

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 2006

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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	Baroness Blackstone
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	Bentley Jennison 30-34 Moorgate London EC2 6DN
Bankers	Barclays Bank PLC 1 Churchill Place Canary Wharf London E14 5HP
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 2006. In the case of those who became or ceased to be governors during the year, the appropriate dates are shown.

Article 7(1) – Vice-Chancellor	Baroness Blackstone	
Article 7(2)a – Independent Members	Mr S Atkinson Mr R J Baglin Mr J E Brathwaite Mr J C Gould Mr J R H Loudon Sir Callum McCarthy Mrs M McKinlay Lady A-M S Nelson Dr D Quarmby Lady P Tomlinson	
Article 7(2)b – Academic Council Members	Prof L Johnson Dr P M B Meers Mr M Sharp	(resigned 31-08-05) (appointed 01-09-05)
Article 7(2)c – Student Members	Miss F Chandia Mr V Choudhary	(resigned 31-07-06) (appointed 01-08-06)
Article 7(2)d – Co-opted Members	Ms M Branch-Davis Mr S Etherington Dr L Garner Mr D Heathcote DR A S Pugh Mr R R Spinney	(appointed 01-09-05) (resigned 31-08-05)

MEMBERSHIP OF COURT COMMITTEES

The following are the Court Committees and their membership during the year ended 31 July 2006. In the case of those who became or ceased to be members during the year, the appropriate dates are shown.

Pro-Chancellor's Advisory Group	Anne-Marie Nelson Richard Baglin John Gould James Loudon Mary McKinlay	(Chairman)
Audit	Richard Baglin Simon Atkinson Mary McKinlay Alaric Pugh Steve Davie	(Chairman) (not a member of the Court)
Finance	James Loudon Tessa Blackstone Stuart Etherington John Gould Callum McCarthy David Quarmby Ron Spinney	(Chairman)
Nominations	Anne-Marie Nelson Tessa Blackstone John Gould Les Johnson James Loudon Mary McKinlay Mike Sharp	(Chairman) (resigned 31-08-05) (appointed 01-09-05)
Remuneration	James Loudon Richard Baglin Tessa Blackstone Mary McKinlay Anne-Marie Nelson	(Chairman)
Staffing	Mary McKinlay Tessa Blackstone Alaric Pugh Paulette Tomlinson	(Chairman)
Strategy	John Gould Richard Baglin Tessa Blackstone Jim Braithwaite Anne-Marie Nelson David Quarmby	(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 comply with the Companies Act. On the 1st January 1995 the University became an exempt charity.

The University was established as an institution for education and research and its 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 aims to provide high quality education, research and enterprise for international, national, regional and local communities.

In doing so, it focuses on: expanding opportunities for students of all ages and many backgrounds; providing programmes with an emphasis on employability; the application of enterprise and research to defined needs.

The University's strategic objectives are:-

(a) Enhancing learning and teaching

- To enhance the quality of learning and teaching through providing innovative programmes which take into account advances in knowledge, research and use of new technology
- To provide a distinctive learning experience for all students that fosters success through a high quality and strongly supported learning environment

(b) Employability

- To offer programmes of study which equip our graduates to obtain relevant employment and to be creative in the application of their knowledge and skills
- To ensure students are supported to complete their programmes of study and embark on graduate careers

(c) Expanding opportunities

- To attract and retain students and staff from a wide range of backgrounds and to promote equal opportunities for all
- To develop partnerships, both in the UK and overseas which encourage progression through the different levels of higher education

REPORT OF THE GOVERNORS (AS DIRECTORS) (continued)

2. Mission and objectives (continued)

(d) Enterprise and research

- To undertake enterprise and research with the public and private sectors including consultancy and knowledge transfer activities
- To engage with local and regional communities and to provide services that meet their needs and encourage participation in University activities

(e) Effectiveness and efficiency

- To promote good management and effective solutions, both in terms of cost and performance, in all activities

3. Developments

The University is delighted at the success this year of our students in National Competitions. Some examples are:

- A Business Administration student was one of eleven students selected by the National Council for Graduate Entrepreneurship to participate in an intensive three day residential course to develop business ideas and to meet fellow entrepreneurs, potential investors and business developers. She was able to present her business ideas to investors and business developers in the hope of finding funding to launch her own business.
- A first year Pharmacy Student represented her peers at an overseas conference following her success in winning the British Pharmaceutical Association Student of the Year competition. The selection panel looked for someone with knowledge of pharmacy, an excellent communicator with a vision and maturity to represent Britain at an international event.
- Two architecture students were awarded the Best in Show Prize at the first annual REID architecture student prize ceremony. Their project featured designs for two libraries intended to form a cultural hub at Medway.
- Another of our architecture students won a commendation for his entry in the CORUS undergraduate architecture award. His design was for an environmental awareness and education centre in London.
- On the sporting front a student whose ambition is to compete in the 2012 Olympics became the National Student Ladies Archery Champion after winning the British Sports Association Tournament.
- A Science student was chosen to be the England under 19 ladies football goalkeeper.
- One student and six graduates from the University created gardens at the Royal Horticultural Society's flower shows during the summer, winning five medals for designs at the Hampton Court Palace flower show.

