance insofar as they are applicable to Higher Education Institutions. Its purpose is to help the reader of the accounts understand how the principles have been applied.

### **Summary of the University Structure of Corporate Governance.**

The Court is of the view that there is a sound system of internal control based upon a continuous process of review designed to identify the principal risks to the achievement of the University's objectives, to evaluate the nature and extent of those risks, and to manage them effectively. The system has been in place for the year ended July 2004 and up to the date of the approval of the Annual Report and Accounts. It is reviewed regularly and accords with the internal control guidance for Directors as deemed appropriate for higher education.

The University Court is responsible for the system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against misstatement or loss.

The University Court comprises lay persons and staff and students appointed according to the Articles of Association, the majority of whom are non executive. The role of the Chair of Court is separate from that of the Chief Executive, the Vice Chancellor. The Court appoints Independent and Co-opted members following recommendations by the Nominations Committee.

The University is a company limited by guarantee and members of Court are legally Directors of the Company. The specific powers and responsibility of the Court are set out in the Articles of Association and in the Financial Memorandum with the Higher Education Council for England.

The Court holds to itself approval for the strategic direction of the University, approval of major developments, annual estimates of income and expenditure, ensuring solvency of the institution and the safeguard of its assets. The Court receives regular reports from Executive Officers on day to day operations of its business and its subsidiary companies.

The Company Secretary is appointed under the Articles of Association to act as Secretary to the Court and its Committees. All Court members have access to the advice and services of the Company Secretary and can seek independent advice should they wish to do so.

Newly appointed members receive briefing and training, as appropriate, on the University, the role of Court and on higher education in general to ensure that they are fully conversant with their responsibilities.

The Court meets at least 4 times a year and conducts some of its business through the following committees: Finance and Estates, Staffing and General, Nominations, Remuneration and Audit. All of these Committees are formally constituted with terms of reference and membership approved by Court.

The Vice Chancellor provides a report on the University's activities at each Court meeting and Senior Officers are present to expand on their reports and answer any other questions. The Court has an annual meeting in which strategy is reviewed and the Court formally approves the University's corporate plan and implementation plan.

The Court maintains the Register of Interests of its members which is updated annually.

The Finance and Estates Committee is responsible to Court for the University's annual revenue and capital budgets and for monitoring performance in relation to approved allocations.



## **CORPORATE GOVERNANCE (continued)**

The Staffing and General Committee determines matters in relation to conditions of employment of all University Staff with the exception of the Vice Chancellor, Pro Vice Chancellors and the University Secretary. The Remuneration Committee determines the annual remuneration of the Vice Chancellor, Pro Vice Chancellors and University Secretary.

The Audit Committee meets at least three times annually. It receives reports from HEFCE's Audit Service as they affect the University's business and monitors adherence with the regulatory requirements. The Committee meets at least once a year with the External Auditors for their own independent discussions. The Director of Finance, and the University Secretary, who acts as the Secretary to the Committee, attend meetings of the Audit Committee and have direct and independent access to the members of that Committee.

The Committee considers detailed audit reports together with recommendation for the improvement of the University systems of internal control and risk management issues. Management Responses and implementation plans are considered, approved and monitored. This assists the Audit Committee in assessing the soundness and comprehensiveness of the system of internal and financial control, and the action necessary to remedy weaknesses and to assess whether the existing monitoring systems are appropriate.

All Committees of the Court submit their minutes and recommendations to the Court.

The Vice Chancellors' Group regularly reviews the Institutional Risk Register considering the risk indicators, the control issues brought to its attention by early warning mechanisms and reviews the residual risk score. The University Court received a report on at least one item from the Risk Register at each meeting and the University's Executive Committee likewise considers items from the risk register on a regular basis.

Schools and Administrative Office risk registers are considered by the Vice Chancellors Group and mapped against the Institutional Risk Register.

The Audit Committee receives regular reports and reviews the institutional risk register once a year and reports its views to Court. The emphasis is on obtaining the relevant degree of assurance and not reporting by exception. During the course of 2003-04 risk management work shops were held across the University to raise awareness of these matters of internal control and to embed the system of risk management across the University.

Baroness Blackstone  
Vice-Chancellor .....



## **RESPONSIBILITIES OF THE COURT OF THE UNIVERSITY OF GREENWICH**

In accordance with the Education Reform Act, the Court of the University of Greenwich is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act, the Companies Act, the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions 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 and the Court of the University, the Court, through its designated office holder (the Vice- Chancellor), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Court has ensured that:

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

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that funds from the Teacher Training Agency are used only for the purposes for which they have been given and in accordance with the Funding Agreement with the Agency, and any other conditions which the Agency may from time to time prescribe;
- 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 University and to prevent and detect fraud;
- secure the economical, efficient and effective management of the University resources and expenditure.



## **RESPONSIBILITIES OF THE COURT OF THE UNIVERSITY OF GREENWICH (continued)**

The key elements of the University'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 schools and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- 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 approval levels set out by the Court;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance Committee and Court;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of the Court, has reviewed the effectiveness of the Group's system of internal control. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

RSM Robson Rhodes LLP have not been asked to give an opinion on this statement.





## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE COURT OF UNIVERSITY OF GREENWICH**

We have audited the financial statements of The University of Greenwich for the year ended 31 July 2004, which comprise the income and expenditure account, the balance sheet, the cashflow statement, the statement of total recognised gains and losses and the related notes.

This report is made solely to the Members of the Court of the University. Our audit work has been undertaken so that we might state to the Members of Court those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Members of the Court as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of Members of the Court and Auditors**

As described in the statement of responsibilities of the Court of the University of Greenwich, the Court is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you whether, in our opinion monies expended out of funds from whatever source administered by the University 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 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 Governors (as Directors) is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Report of the Governors (as Directors) and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of Audit Opinion**

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

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



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF THE COURT OF UNIVERSITY OF GREENWICH (continued)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the University of Greenwich and the group at 31 July 2004 and of the group's surplus for the year then ended.

In our opinion, in all material respects, funds from whatever source administered by the University for specific purposes were properly applied for the intended purposes and, where relevant, managed in accordance with appropriate legislation for the year ended 31 July 2004.

In our opinion, in all material respects, funds provided by the Higher Education Funding Council for England were applied in accordance with the financial memoranda dated 1 August 2000 and 1 October 2003 and any other terms and conditions attached to them for the year ended 31 July 2004.

RSM Robson Rhodes LLP  
Chartered Accountants and Registered Auditors

6 December 2004



## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT YEAR ENDED 31 JULY 2004

	Note	2004 £'000	2003 £'000
<b>INCOME</b>			
Funding council grants	2	51,981	48,094
Tuition fees and education contracts	3	39,201	37,381
Research grants and contracts	4	7,108	7,502
Other income	5	<u>17,645</u>	<u>19,877</u>
<b>Total Income</b>		<u>115,935</u>	<u>112,854</u>
<b>Expenditure</b>			
Staff costs	6	54,909	55,329
Reorganisation costs	8	-	2,997
Depreciation	15	3,688	4,290
Other operating expenses	9	<u>51,040</u>	<u>50,593</u>
<b>Total Expenditure</b>		<u>109,637</u>	<u>113,209</u>
<b>Surplus / (deficit) on continuing operations after depreciation of tangible fixed assets at valuation and before tax</b>		6,298	(355)
Exceptional items	10	(585)	(7,238)
Profit on disposal of assets	11	<u>-</u>	<u>651</u>
<b>Surplus / (deficit) on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets and before interest and tax</b>		5,713	(6,942)
Share of profits of associated undertaking		12	9
Interest receivable	12	1,155	993
Interest payable	13	<u>(3,557)</u>	<u>(3,625)</u>
<b>Surplus / (deficit) on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets and interest but before tax</b>		3,323	(9,565)
Taxation		<u>-</u>	<u>-</u>
<b>Surplus / (deficit) on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets, interest and tax</b>		<u><u>3,323</u></u>	<u><u>(9,565)</u></u>

*The Income and Expenditure Account is in respect of continuing operations.*



**STATEMENT OF HISTORICAL COST SURPLUS AND DEFICITS  
FOR THE YEAR ENDED 31 JULY 2004**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Surplus / (deficit) after depreciation of assets at valuation on continuing operations and before tax	3,323	(9,565)
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	115	196
Realisation of property revaluation gains of previous years	<u>-</u>	<u>1,846</u>
Historical cost surplus / (deficit) before tax	3,438	(7,523)
Taxation	<u>-</u>	<u>-</u>
Historical cost surplus / (deficit) after tax	<u><u>3,438</u></u>	<u><u>(7,523)</u></u>



**STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 JULY 2004**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Surplus / (deficit) on continuing operations after depreciation of assets at valuation, disposal of assets, and tax	3,323	(9,565)
Investments – movements on endowment funds	4	74
Transfer re Bergman Osterberg trust	-	(45)
Capital reserve created in respect of loan repayments reimbursed by HEFCE	154	144
<b>Total recognised gains / (losses) relating to the period</b>	<u>3,481</u>	<u>(9,392)</u>
<b>Reconciliation:-</b>		
Opening reserves and endowments	11,830	21,222
Total recognised gains / (losses) for the year	3,481	(9,392)
Closing reserves and endowments	<u>15,311</u>	<u>11,830</u>

**BALANCE SHEET AS AT 31 JULY 2004**

		<b>Group</b>		<b>University</b>	
	<b>Note</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed Assets</b>					
Tangible assets	15	69,379	69,492	69,379	69,491
Investments	16	228	216	172	172
		<u>69,607</u>	<u>69,708</u>	<u>69,551</u>	<u>69,663</u>
<b>Endowment Asset Investments</b>	17/18	<u>575</u>	<u>571</u>	<u>575</u>	<u>571</u>
<b>Current Assets</b>					
Properties in the course of disposal		1,380	1,380	1,380	1,380
Stocks	19	15	17	15	17
Debtors	20	7,193	7,007	31,966	30,996
Investments	21	32,124	26,365	32,124	26,365
Cash at bank and in hand		1,910	1,447	1,715	1,127
		<u>42,622</u>	<u>36,216</u>	<u>67,200</u>	<u>59,885</u>
<b>Creditors: amounts falling due within one year</b>	22	<u>(30,873)</u>	<u>(30,185)</u>	<u>(26,410)</u>	<u>(26,260)</u>
<b>Net Current Assets</b>		<u>11,749</u>	<u>6,031</u>	<u>40,790</u>	<u>33,625</u>
<b>Total Assets less Current Liabilities</b>		81,931	76,310	110,916	103,859
<b>Creditors: amounts falling due after more than one year</b>	23	(51,975)	(50,251)	(77,414)	(74,565)
<b>Provision for Liabilities &amp; Charges</b>	24	(4,120)	(4,152)	(4,120)	(4,152)
<b>Net Assets</b>		<u><u>25,836</u></u>	<u><u>21,907</u></u>	<u><u>29,382</u></u>	<u><u>25,142</u></u>
<b>Deferred Capital Grants</b>	25	<u>10,525</u>	<u>10,077</u>	<u>10,525</u>	<u>10,077</u>
<b>Endowments</b>	17/18				
General		159	159	159	159
Specific		416	412	416	412
		<u>575</u>	<u>571</u>	<u>575</u>	<u>571</u>
<b>Reserves</b>	26				
Revaluation reserve		8,252	8,367	8,252	8,367
Income and expenditure account		6,484	2,892	10,030	6,127
		<u>14,736</u>	<u>11,259</u>	<u>18,282</u>	<u>14,494</u>
<b>Total Funds</b>		<u><u>25,836</u></u>	<u><u>21,907</u></u>	<u><u>29,382</u></u>	<u><u>25,142</u></u>

The Financial Statements on pages 19 to 58 were approved by the Court on 6 December 2004 and signed on its behalf by:-

Lady A-M S Nelson  
Pro Chancellor

Baroness Blackstone  
Vice-Chancellor



## CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 31 JULY 2004

	Note	2004 £'000	2003 £'000
Cash inflow from operating activities	29	7,969	6,477
Returns on investments and servicing of finance	30	(2,321)	(2,556)
Capital expenditure and financial investment	31	2,033	2,001
Acquisitions and disposals		-	-
		<hr/>	<hr/>
Net cash inflow before use of liquid resources and financing		7,681	5,922
Management of liquid resources	32	(5,759)	(6,887)
Financing	33	(907)	(367)
		<hr/>	<hr/>
<b>Increase / (decrease) in net cash</b>		<u>1,015</u>	<u>(1,332)</u>
 <b>Reconciliation of net cash flow to movement in net debt</b>			
		<b>2004</b>	<b>2003</b>
		<b>£'000</b>	<b>£'000</b>
Increase / (decrease) in cash in the period		1,015	(1,332)
Cash outflow re increase in liquid resources		5,759	6,887
Cash outflow re decrease in debt and lease financing		907	367
		<hr/>	<hr/>
		7,681	5,922
<b>Net debt at 01 August</b>		<hr/> (23,014)	<hr/> (28,936)
<b>Net debt at 31 July</b>	<b>34</b>	<u>(15,333)</u>	<u>(23,014)</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies

#### **Basis of preparation and accounting**

The financial statements have been prepared in accordance with the Statement of Recommended practice (SORP): Accounting in Further and Higher Education Institutions and applicable accounting Standards.

The financial statements have been prepared under the historical cost convention modified by the inclusion of certain fixed assets at valuation.

#### **Basis of consolidation**

Consolidated financial statements have been prepared for the University and its subsidiaries Greenwich Property Limited, UGMT Limited and the Centre for Contaminated Land Remediation (CCLR), and an associated company, NR International Limited. With respect to the latter, the consolidated Income and Expenditure Account includes the group's share of the profit / loss of that undertaking and the consolidated Balance Sheet includes the investment of the group's share of its underlying net assets. For all other associate undertakings, it is considered that their results are not material and therefore have not been included in the consolidated financial statements.

Intra-group sales and profits are eliminated fully on consolidation.

The activities of the University of Greenwich Students Union have not been included in the consolidated financial statements, as the University does not have sufficient control and influence over policy decisions to warrant consolidation as defined in FRS 2 (Accounting for Subsidiary Undertakings).

#### **Recognition of income**

Income from Research Grants and Contracts and Other Services Rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year, together with any related contribution towards overhead costs. Any future predicted losses on individual long-term contracts are recognised immediately.

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

Income from short-term deposits is credited to the Income and Expenditure Account on a receivable basis.

#### **Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transaction. Monetary assets and liabilities are translated into sterling at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.





## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### Fixed assets

##### Land and buildings

The University's policy is to carry all assets at historical cost except for assets inherited from the Inner London Education Authority, which are included in the balance sheet at the valuation existing at 31 July 1999, when the University implemented FRS15 (Tangible Fixed Assets) for the first time. The University has not adopted a policy of annual revaluations for the future. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the University of 50 years. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease. Improvements to buildings are depreciated over 10 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

##### Equipment

Equipment costing less than £6,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated over its useful economic life as follows:

Computers	5 years
Telephone Equipment	7 years
Motor Vehicles and other general equipment	5 years
Equipment acquired for specific research or other projects	project life

Where equipment is acquired with the aid of grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure account over the expected useful economic life of the related equipment.

Equipment purchased by the University on behalf of clients, for use on projects commissioned by them, is written off as an expense in the year of purchase where the client retains an interest in the equipment and the right to give instructions on its disposal when it is no longer required.



## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### Leased assets

Fixed assets held under finance leases and the related obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations is treated as finance charges, which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of the assets.

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

#### Education reform act 1988

Under the Education Reform Act 1988, ILEA's freehold and leasehold interest in properties occupied by the University transferred to the University with effect from 1st April 1989. At the same time, loan debts associated with the transferred assets also transferred to the University, and therefore the total value of assets transferred was brought into the balance sheet at the same amount as the loan debt. Within this total valuation, categories of assets were valued as set out below:-

- *Leasehold Interest*

Brought in at nil cost but revalued by the Court on the basis of a valuation by Grimley, International Property Advisors on 31st July 1991 on the basis of open market value for the existing use.

- *Freehold land & buildings*

The cost value of freehold land and buildings is assumed to represent the amount of loan debt transferred from ILEA to the University, less the cost attributable to equipment. The land and buildings were valued by Grimley, International Property Advisors on 31st July 1991. The freehold properties were valued on a depreciated replacement cost basis.

#### Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Endowment asset investments are included in the Balance Sheet at market value.

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

#### Stocks and work in progress

Stocks and work in progress are stated at the lower of cost or net realisable value. Stocks consist of books held for resale, chemicals and other consumables. Work in progress is in respect of research and consultancy contracts and comprises direct expenses, salaries and attributable overheads, less provision for any anticipated losses on long-term contracts.



## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### Private finance initiative

Through its subsidiary company, Greenwich Property Ltd (GPL), the University entered into a Private Finance Initiative scheme with a contractor for the construction of 662 en-suite bedrooms, and for the facilities management of those premises for a period of 30 years. Under the terms of the scheme the contractor has raised the finance for the construction of buildings which have subsequently been let on a long lease to GPL. As part of these arrangements the University paid £35.4m to its subsidiary company for an occupational lease of 30 years, and the subsidiary company made a loan of £34.6m to the University repayable in variable amounts, over a 30-year period. These transactions are reflected in the Accounts for the University itself and GPL, but are set off in the consolidated results. The consolidated balance sheet therefore includes the new buildings as a fixed asset with a consequential, and matching, long-term creditor.

#### Provisions

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

#### Research and development expenditure

The cost of research and development work carried out under contract for clients is matched by either income or work-in-progress. No such work was carried out by the University Group on its own behalf.

#### Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand and deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

#### Taxation

The University is a charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax. The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

#### Pensions

The two principal pension schemes for the University's staff are the Teachers Superannuation Scheme (TSS) and the LPFA Pension Fund. These are defined benefit schemes and are externally funded and contracted out of the State Earnings related Pension Scheme. The funds are valued every three years by actuaries using the aggregate method, the rates of contribution being determined by the trustees on the advice of the actuaries. Pension costs are assessed on the latest actuarial valuation of the Schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from its employees' services. Variations from regular cost are spread over the average remaining working lives of members of the Schemes after making allowances for future withdrawals.



## NOTES TO THE FINANCIAL STATEMENTS

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
<b>2. Funding council grants</b>		
<b>HEFCE:-</b>		
Recurrent grant	41,414	39,627
Specific grants	3,414	2,800
Inherited liabilities	1,162	1,611
Deferred capital grants released in year	1,269	1,075
Release of HEFCE capitalised rent	795	348
<b>Teacher Training Agency:-</b>		
Recurrent grant	3,500	2,365
Other	427	268
	<u>51,981</u>	<u>48,094</u>
<b>3. Tuition fees and educational contracts</b>		
Full-time home and EU students	10,858	10,814
Full-time students charged overseas fees	13,334	13,142
Part-time fees	6,003	5,232
	<u>30,195</u>	<u>29,188</u>
Health Authority contract	9,006	8,193
	<u>39,201</u>	<u>37,381</u>
<b>4. Research grants and contracts</b>		
Research Council	559	955
UK based charities	220	153
UK central govt.\health & hospital authorities	2,990	5,055
European Commission	1,246	663
Other grants and contracts	2,093	676
	<u>7,108</u>	<u>7,502</u>



## NOTES TO THE FINANCIAL STATEMENTS

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
<b>5. Other income</b>		
Residences, catering and conferences	8,129	8,237
Other income generating activities	2,071	2,241
Other grant income	5,695	8,037
Other income	1,750	1,362
	<u>17,645</u>	<u>19,877</u>
<b>6. Staff</b>		
<i>(i) Staff Costs</i>		
Salaries and wages	45,966	47,253
Social Security Costs	3,966	3,785
Other Pension Costs	4,977	4,291
	<u>54,909</u>	<u>55,329</u>
	<b>2004</b>	<b>2003</b>
	<b>No.</b>	<b>No.</b>
<b>Average staff numbers by major category:-</b>		
Academic	763	759
Administrative & technical support	799	865
Premises	138	149
Residence catering and conferences	17	24
Other	98	107
	<u>1,815</u>	<u>1,904</u>

Remuneration of higher paid staff, including externally generated earnings, contracts and sponsorship, but excluding employer's pension contributions (but including FURBs, see next section) were:-

	<b>2004</b>	<b>2003</b>
	<b>No.</b>	<b>No.</b>
£70,001 - £80,000	4	2
£80,001 - £90,000	3	3
£140,001 - £150,000	-	1
£150,001 - £160,000	1	-



## NOTES TO THE FINANCIAL STATEMENTS

### 6. Staff (continued)

#### (ii) Voluntary severance

There were no reorganisations costs in the year ended 31 July 2004.

In the previous financial year the University reorganised several of its administrative offices. Under a voluntary severance scheme 62 administrative posts were severed at a cost of £1.5m. In addition to these, there were other administrative and academic severances at a cost of £1.0m, together with some further severances at the Natural Resources Institute costing £0.5m.

#### (iii) Directors' emoluments

The aggregate amount of Directors' emoluments was £369,342 (2003: £380,358). All payments were in respect of services as members of staff and relate to the relevant period of office. Where appropriate these emoluments are also included in the bands for higher paid staff (including the Vice-Chancellor). Seven Directors (2003: Eight) are accruing benefits under defined pension schemes, as set out in note 35.

The emoluments of the highest paid director (Vice-Chancellor) were:-

	2004	2003
	£	£
Salary	139,894	135,123
FURBS	10,803	10,130
Taxable car benefit	4,407	4,018
	<u>155,104</u>	<u>149,271</u>

University superannuation payments:-

Universities Superannuation Scheme	14,000	13,692
FURBS (see above) – included in emoluments	10,803	10,130

The University contributes to a separate retirement benefits scheme (FURBS) in respect of the Vice-Chancellor, and the amount shown represents the total costs of this arrangement. This is included in total emoluments as well as being shown under superannuation payments. Although the cost evidently relates to superannuation arrangements, it might be considered not to reflect the true position if it was excluded from emoluments.

The Vice-Chancellor's accrued benefits on service to 31 July 2004 were: USS accrued annual pension £18,245 and lump sum £54,735. FURBS transfer value was £24,317.



## NOTES TO THE FINANCIAL STATEMENTS

### 6. Staff (continued)

#### (iv) Directors' loans

The University operates an interest-free loan scheme for the purchase of travel season tickets and computers, which is available to all employees. One Governor (2003: none), in their capacity as an employee, was advanced a loan under this scheme as follows:-

	Dr L Garner £
Balance outstanding at 1 August 2003	-
Loan advanced during year	300
Repayment made during year	(100)
Balance outstanding at 31 July 2004	<u>200</u>

### 7. Directors

The University is a company limited by guarantee with the liability of its Directors limited to £1. The University's professional indemnity insurance provides cover for directors to a maximum of £1 million within any one year period.

### 8. Reorganisation costs

There were no reorganisations costs in the year ended 31 July 2004.

In the previous financial year the University reorganised several of its administrative offices. Under a voluntary severance scheme 62 administrative posts were severed at a cost of £1.5m. In addition to these, there were other administrative and academic severances at a cost of £1.0m, together with some further severances at the Natural Resources Institute costing £0.5m.



## NOTES TO THE FINANCIAL STATEMENTS

### 9. Other operating expenses

	Group	
	2004	2003
	£'000	£'000
Fees to other colleges	6,193	6,107
Books and periodicals	886	825
Consumables and laboratory expenditure	1,369	1,440
Printing, postage and stationery	2,062	2,993
Residence, catering and conference	4,667	4,646
Rents, rates and insurance	7,320	6,741
Electricity, gas and water	886	913
Building maintenance and repair	2,510	2,046
Students union subvention grant	650	850
Publicity and advertising	769	666
Computers, software and IT maintenance contracts	2,831	2,530
Research and consultancy – reimbursable costs	1,424	1,833
Provision for losses on long term contracts	(77)	169
Telephone and other communication costs	780	667
Cutty Sark contribution - DLR	-	400
Other expenses	18,770	17,767
	51,040	50,593

Other operating expenses are stated after charging:-

Auditors' remuneration	- external audit	46	53
	- other services	9	25
Rentals under operating leases	- equipment and vehicles	2	1
	- other assets	6,501	6,019

### 10. Exceptional items

The exceptional item in the year ended 31 July 2004 is a provision in the financial statements of Greenwich Property Limited, a subsidiary company. This relates to disputed Inland Revenue assessments raised on that company in respect of withholding tax on payments under a PFI arrangement.

In the previous financial year the exceptional items were:-

- the write down (£6.465m) to its open market value of the Woolwich campus which was surplus to requirement.
- a provision (£0.773m) similar to that made in the current year in respect of disputed Inland Revenue Assessment issued against Greenwich Property Limited.





## NOTES TO THE FINANCIAL STATEMENTS

### 11. Profit on disposal of assets

There were no disposals of freehold or leasehold properties in the year ended 31 July 2004.

In the previous financial year the University disposed of three small freehold properties; The Cottage (Kidbrooke), Kings North Oakfield Lane (Dartford), and 102 Bexley Road (Eltham). The surplus arising from these disposals was £0.651m.

### 12. Interest receivable

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Bank deposits	474	326
Other	670	657
Transferred from specific endowments	11	10
	<u>1,155</u>	<u>993</u>

### 13. Interest payable

Bond interest	1,969	1,974
Greenwich Property Ltd. - PFI	1,176	1,194
Loan interest - Royal Borough of Kensington & Chelsea - (inherited debt)	412	421
Other	-	36
	<u>3,557</u>	<u>3,625</u>

### 14. Surplus of parent company

The Income and expenditure Account of the parent company (University of Greenwich) has not been presented as part of these financial statements. This dispensation is allowed under section 230 of the Companies Act 1985.

The surplus after depreciation of assets at valuation of the parent company (University of Greenwich) was £3.634 million (2003 - deficit of £9.014 million).