During the year the University continued its drive to improve the experience of students both on and off the campuses. The University is committed to developing approaches to teaching and learning which will enable all students to reach their potential. A series of student support programmes and student retention projects were piloted in 2005-06 to test a range of approaches to this important issue, and to encourage good practice across the University. Those retention projects, which in the pilot stage, proved successful in retaining students who might otherwise have left the University, will be introduced across the University, so that all of our students can benefit.

REPORT OF THE GOVERNORS (AS DIRECTORS) (continued)

3. Developments (continued)

Collaboration and partnership activity continues to be an important part of our mission. A collaborative strategy to articulate clearly future directions for growth is now in place. New collaborative partnerships with colleges were agreed which will lead to the expansion of the partner college network from September 2006. The Quality Assurance Agency Institutional Collaborative Audit endorsed the University's approach to collaboration and reported broad confidence both in the approach to the management of the activity and the maintenance of academic standards.

Another aspect of our partnership work is the leadership of the Lifelong Learning Network in Kent and Medway. This Hefce funded initiative involves eleven higher and further education institutes and a wide range of other organisations which will together focus on encouraging people to take advantage of higher education opportunities in Kent and Medway. The network will act as a single point of information and support for all learners, and aims to reach its target of helping more than 2000 people in the next three years.

Growth of research and enterprise is vital to the University which is committed to contributing to economic and social development both internationally and in its local communities. An increasing emphasis on enterprise has informed changes to management and reporting structures. The focus of university investment has been sharpened to support programmes of activity with the best potential for growth. During the year we have developed a SEEDA funded enterprise hub to work with science and technology based small businesses, particularly in Medway and Kent.

All Universities need to secure funds from external sources and we have put in place infrastructures to help us to do so. The University was successful in a bid to Universities UK for the development of our fundraising activities. New staff have been appointed, targets and priorities set and projects are underway to increase our pool of donors. During the year the University was pleased to secure funding from Atkins plc to support the Atkins Chair of Civil Engineering, as well as collaborative activities between the University and the Company. This new collaboration will provide benefits for the University, the Company, and industry.

Our building projects continued to run smoothly. The new Drill Hall Library at the Medway Campus provides a focal point for the Universities at Medway project. The physical development of this project as presently configured will be completed at the beginning of the 2006-07 session with the opening of a remodelled and refurbished building to be known as the Pilkington Building, which will house teaching facilities, student union accommodation and catering space.

At the Avery Hill Campus, the new multi purpose sports hall, large lecture theatre and additional teaching space, and a new headquarters for the School of Health and Social Care will be completed by December 2006.

We were pleased to host a number of visits during the year from Government Ministers:

- In April 2006 the Prime Minister unveiled a five year initiative to help secure the UK's position as a leader in international education. On the same day, the Department for Education and Skills hosted a special event at the University to launch the initiative, which was attended by Bill Rammell MP, then Minister for Lifelong Learning, Further and Higher Education and Lord Kinnock, Chair of the British Council.
- The Rt Hon Gordon Brown MP, Chancellor of the Exchequer, visited the Medway campus with Minister without portfolio, the Rt Hon Hazel Blears MP, and the Minister for Housing & Planning, Yvette Cooper MP for a discussion about regeneration. The discussion was attended by University staff and external guests.
- The Rt Hon David Miliband MP, then Minister of Communities and Local Government, officially opened the Drill Hall Library in February 2006.
- Gareth Thomas MP, Parliamentary Under Secretary of State for the Department for International Development visited the Natural Resources Institute in December 2005.

REPORT OF THE GOVERNORS (AS DIRECTORS) (continued)

3. Developments (continued)

The University has developed a new Corporate Plan for 2006-11, the mission and objectives of which are set out on pages 5 and 6 of this report. This new plan builds on progress made in the previous four years and focuses on enhancing learning and teaching, employability, expanding opportunities, enterprise and research, effectiveness and efficiency. Together with the revision of a number of subsidiary plans, it gives the University a sharper focus for the future.