## NOTES TO THE FINANCIAL STATEMENTS

## 15. Tangible fixed assets (Group and University)

	<b>Land and Buildings</b>						
	Freehold £'000	Long Leases £'000	Short Leases £'000	Assets in Course of Construc- tion £'000	Equipment £'000	Vehicles £'000	Total £'000
<b>Cost or Valuation</b>							
At 1 August 2003	44,514	37,299	114	247	13,014	218	95,406
Additions at cost	634	741	-	1,323	865	12	3,575
Disposals	-	-	-	-	-	(21)	(21)
Transfers	91	156	-	(247)	-	-	-
At 31 July 2004	<u>45,239</u>	<u>38,196</u>	<u>114</u>	<u>1,323</u>	<u>13,879</u>	<u>209</u>	<u>98,960</u>
<b>Depreciation</b>							
At 1 August 2003	(10,398)	(4,911)	(113)	-	(10,311)	(181)	(25,914)
Disposals	-	-	-	-	-	21	21
Charge for year:-							
Finance leases	(166)	-	-	-	-	-	(166)
Other	(932)	(1,620)	(1)	-	(950)	(19)	(3,522)
	<u>(1,098)</u>	<u>(1,620)</u>	<u>(1)</u>	<u>-</u>	<u>(950)</u>	<u>(19)</u>	<u>(3,688)</u>
At 31 July 2004	<u>(11,496)</u>	<u>(6,531)</u>	<u>(114)</u>	<u>-</u>	<u>(11,261)</u>	<u>(179)</u>	<u>(29,581)</u>
<b>Net Book Value:-</b>							
Finances leases	6,492	-	-	-	-	-	6,492
Others	27,251	31,665	-	1,323	2,618	30	62,887
At 31 July 2004	<u>33,743</u>	<u>31,665</u>	<u>-</u>	<u>1,323</u>	<u>2,618</u>	<u>30</u>	<u>69,379</u>
Finances leases	6,658	-	-	-	-	-	6,658
Others	27,458	32,388	1	247	2,703	37	62,834
At 31 July 2003	<u>34,116</u>	<u>32,388</u>	<u>1</u>	<u>247</u>	<u>2,703</u>	<u>37</u>	<u>69,492</u>
Inherited	7,770	-	-	-	-	-	7,770
Financed by capital grants	579	7,452	-	-	1,946	-	9,977
Other	25,394	24,212	-	1,323	673	30	51,632
Net book value at 31 July 2004	<u>33,743</u>	<u>31,664</u>	<u>-</u>	<u>1,323</u>	<u>2,619</u>	<u>30</u>	<u>69,379</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 15. Tangible fixed assets (Group and University) (continued)

The transitional rules set out in FRS 15 (Tangible Fixed Assets) were applied on its implementation. Accordingly, book values at implementation were retained.

The basis of the revaluation is set out in Note 1, Statement of Principal Accounting Policies.

Freehold land with a book value of £8.384m (Group and University) and assets in the course of construction stated at £1.323m (Group and University) are not depreciated.

Under the terms of the £30m Bond, certain assets are subject to a fixed charge, and there is a floating charge over all the University's undertakings and assets, other than those not capable of being so charged under the conditions of the relevant leases. There is a negative pledge over other assets.

Capital expenditure on a leasehold building, King William, Maritime Greenwich campus, was funded in part from Treasury sources, and therefore the Treasury has a deemed interest in this building to the value of that funding. If the University assigns, or otherwise disposes of this building, the University would either have to surrender all, or part, of the proceeds to the Treasury, or use them in accordance with directions from HEFCE.

Depreciation of finance leases was £330,433 (2003: £330,433). The net book value of assets held under finance leases was £14,678,205 (2003: £15,008,638).



## NOTES TO THE FINANCIAL STATEMENTS

### 16. Investments

(i) *Investments – at cost:-*

	Group		University	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Shares in CVCP Properties Plc	38	38	38	38
Shares and retained profit in associate company - (NR International Limited)	190	178	134	134
	<u>228</u>	<u>216</u>	<u>172</u>	<u>172</u>

CVCP Properties Plc was formed in June 1995 to fund the acquisition and refurbishment of new offices for Universities UK (UUK). All UK HE institutions were required to subscribe for ordinary shares in this company in proportion to an agreed subscription formula. On this basis the University of Greenwich acquired 37,714 (0.9%) of the shares of this company.

	Group and University	
	2004 £'000	2003 £'000
<b>Investment in subsidiaries at cost</b>		
UGMT Ltd	-	-
Greenwich Property Ltd	-	-
London Science Park Ltd	-	-
CCLR	-	-
	<u>-</u>	<u>-</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 16. Investments (continued)

#### *(ii) Investment in subsidiary companies:-*

##### **UGMT Ltd**

The University holds 100% of the issued share capital (£1 ordinary shares) of UGMT Ltd which is incorporated in the UK and whose principal activity is the provision of consultancy, management development programmes, and hotel and conference activities. The results for the year ended 31 July 2004 have been consolidated in these financial statements with those of the University. The company holds 43 shares (3.85%) in Smart Chemical Co. Ltd.

##### **Greenwich Property Ltd**

The University holds 100% of the issued share capital (£1 Ordinary Shares) of Greenwich Property Limited, a company registered in England and operating in the UK and whose principal activity is to facilitate the provision of student accommodation for the benefit of the University's students. The results for the year ended 31 July 2004 have been consolidated in these financial statements with those of the University.

##### **London Science Park Ltd**

The University holds outright 100% of the issued share capital (£1 Ordinary Shares) in London Science Park Limited, which is incorporated in the UK. The company has not traded since its acquisition by the University in September 1994.

##### **Centre for Contaminated Land Remediation Ltd**

The Centre for Contaminated Land Remediation Ltd was incorporated in the UK in March 1999. It is a company limited by guarantee with the University as its sole member. The principal business of the company is to procure the remediation of contaminated land, and to undertake research and education on waste management. The company is not able to distribute any profits. The results for the year ended 31 July 2004 have been consolidated in these financial statements with those of the University.



## NOTES TO THE FINANCIAL STATEMENTS

### 16. Investments (continued)

#### (iii) Investment in associated companies:-

##### Natural Resources International Ltd

The University holds 25% of the issued share capital (10 pence Ordinary Shares) in Natural Resources International Limited. A further 25% of the issued share capital is held by the University of Edinburgh, with Imperial College holding the remainder (50%). The University also holds 25% of the issued B share capital, with the remainder being held by the University of Edinburgh and Imperial College in the same proportions as that of the 10p ordinary shares.

The company, which is incorporated in the UK, commenced trading on 1 August 1996 as part of the acquisition of the former Natural Resources Institute from the Overseas Development Administration (ODA). The principal activity of the company is to supply the Department for International Development (formerly ODA) and other potential clients with expertise on conservation management and sustainable development of natural resources. It delivers this work largely through sub contracts to members of the consortium, and to external organisations. The company reported a profit of £49,414 (2003: £35,654).

The following is a summary of the trading account and net assets of the company for the year to 31 July 2004:-

	Turnover £'000	Operating profit / (loss) £'000	Net assets £'000
NR International Ltd	16,062	49	761
NR International Ltd – trade with the University	8	-	-
NR International Ltd – other than with the University	16,054	-	-

##### Medway Campus Ltd

The University is one of seven members of Medway Campus Ltd, a company limited by guarantee. The principal activity of the company is to contribute to the regeneration of the Medway towns in providing support for job creation by harnessing the technological potential of the area. The results are not included in the Group accounts as they are not material.

#### (iv) Other arrangements:-

##### Kent Thameside

The University is one of 7 parties forming a forum to co-ordinate activity to facilitate the regeneration of the Kent Thameside area in the Boroughs of Dartford and Gravesham. The results are not included in the Group accounts as they are not material.



## NOTES TO THE FINANCIAL STATEMENTS

### 17. Endowment asset investment

	<b>Group and University</b>	
	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Balance at 01 August 2003	570,806	496,884
Additions	14,042	80,750
Disposals	(11,315)	(9,882)
Increase in value of investments	1,115	3,054
Balance at 31 July 2004	<u>574,648</u>	<u>570,806</u>
Represented by:		
COIF income shares	48,668	47,553
Managed funds	525,980	516,907
Debtors	-	6,346
	<u>574,648</u>	<u>570,806</u>
Market value of COIF income shares	48,668	47,553



## NOTES TO THE FINANCIAL STATEMENTS

### 18. Endowments

<b>Group and University</b>					
	<b>01 Aug 2003 £</b>	<b>Additions £</b>	<b>Withdrawals £</b>	<b>Investment income £</b>	<b>31 July 2004 £</b>
<b>General</b>					
Governors' General Reserve	159,045	-	-	-	159,045
<b>Specific</b>					
Bergman Osterberg Trust	124,037	1,115	(1,010)	4,516	128,658
School of Land & Construction Prize Fund	36	-	-	2	38
Woolwich Polytechnic Trust	-	-	-	-	-
E.de Barry Barnett Memorial Prize Fund	5,738	-	-	196	5,934
Garnett Prize Fund	18,637	-	(390)	635	18,882
Humanities Prize Fund	10,083	-	-	344	10,427
Coker Prize Fund	707	-	-	24	731
DP Connect – Business School Prize Fund	1,209	-	-	41	1,250
D. Fussey Memorial Choral Exhibition	251,118	-	(9,915)	8,277	249,480
John-Hood Williams Prize Fund	196	-	-	7	203
	<u>411,761</u>	<u>1,115</u>	<u>(11,315)</u>	<u>14,042</u>	<u>415,603</u>
Total	<u>570,806</u>	<u>1,115</u>	<u>(11,315)</u>	<u>14,042</u>	<u>574,648</u>

### 19. Stocks

	<b>Group</b>		<b>University</b>	
	<b>2004 £'000</b>	<b>2003 £'000</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
Raw materials and consumables	15	17	15	17
	<u>15</u>	<u>17</u>	<u>15</u>	<u>17</u>





## NOTES TO THE FINANCIAL STATEMENTS

### 20. Debtors

	Group		University	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
<i>Due within one year</i>				
Trade debtors	2,913	3,180	2,189	2,430
Amounts owed by subsidiaries	-	-	197	430
Amounts owed by associated company	1,143	965	1,143	965
Amounts recoverable under long term contracts	319	377	319	377
Other debtors	395	487	300	370
Prepayments & accrued income	1,074	1,509	1,004	1,478
Amounts due from HEFCE				
Principal and interest on capital debt	1,146	286	1,146	286
Other	203	203	203	203
	<u>7,193</u>	<u>7,007</u>	<u>6,501</u>	<u>6,539</u>
<i>Due in more than one year</i>				
Amounts owed by subsidiaries	-	-	25,465	24,457
	<u>7,193</u>	<u>7,007</u>	<u>31,966</u>	<u>30,996</u>

### 21. Investments (current assets)

	Group		University	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Debt service reserve	2,412	2,412	2,412	2,412
Fixed term and notice bank deposits	29,712	23,953	29,712	23,953
	<u>32,124</u>	<u>26,365</u>	<u>32,124</u>	<u>26,365</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 22. Creditors: Amounts falling due within one year

	Group		University	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Bank overdraft	1,958	2,510	1,922	2,504
Bond	474	512	474	512
Finance leases	270	250	-	-
Loan debt payable to Royal Borough of Kensington and Chelsea	154	145	154	145
Interest on loan debt payable to Royal Borough of Kensington and Chelsea	135	139	135	139
Trade creditors	4,927	5,784	4,821	5,637
Amounts owed by subsidiaries	-	-	2,248	1,960
Prepaid long term contract income	2,910	4,130	2,910	4,130
PAYE and other taxation payable	1,596	1,624	1,596	1,572
Other creditors	5,874	4,999	3,765	2,895
Accruals - reorganisation costs	98	-	98	-
- losses on long term contracts	741	827	741	827
- others	6,629	5,865	2,438	2,539
Deferred income	5,107	3,400	5,108	3,400
	<u>30,873</u>	<u>30,185</u>	<u>26,410</u>	<u>26,260</u>

### 23. Creditors: Amounts falling due after more than one year

	Group		University	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Bond	27,450	27,854	27,450	27,854
Finance lease	14,700	14,970	-	-
Loan - Greenwich Property Limited	-	-	40,139	39,284
Loan - Royal Borough of Kensington and Chelsea	4,558	4,711	4,558	4,711
	<u>46,708</u>	<u>47,535</u>	<u>72,147</u>	<u>71,849</u>
Others – deferred lease capitalisations	5,267	2,716	5,267	2,716
	<u>51,975</u>	<u>50,251</u>	<u>77,414</u>	<u>74,565</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 23. Creditors: Amounts falling due after more than one year (continued)

#### Analysis of loan repayments

	Group		University	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Repayable between one and two years				
Bond	508	546	508	546
Finance lease	291	270	-	-
Loan - Greenwich Properties Limited	-	-	-	-
Loan - Royal Borough of Kensington & Chelsea	164	156	164	156
	<u>963</u>	<u>972</u>	<u>672</u>	<u>702</u>
Repayable between two and five years				
Bond	1,749	1,857	1,749	1,857
Finance lease	1,022	946	-	-
Loan - Greenwich Properties Limited	-	-	-	-
Loan - Royal Borough of Kensington & Chelsea	558	531	558	531
	<u>3,329</u>	<u>3,334</u>	<u>2,307</u>	<u>2,388</u>
Repayable after five years				
Bond	25,193	25,451	25,193	25,451
Finance lease	13,387	13,754	-	-
Loan - Greenwich Properties Limited	-	-	40,139	39,284
Loan - Royal Borough of Kensington & Chelsea	3,836	4,024	3,836	4,024
	<u>42,416</u>	<u>43,229</u>	<u>69,168</u>	<u>68,759</u>
	<u>46,708</u>	<u>47,535</u>	<u>72,147</u>	<u>71,849</u>

#### Bond

On 14 October 1998, the University issued £30m Guaranteed Secured Bonds due 2028 at an interest coupon of 6.36% on the Luxembourg Stock Exchange. Re-payments of interest and principal are guaranteed by AMBAC Insurance UK Ltd, for which guarantee the University paid a premium covering the 30 year period. Payments are semi-annual on 31 January and 31 July.

There are provisions for early redemption and for the University, or any of its subsidiaries, to purchase bonds in the open market or otherwise, at any price. Any offer to purchase by tender, must be made to all Bondholders. Although there is no security to value, the University has granted a fixed charge over certain properties, and a first floating charge over all its undertakings and assets, other than those not capable of being so charged by the conditions under relevant leases. There is a negative pledge over other assets.

The University is required to maintain a charged Debt Service Reserve comprising cash, or cash equivalents, sufficient to meet the next two scheduled Bond payments. The premium paid to AMBAC and all other direct costs associated with the issue have been capitalised and will be written-off over the life of the Bond. The effective rate of interest is 6.97% after taking into account all issue and guarantee costs.



## NOTES TO THE FINANCIAL STATEMENTS

### 23. Creditors: Amounts falling due after more than one year (continued)

#### Loan debt - Royal Borough of Kensington and Chelsea

The debt repayable to the Royal Borough of Kensington and Chelsea are loans associated with tangible fixed assets transferred from ILEA to the University under the Education Reform Act 1988. The loans are unsecured and are repayable by instalments over various years up to 2021, at an average rate of interest of 8.574% (2003: 8.615%).

The University is liable for servicing this debt to the Royal Borough of Kensington and Chelsea (as successor body to ILEA for this purpose); both principal and interest are reimbursed by HEFCE under current arrangements.

### 24. Provisions for liabilities and charges

	<b>Group and University</b>		
	<b>Enhanced pensions £'000</b>	<b>Decontam- ination £'000</b>	<b>Total £'000</b>
At 01 August 2003	3,176	976	4,152
Interest charge	186	-	186
Payments in year	(218)	-	(218)
At 31 July 2004	<u>3,144</u>	<u>976</u>	<u>4,120</u>

The University carries a provision of £3.1m relating to enhanced pension entitlements of former employees. The service of these employees was severed under one of several voluntary severance arrangements that were available at the relevant time.

The provision for decontamination relates to a former pyrotechnic site at North Dartford and is based on work undertaken by University staff qualified in environmental issues. There are environmental issues concerning land pollution and a large number of small buildings impregnated with explosive material. The University is currently addressing this issue, but the timing of decontamination work is subject to detailed discussions with various agencies.



## NOTES TO THE FINANCIAL STATEMENTS

### 25. Deferred capital grants

	<b>Group and University</b>				
	<b>Hefce</b>		<b>Other</b>		<b>Total</b>
	<b>Equipment £'000</b>	<b>Buildings £'000</b>	<b>Equipment £'000</b>	<b>Buildings £'000</b>	<b>£'000</b>
At 01 August 2003	2,081	7,683	159	154	10,077
Received in the year	330	1,436	-	-	1,766
Released to Income & Expenditure A/c	(601)	(667)	(39)	(11)	(1,318)
	<u>1,810</u>	<u>8,452</u>	<u>120</u>	<u>143</u>	<u>10,525</u>

### 26. Reserves

#### (a) Group

	<b>Revaluation Reserve £'000</b>	<b>Income &amp; Expenditure £'000</b>	<b>Total Reserves £'000</b>
At 01 August 2003	8,367	2,892	11,259
Profit for year	-	3,323	3,323
Transfer from reserves re depreciation	(115)	115	-
Transfer re HEFCE debt reimbursement	-	154	154
At 31 July 2004	<u>8,252</u>	<u>6,484</u>	<u>14,736</u>

#### (b) University

At 01 August 2003	8,367	6,127	14,494
Profit for year	-	3,634	3,634
Transfer from reserves re depreciation	(115)	115	-
Transfer re HEFCE debt reimbursement	-	154	154
At 31 July 2004	<u>8,252</u>	<u>10,030</u>	<u>18,282</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 27. Lease obligations

The finance lease obligations to which the University is committed are as follows:-

	Group		University	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
<b>Obligations under finance leases:-</b>				
Due within one year	270	250	-	-
Due between two and five years	1,313	1,216	-	-
Due over five years	13,387	13,754	-	-
	<u>14,970</u>	<u>15,220</u>	<u>-</u>	<u>-</u>

The payments which the University is committed to make in the next year under operating leases are as follows:-