4. 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.

5. Results for the year

The Group results for the year ended 31 July 2006 are summarised as follows:-

	2006	2005
	£'000	£'000
University (including NRI)	2,889	8,582
UGMT Ltd	(9)	(35)
Greenwich Property Ltd	-	3,351
Centre for Contaminated Land Remediation (CCLR)	-	1
Group historical cost surplus	<u>2,880</u>	<u>11,899</u>

The group had another satisfactory year with a historical cost surplus of £2.8 million. This continues the recent trend of reported surpluses that have significantly strengthened the group's balance sheet. The surplus of £2.8m (2005 restated: £11.9m) reflects a strong performance by the University in recruiting students onto its many programmes. Other important factors are higher than forecast investment income (reflecting the better than expected level of cash under investment), and some efficiencies across the board.

The University implemented two new accounting standards in the year under review; FRS 17 Retirement Benefits and FRS 25/26 Financial Instruments. FRS17 brings into the financial statements a significant pension liability that reduces the net assets and reserves of the group. The resulting overall negative position on total reserves has no compliance implications vis-à-vis the Financial Memorandum with HEFCE nor bond covenants in respect of the group's £30 million Bond. FRS25/26 has changed the accounting arrangements for the bond that requires it to be stated in these financial statements at its "fair value". This equates to its market price at 31 July 2006 (as quoted on the Luxemburg Stock Exchange).

The tangible fixed assets of the group at the balance sheet date were £85.3 million (2005: £77.2 million). Additions to fixed assets in the year were £12.7 million against which the University received capital grants of £11.3 million. Of these additions, £6.2 million relates to two capital projects under construction on the Avery Hill campus, (a multi-purpose sports and lecture facility, and a new building for the School of Health and Social Care), while £3.52 million is the University's share of capital developments on the Medway undertaken jointly with the University of Kent. There were no disposals of properties during the year.

REPORT OF THE GOVERNORS (AS DIRECTORS) (continued)

5. Results for the year (continued)

At the balance sheet date the group had net assets (before FRS17 pension liabilities) of £62.6 million (2005: £45.6 million). The pension liability was £35.2 million (restated 2005: £33.8 million) which has a negative impact on both net assets and the reserves as a whole. Other important balance sheet indicators were current asset investments of £62.0 million (2005: £50.6 million) and net current assets of £29.2 million (2005: £26.1 million). Creditors due within one year were £39.1 million (2005: £37.2 million).

During the year, the University repaid in full a loan of £4.5 million in favour of the Royal Borough of Kensington and Chelsea. This loan previously arose on the acquisition of tangible fixed assets from the Inner London Education Authority. The repayment was at a premium of £1.2 million and was fully reimbursed by HEFCE (in respect of both the capital and the premium).

The loan repayment to the Royal Borough of Kensington and Chelsea resulted in a reduction in the group's long-term borrowing with total of Creditors due after one year of £48.6 million (restated 2005: £54.6 million).

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 2005-06 is summarised below:-

	2005/2006		2004/2005	
	Full-time	Part-time	Full-time	Part-time
HEFCE funded	9,464	7,119	8,827	6,277
TDA funded	699	239	623	212
Health contract	1,094	1,114	992	998
Overseas (non EU)	2,886	992	2,892	741
Others	169	162	235	265
	<u>14,312</u>	<u>9,626</u>	<u>13,569</u>	<u>8,493</u>
Total	<u>23,938</u>		<u>22,062</u>	

6. Principal risks and uncertainties

The principal risks and uncertainties facing the University are associated with the student markets in which it operates.

The University must recruit and retain Home and EU students in sufficient numbers to meet its agreed targets for its HEFCE, TDA and Health teaching contracts. The market for these students is very competitive and this is set to intensify with the introduction of variable fees (and bursaries) from the 2006-07 session. The University manages this risk by adopting a pricing strategy aimed at mitigating any downturn in demand, while at the same time investing to improve the quality of the students' experience, thus making its offer more attractive.

The overseas students market is important for all UK HE institutions. This market has undergone some recent contraction with modest growth only forecast for 2008-09 and beyond. The University manages its risk in relation to this market by making decisions informed by its market analysis about the segments to be targeted, and investing in marketing and recruitment in its chosen market segments.

REPORT OF THE GOVERNORS (AS DIRECTORS) (continued)

7. Financial instruments

The Group finances its operations from its retained surplus, direct long-term borrowing and effective long-term borrowing under PFI arrangements. During the year it repaid its long-term debt inherited from a Local Education Authority under the Education Reform Act 1998. The cost of this was fully reimbursed by the Higher Education Funding 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 Committee. Year-end cash and investments totalled £62m 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, currency risk, credit risk, and interest rate risk. The Court reviews and agrees policies for managing each of these risks and these are summarised below. These policies have remained unchanged.

(a) 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 2006 was £46.4m, of which £32m is in respect of the Bond and £14.4m represents a PFI debt repayable in 2026. At 31 July 2006, the maturity profile of borrowings (all of which were long term) shows an average maturity of 21 years. It is calculated that 4% is repayable in each of the periods that fall within one year and in 1 to 2 years, 8% in 2 to 5 years and 88% in more than 5 years.

(b) 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 mitigate currency exposures on contracts by reviewing currency risk 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 University did not enter into any hedging arrangements during the year.

REPORT OF THE GOVERNORS (AS DIRECTORS) (continued)

7. Financial instruments (continued)

(c) Credit Risk

The Group's main financial assets are its trade debtors, short-term investments, and bank balances, which represent its maximum exposure to credit risk in relation to its financial assets.

The Group's credit risk is mainly attributable to its trade debtors (primarily student and commercial debt). This risk is managed by monitoring the group's aggregate exposure to the non-payment of students fees and non-payment by significant commercial customers. The amounts disclosed in the balance are net of allowances for bad and doubtful debts, based on management's prior experience, and a comprehensive assessment of the quality of the debtor book.

The credit risk on short-term investments, and bank balances is low, given the Group's policy of a minimum rating of AA- (Standards and Poor) for counterparty banks and deposit takers.

(d) Interest Rate Risk

The Group's borrowings are at fixed lending rates, of which 69% relates to the 30 year bond with 31% being in respect of the PFI financing of student residences.

8. Personnel Policy and Strategy

During the year a local agreement was reached with recognised trade unions on the terms of transfer of all academic and support staff to the new single pay spine introduced as part of the National Framework Agreement on Pay and Grading. The benchmarking stage of the job evaluation process needed to underpin the new grading structure required under the terms of the Agreement was also completed.

A succession planning study was undertaken during the year, highlighting the need to encourage management development for staff with leadership potential. Arising from this study, additional funding was made available for University staff in Schools and Offices to participate in development programmes organised by the Leadership Foundation for Higher Education.

9. 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 Act 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.

REPORT OF THE GOVERNORS (AS DIRECTORS) (continued)

10. Diversity

The University operates in accordance with the requirements of all relevant Acts related to Equal Opportunities. Under its Equal Opportunities Policy the University is committed to developing effective measures for ensuring that all groups and individuals are able to work, study and develop their full potential in an environment which is free from discrimination and harassment. The University has revised and improved its Race Equality Scheme. The new format will be used as a template for other diversity schemes to be developed in the coming year. Our priority in 2005-06 was to improve information and to secure appropriate training packages. Improved web pages have been constructed to give clearer information to those who need it. E-Learning staff development courses for equal opportunity and diversity have been purchased and will be available on the web for all staff in the coming year.

11. Employees

The quality and commitment of our employees is paramount in the achievement of our objects as an institution of teaching, learning and research.

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.

12. Post Balance Sheet Events

There were no post balance sheet events.

13. Directors

The Governors of the University are Directors of the Company.

The Governors who served during the year ended 31 July 2006 are listed on page 3 of this report. 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.

14. Statement of Directors responsibility for the Financial Statements

The statement of the responsibility of the Court for the financial statements is set out on pages 16 and 17 of this report.

15. Disclosure of information to auditors

At the date of making this report each of the University's directors (governors), as set out on page 3, confirm the following:

- so far as each director (governor) is aware, there is no relevant information needed by the University's auditors in connection with preparing their report of which the University's auditors are unaware, and
- each director (governor) has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant information needed by the University's auditors in connection with preparing their report and to establish that the University's auditors are aware of that information.

REPORT OF THE GOVERNORS (AS DIRECTORS) (continued)

16. 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.

17. Approval

The Report of the Governors (directors) was approved by the Court on 4 December 2006 and signed on its behalf by:

L Cording
Secretary

CORPORATE GOVERNANCE

The University is committed to exhibiting best practice in all aspects of corporate governance and endeavours to conduct its business in accordance with the principles identified by the Committee on Standards in Public Life. This summary describes the University's corporate governance arrangements and the manner in which the University has applied the principles of the Combined Code, insofar as they are applicable to Higher Education Institutions. With the exception of advertising for vacancies on its Court, the University has also adopted the guidance from the Committee of University Chairmen in its Guide for members of HE Governing Bodies in the UK.