	Group		University	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
<b>Operating lease commitments:-</b>				
<b>Land and buildings</b>				
Expiring within two and five years inclusive	73	505	73	505
Expiring in over five years	5,542	5,634	5,542	5,634
	<u>5,615</u>	<u>6,139</u>	<u>5,615</u>	<u>6,139</u>

### 28. Capital commitments

	Group		University	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Commitments contracted at 31 July 2004	<u>2,983</u>	<u>1,017</u>	<u>2,983</u>	<u>1,017</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 29. Reconciliation of consolidated operating deficit to net cash from operating activities

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Surplus / (deficit) before tax	3,323	(9,565)
Depreciation (Note 15)	3,688	4,290
Write down of freehold / leasehold properties	-	6,465
Profit on sale of fixed assets	-	(651)
Deferred capital grants released to income (Note 25)	(1,318)	(1,131)
Release of lease capitalisation	(795)	(348)
Investment income	(1,155)	(993)
Interest payable	3,557	3,625
(Increase) / decrease of stocks	2	4
(Increase) / decrease in debtors	(176)	441
Increase / (decrease) in creditors	887	4,391
Increase / (decrease) in provisions	(32)	(42)
Share of (profit) of associated undertaking	(12)	(9)
Net cash inflow from operating activities	<u>7,969</u>	<u>6,477</u>

### 30. Returns on investments and servicing of finance

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Income from endowments	11	10
Interest received	1,155	993
Interest paid - finance leases	(1,176)	(1,194)
- other	(2,311)	(2,365)
	<u>(2,321)</u>	<u>(2,556)</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 31. Capital expenditure and financial investment

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Purchase of tangible fixed assets	(3,770)	(4,146)
Sale of fixed tangible assets	-	945
Deferred capital grants received	1,766	2,177
HEFCE - proceeds from lease capitalisations	3,902	2,739
HEFCE - grant received for debt repayment	145	136
Endowments (withdrawn)/received	(10)	150
	<u>2,033</u>	<u>2,001</u>

### 32. Management of liquid resources

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Sale of investments	-	-
Withdrawal from deposits	5,759	6,887
Purchase of investments	-	-
Placing of deposits	-	-
Movement on endowment assets	-	-
	<u>5,759</u>	<u>6,887</u>

### 33. Financing

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Bond repayment	512	-
Finance Lease	250	231
Ex ILEA debt repayment	145	136
	<u>907</u>	<u>367</u>





## NOTES TO THE FINANCIAL STATEMENTS

### 34. Analysis of changes in net debt

	<b>1 August 2003 £'000</b>	<b>Cash Flows £'000</b>	<b>Other Changes £'000</b>	<b>31 July 2004 £'000</b>
Cash in hand, at bank & deposits repayable on demand	1,447	463	-	1,910
Overdraft	(2,510)	552	-	(1,958)
	<u>(1,063)</u>	<u>1,015</u>	<u>-</u>	<u>(48)</u>
Current asset investments	26,365	5,759	-	32,124
Debt due within 1 year	(657)	657	(628)	(628)
Debt due after 1 year	(32,439)	474	154	(31,811)
Finance leases	(15,220)	250	-	(14,970)
Total	<u>(23,014)</u>	<u>8,155</u>	<u>(474)</u>	<u>(15,333)</u>

### 35. Contributions to Pension Funds

Payments are made to the Teachers' Pensions Agency, in accordance with the Teachers' Superannuation Scheme for academic staff and to the London Pension Fund for non-academic staff.

Both Funds are defined benefit schemes, whose financial position and income and expenditure are disclosed in their annual audited financial statements. The rates of employers' contribution are reviewed periodically on the basis of actuarial valuations.

#### *Teacher's Superannuation Scheme*

A review of the Teachers Superannuation Scheme by the Government in February 1997 set the employers contribution rate at 7.2% from 1st July 1997, and made individual employers responsible for the costs of early retirements as from 1st September 1997. Following the 1996 actuarial valuation, the rate increased to 7.4% from 1 April 2000, 8.35% from 1 April 2002, and 13.5% from 1 April 2003.

The assets of the TSS scheme are held in separate trustee-administered funds, but it is not possible to identify each institution's share of the underlying assets and liabilities of the schemes and hence contributions to the schemes are accounted for as if they were defined contribution schemes. The cost recognised within the surplus/deficit for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year.

The most recent actuarial valuation of the TPS was for the period 1 April 1996 to 31 March 2001. The report was published in March 2003.

Where the Institution closes and there is no successor establishment, the Secretary of State becomes the compensating authority.



## NOTES TO THE FINANCIAL STATEMENTS

### 35. Contributions to pension funds (continued)

#### *London Pension Fund Authority (LPFA)*

In accordance with the Local Government Superannuation regulations, a valuation of the London Pensions Fund (Active Sub-Fund) as at 31 March 2001 determined that, on the basis of the projected unit method, the University's contribution increased from 8.7% to 11.4% with effect from 1 April 2002. The next valuation was due as at 31 March 2004.

The main actuarial assumptions used in the 2004 valuation (for the purposes of FRS17) were:

Rate of return on investments :-

- equities	7.9%
- bonds	5.4%

Rate of pay increases 4.4%

Rate of pension increases 2.9%

Valuation of assets Average market value in the 12 months ended 31 March 2001.

At 31 March 2001 the market value of the assets of the Active Sub-Fund was £1,447m.

Pension contributions are charged to the Income and Expenditure Account in the year to which the salaries on which they are payable relate. Other creditors include £227,972 (2003: £240,108) payable to the London Pensions Fund Authority in respect of the University's contributions on salaries for July 2004.

**The following disclosures in relation to LPFA are to comply with the transitional requirements of FRS 17:**

<b>Assumptions as at year end</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>% pa</b>	<b>% pa</b>	<b>% pa</b>
Price increases	2.9%	2.6%	2.4%
Salary increases	4.4%	4.1%	3.9%
Pension increases	2.9%	2.6%	2.4%
Discount rate	5.8%	5.5%	6.0%

<b>Assets in the whole LPFA fund and expected rate of return</b>	<b>Assumed long term return % pa at July 2004</b>	<b>Value at 31 July 2004 £m</b>	<b>Assumed long term return % pa at July 2003</b>	<b>Value at 31 July 2003 £m</b>	<b>Assumed long term return % pa at July 2002</b>	<b>Value at 31 July 2002 £m</b>
Equities	7.9%	1,093	8.0%	1,053	8.0%	983
Bonds	5.4%	159	5.0%	170	5.5%	183
Property	6.7%	105	6.0%	66	6.0%	-
Cash	4.5%	17	3.5%	-	4.0%	17
<b>Total</b>	<b>7.5%</b>	<b>1,374</b>	<b>7.5%</b>	<b>1,289</b>	<b>7.6%</b>	<b>1,183</b>
<b>% of Fund attributed to University Value (£m)</b>		<b>3.9%</b> <b>£54.9m</b>		<b>3.9%</b> <b>£50.4m</b>		<b>4.1%</b> <b>£48.4m</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 35. Contributions to pension funds (continued)

	2004 £'000	2003 £'000	2002 £'000	
<b>Net Pension Asset</b> <b>(University's share of LPFA Active Sub fund)</b>				
Estimated employer assets (A)	54,893	50,350	48,380	
Present value of scheme liabilities (B)	83,504	77,540	62,640	
Present value of unfunded liabilities (C)	509	480	440	
<b>Net pension asset liability (A - B - C)</b>	<b>(29,120)</b>	<b>(27,670)</b>	<b>(14,700)</b>	
<b>If the above amounts had been recognised in the financial statements the group's net assets and general reserve (I&amp;E account) would be</b>				
Net assets excluding pension liability	25,836	21,907		
Pension liability	(29,120)	(27,670)		
<b>Net assets including pension liability</b>	<b>(3,284)</b>	<b>(5,763)</b>		
General reserve / I&E account excluding pension liability	6,484	2,892		
Pension liability	(29,120)	(27,670)		
<b>General reserve / I&amp;E account including pension liability</b>	<b>(22,636)</b>	<b>(24,778)</b>		
	<b>2004</b>	<b>% of</b>	<b>2003</b>	<b>% of</b>
	<b>£'000</b>	<b>pay costs</b>	<b>£'000</b>	<b>pay costs</b>
<b>Analysis of amount that would be charged to operating surplus in Income and Expenditure account</b>				
Service cost	2,594	16.7%	2,210	13.2%
Past service costs	11	0.4%	90	0.5%
Curtailments and settlements	40	1.5%	260	1.6%
<b>Total Operating Charge (A)</b>	<b>2,645</b>	<b>18.7%</b>	<b>2,560</b>	<b>15.3%</b>
<b>Projected amount credited to other finance income</b>				
Expected return on employer assets	3,802	24.5%	3,720	22.3%
Interest on pension scheme liabilities	(4,342)	(28.0%)	(3,780)	(22.6%)
<b>Net return (B)</b>	<b>(540)</b>	<b>(3.5%)</b>	<b>(60)</b>	<b>(0.3%)</b>
<b>Net Income &amp; Expenditure account cost would be (A - B)</b>	<b>3,185</b>	<b>22.2%</b>	<b>2,620</b>	<b>15.6%</b>
<b>Analysis of amount that would be recognised in Statement of Total Recognised Gains and Losses (STRGL)</b>	<b>2004</b>		<b>2003</b>	
	<b>£000</b>		<b>£000</b>	
Actual return less expected return on pension scheme assets	33		(3,290)	
Experience gains and losses arising on the scheme liabilities	-		(75)	
Changes in assumptions underlying present value of scheme liabilities	(104)		(8,870)	
Actuarial loss in pension plan	(71)		(12,235)	
<b>Actuarial loss recognised in STRGL</b>	<b>(71)</b>		<b>(12,235)</b>	



## NOTES TO THE FINANCIAL STATEMENTS

### 35. Contributions to pension funds (continued)

	2004 £'000	2003 £'000
<b>Movement in surplus / deficit during the year</b>		
<b>Deficit at beginning of the year</b>	<b>(27,670)</b>	<b>(14,695)</b>
Current service cost	(2,594)	(2,210)
Employer contributions	1,767	1,880
Contributions in respect of unfunded benefits	39	-
Past service costs	(11)	(90)
Impact of settlements and curtailments	(40)	(260)
Net return on assets	(540)	(60)
Actuarial losses	(71)	(12,235)
<b>Deficit at end of year</b>	<b>(29,120)</b>	<b>(27,670)</b>
<b>History of Experience Gains and Losses</b>		
<b>Difference between the expected and actual return on assets</b>	<b>(33)</b>	<b>(3,290)</b>
Value of assets	54,893	50,350
Percentage of assets	0.1%	(6.5%)
<b>Experience gains / (losses) on liabilities</b>	<b>-</b>	<b>(75)</b>
Present value of liabilities	84,013	78,020
Percentage of the present value of liabilities	0.1%	(0.1%)
<b>Actuarial losses recognised in STRGL</b>	<b>(71)</b>	<b>(12,235)</b>
Present value of liabilities	84,013	78,020
Percentage of the present value of liabilities	(0.1%)	(15.7%)

#### Analysis of projected amount to be charged to operating profit for the year to 31 July 2005

	Year to 2005 £'000	% of pay costs	Year to 2004 £'000	% of pay costs
<b>Estimated current service cost &amp; total operating charge (A)</b>	<b>2,645</b>	<b>16.8%</b>	<b>2,740</b>	<b>16.4%</b>
Expected return on employer assets	4,131	26.2%	3,850	23.0%
Interest on pension scheme liabilities	(4,917)	(31.1%)	(4,290)	(25.6%)
<b>Net return (B)</b>	<b>(786)</b>	<b>(5.0%)</b>	<b>(440)</b>	<b>(2.6%)</b>
<b>Expected net I&amp;E account cost (A – B)</b>	<b>3,431</b>	<b>21.8%</b>	<b>3,180</b>	<b>19.0%</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 35. Contributions to pension funds (continued)

The pension charge for the year includes an amount in respect of enhanced pension entitlements of staff taking early retirement under voluntary severance arrangements. Provision was made for the cost of early retirement, based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 3.5% in excess of price inflation.

An amount of £3.144 m (2003: £3.176m) is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceed actual payments made. The provision will be released against the cost to the University of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

The total pension cost for the University and its subsidiaries was:-

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Contributions to TSS	3,166	2,380
Contributions to USS	39	34
Contributions to LPFA	1,772	1,877
Total pension costs (note 6)	<u>4,977</u>	<u>4,291</u>

### 36. Taxation

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
<b>U.K. corporation tax on the profits of, and by</b>		
UGMT Ltd	-	-
Greenwich Property Ltd.	-	-
	<u>-</u>	<u>-</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 37. Contingent liabilities

The University is a member of U.M. Association (Terrorism) Ltd. (UMALT), a mutual association for terrorism risk solely for institutions of higher education with a membership of 77 institutions. The association has a reserve fund of £9.9m, a £15m “internal” loan facility from member institutions, and a £300m aggregate layer of “excess” cover obtained through the Lloyds Market. Institutions pay advance contributions based on the value of the property and geographical location. If necessary, a supplementary contribution may be called from each member calculated pro rata to the advance contributions made in the relevant indemnity year. No claims have been made on UMALT since it was formed in 1993.

### 38. Related party transactions

During the year the University traded with an associated company – Natural Resources International Ltd, in which it holds 25% of the share capital. The value of work performed for the company was £3.54 m (2003: £4.93 m). The University sold services to N R International Ltd to the value of £1,000 (2003: £11,113). The company has called-up share capital of £136,001 and reserves of £636,119.

The University seconded approximately four of its staff (2003: five) to the company at a cost of £0.214m (2003: £0.260m). At the year end the total amount owed to the University by N R International Ltd was £1.408m (2003: £0.965m).

All related party transactions between the University and its wholly owned subsidiaries are not disclosed because of a specific exemption under FRS 8.

The University is one of four equal partners in Kent-Man Limited, a company formed on 1 April 2002, and limited by guarantee, maintaining microwave radio links between HE institutions in Kent.

A subsidiary of the University, UGMT Limited, has provided research and consultancy services on three contracts for which an officer of the University (Professor M. Cross) has a minority shareholding in the client company. The total turnover in respect of these contracts was £0.232m (2003: £ 0.270m). The contracts were continuing at the end the financial year and carried deferred income of £36,032 (2003: deferred costs of £20,112). Accounts receivable invoices in respect of work completed on these contracts stood at £0.185m at the balance sheet date; a provision of £40,000 is held against these invoices. A provision of £30,000 is held at the balance sheet date in respect of anticipated future losses on one of these contracts.

A register of Governor’s interests is maintained by the University, and any transaction involving organisations in which a member of the court may have an interest is conducted at arm’s length, and in accordance with the University’s financial regulations and procedures.

### Post Balance Sheet Events

The Woolwich Island site which formed a significant part of the former Woolwich campus was disposed of in September 2004. The disposal proceeds were £4.250m. At the balance sheet date the carrying value of this asset was £1.275m.



## NOTES TO THE FINANCIAL STATEMENTS

### 39. HEFCE – hardship funds

	Rec'd In Year £'000	Interest Earned £'000	Dis- bursed £'000	31 July 2004 £'000	31 July 2003 £'000
Hardship fund	1,019	9	(1,003)	25	-
Fee Waiver	87	-	(87)	-	-
Opportunity bursaries	221	-	(221)	-	-
	<u>1,327</u>	<u>9</u>	<u>(1,311)</u>	<u>25</u>	<u>-</u>

The above HEFCE grants are available solely for students; the University acts as the paying agent. These grants and the related disbursements are therefore excluded from the Income and Expenditure Account.

### 40. Teacher Training Agency

#### (i) Student support funding

	Rec'd in Year £'000	Interest Earned £'000	Dis- bursed £'000	31 July 2004 £'000	31 July 2003 £'000
Training bursaries	2,052	-	(1,567)	485	175
SSSS hardship fund	153	-	(134)	19	15
Students associate scheme	177	-	(34)	143	-
	<u>2,382</u>	<u>-</u>	<u>(1,735)</u>	<u>647</u>	<u>190</u>

The above TTA grants are available solely for students; the University acts as the paying agent. These grants and the related disbursements are therefore excluded from the Income and Expenditure Account.

#### (ii) Other funding

	Rec'd in Year £'000	Interest Earned £'000	Dis- bursed £'000	31 July 2004 £'000	31 July 2003 £'000
Minority ethnic recruitment	26	-	(22)	4	-
	<u>26</u>	<u>-</u>	<u>(22)</u>	<u>4</u>	<u>-</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 41. Financial instruments - Group

#### (i) Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

#### (ii) Interest rate profile of financial liabilities of the Group

	As at 31 July 2004			As at 31 July 2003		
	Total £'000	Floating rate £'000	Fixed rate £'000	Total £'000	Floating rate £'000	Fixed rate £'000
Currency						
Sterling	47,606	4,712	42,894	48,442	4,856	43,586

NOTE: At present HEFCE re-imburses the floating rate financial liabilities

All the Group's creditors falling due within one year (other than borrowings) are excluded from the above table either due to the exclusion of short term items or because they do not meet the definition of financial liabilities. There are no material financial liabilities on which interest is not paid.

	As at 31 July 2004 weighted average		As at 31 July 2003 weighted average	
	Interest rate	Period for which rate is fixed	Interest rate	Period for which rate is fixed
Currency				
Sterling	7.33%	23 Years	7.33%	24 Years

#### (iii) Interest rate risk of financial assets

The group had the following financial assets as at 31st July:-

	As at 31 July 2004			As at 31 July 2003		
	Total £'000	Floating rate £'000	Fixed rate £'000	Total £'000	Floating rate £'000	Fixed rate £'000
Currency						
Sterling	32,376	252	32,124	26,962	597	26,365
Euro	989	989	-	595	595	-
US Dollar	669	669	-	255	255	-
	<u>34,034</u>	<u>1,910</u>	<u>32,124</u>	<u>27,812</u>	<u>1,447</u>	<u>26,365</u>





## NOTES TO THE FINANCIAL STATEMENTS

### 42. Financial instruments - Group (continued)

#### (iv) Currency exposures

As explained in the Directors Report, the University's objective in managing the currency exposures arising from the normal course of business is to limit risks as far as possible by making any subcontracts in the same currency as the main contract.

At 31st July, the sterling value of debtors and creditors in foreign currencies was as follows:-

Currency	Debtors		Creditors	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
EURO	222	174	-	-
US \$	415	354	-	-
SA Rand	-	5	-	-
NOK	-	16	-	-
INR	1	26	-	-
	<u>638</u>	<u>575</u>	<u>-</u>	<u>-</u>

#### (v) Maturity of financial liabilities

The maturity of the Group's financial liabilities, other than short-term creditors and accruals, as at 31 July was:-

Currency	As at 31 July 2004			As at 31 July 2003		
	Total £'000	Floating rate £'000	Fixed rate £'000	Total £'000	Floating rate £'000	Fixed rate £'000
In one year or less, or on demand	898	154	744	907	145	762
In more than one year, but not more than two years	963	164	799	972	156	816
In more than two years, but not more than five years	3,329	558	2,771	3,334	531	2,803
In more than five years	42,416	3,836	38,580	43,229	4,024	39,205
	<u>47,606</u>	<u>4,712</u>	<u>42,894</u>	<u>48,442</u>	<u>4,856</u>	<u>43,586</u>

NOTE: At present HEFCE re-imburses the floating rate financial liabilities



## NOTES TO THE FINANCIAL STATEMENTS

### 42. Financial instruments – Group (continued)

#### (vi) Borrowing facilities

The Group has no undrawn borrowing facilities.

#### (vii) Fair values of financial assets and liabilities

Set out below is a comparison by category of book values and fair values of all the Group's financial assets and liabilities as at 31st July:-

Primary financial instruments held or issued to finance the Group's operations

	As at 31 July 2004		As at 31 July 2003	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Current portion of long term borrowings	898	898	907	907
Long term borrowings	46,708	31,104	47,535	52,626
Cash deposits and current asset investments	34,034	34,034	27,812	27,812
Shares in CVCP Properties Plc	38	38	38	38

The fair value of the long-term borrowings has been determined by reference to prices available in the market in respect of the Bond, and fair value for the PFI element is assumed at book value.

Further details concerning the Bond are set out in note 22.

#### (viii) Gains and losses on currency hedges

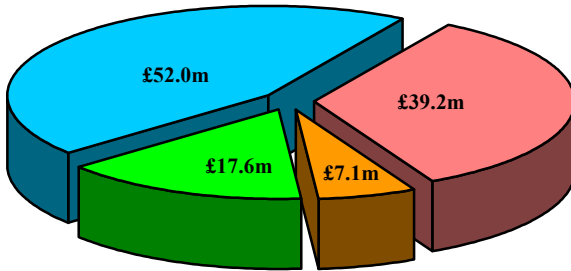
The Group has no forward currency contracts.



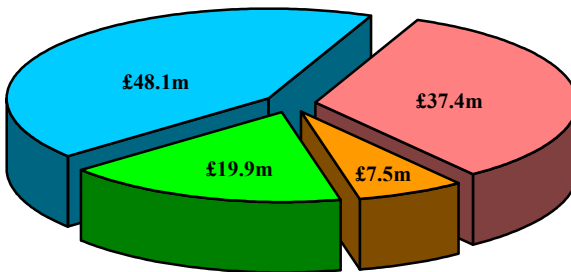
**KEY STATISTICAL INFORMATION**

**INCOME**

2003-2004



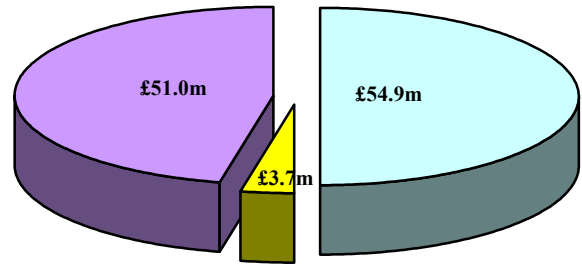
2002-2003



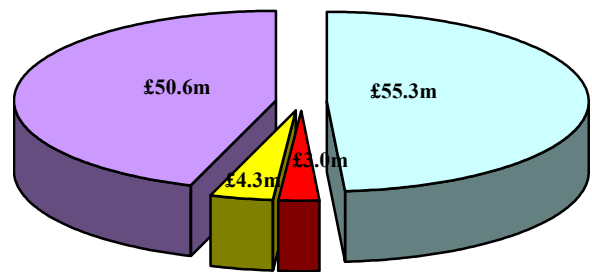
- Funding council grants
- Tuition fees and education contracts
- Research grants and contracts
- Other income

**EXPENDITURE**

2003-2004



2002-2003

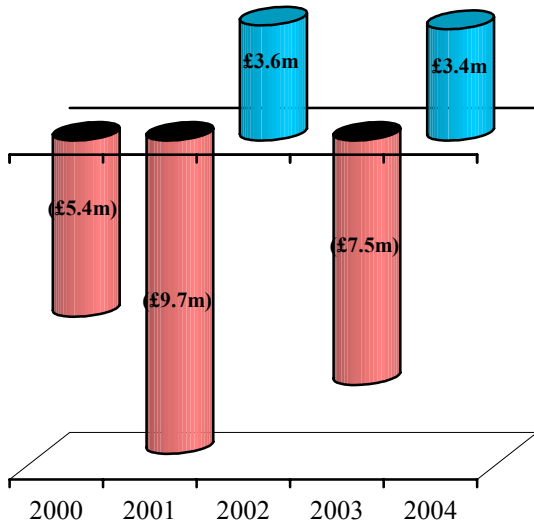


- Staff costs
- Reorganisation costs
- Depreciation
- Other operating expenses

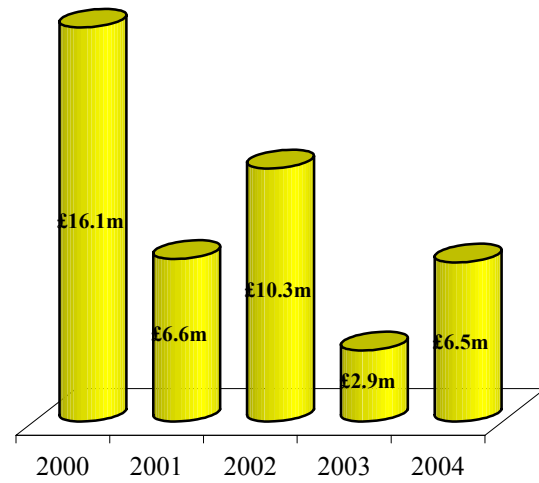


**KEY STATISTICAL INFORMATION (continued)**

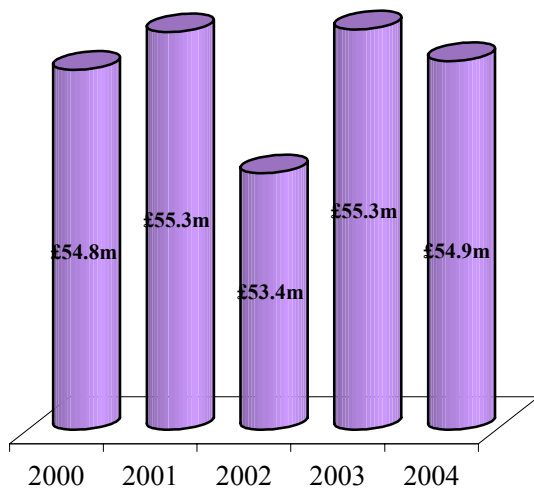
**Historical Cost Surplus / (Deficit) After Tax**



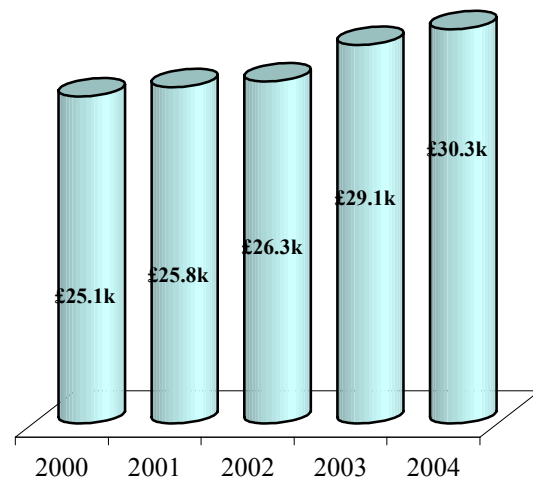
**Income and Expenditure Reserves**



**Staff Costs**



**Average Staff Costs per Employee**





**KEY STATISTICAL INFORMATION (continued)**