The purpose of this statement is to help the reader of the accounts understand how the principles have been applied.

Summary of the University Structure of Corporate Governance.

1. The University was established under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. It is a company limited by guarantee and members of the University Court are legally Directors of the Company. The specific powers and responsibilities of the University Court are set out in the Memorandum and Articles of Association and in the Financial Memorandum with the Higher Education Funding Council for England. The current version of the Articles was approved by the Privy Council in 1996.
2. The Court has a majority of lay persons who do not receive any reimbursement for the work that they do. The Court appoints independent and co-opted members following recommendations by the Nominations Committee. Staff and students are co-opted according to the Articles of Association. The role of the Chair of Court is separate from that of the Chief Executive, the Vice-Chancellor.
3. 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.
4. The Court is the executive governing body responsible for approval of the strategic direction of the University, of major developments, annual estimates of income and expenditure, and ensuring solvency of the institution and the safeguarding of its assets.
5. The Court is responsible for the system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.
6. The Court is of the opinion that there is a continuous process for identifying, evaluating and managing the University's significant risks which has been in place for the year ended July 2006 and up to the date of the approval of the annual report and accounts. The Court receives an Annual Report on the arrangements for risk management and annually reviews the Institutional Risk Register.
7. The Vice-Chancellor as head of the institution has a general responsibility to the Court for the organisation, direction and management of the University. The Vice-Chancellor is the chief accounting officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons. She is responsible for the development of institutional strategy and the identification and planning of new developments.
8. The Secretary and Registrar is appointed under the Articles of Association to act as Secretary to the Court and its Committees and as Company Secretary. All Court members have access to the advice and services of the Secretary and Registrar on matters of governance.
9. Subject to the overall responsibility of the University Court, the Academic Council has oversight of the academic affairs of the University. Its membership is drawn from staff and students of the University.
10. The Court meets at least four times a year and much of its business is conducted through the following committees: Audit, Finance, Nominations, Strategy, Staffing, Remuneration. All of these Committees are formally constituted with terms of reference and membership approved by Court. All Committees of the Court submit their minutes and recommendations to the Court.

CORPORATE GOVERNANCE (continued)

11. At each Court meeting, Senior Officers are present to expand on reports and answer any other questions. The Court has an annual meeting in which strategy is reviewed. The Court formally approves the University's corporate plan and implementation plan.
12. The Court maintains the Register of Interests of its members, which is updated annually, and can be viewed on request to the Secretary and Registrar.
13. The Finance Committee is responsible to Court for the University's annual revenue and capital budgets and for monitoring performance in relation to approved allocations.
14. The Remuneration Committee determines the annual remuneration of the Vice-Chancellor, Deputy and Pro Vice Chancellors and Secretary and Registrar. The Staffing Committee determines matters in relation to conditions of employment of other University Staff.
15. 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 to 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 Secretary and Registrar 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.
16. The Committee considers detailed audit reports together with recommendations for the improvement of the University systems of internal control and risk management issues. This assists the Audit Committee in assessing the soundness and comprehensiveness of the system of internal control, the action necessary to remedy weakness and to assess whether the existing monitoring systems are appropriate.
17. The senior management team receives reports setting out key performance and risk indicators and considers potential control issues brought to its attention by early warning mechanisms which are embodied in risk registers. The senior management team and the Audit Committee receive regular reports from the Internal Auditors.

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 Training and Development Agency for schools 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.

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 2006, 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view. 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 report to you if, in our opinion, 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 report to you whether in our opinion the information given in the Report of the Governors (as Directors) is consistent with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the 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:

- i. 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 2006, and of the surplus of income over expenditure, recognised gains and losses and cashflows for the year then ended; and the statements have been properly prepared in accordance with the Companies Act and the Statement of Recommended Practice on Accounting in Higher Education Institutions.
- ii. The information given in the Report of the Governors (as Directors) is consistent with the financial statements.
- iii. In all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for schools grants and income for specific purposes and from other restricted funds administered by the University of Greenwich have been applied only for the purposes for which they were received.
- iv. In all material respects, income has been applied in accordance with the University of Greenwich's statutes and where appropriate in accordance with the financial memorandum with the Higher Education Funding Council for England dated 1 October 2003.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Hemel Hempstead, England

6 December 2006

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 JULY 2006

	<i>Note</i>	2006 £'000	Restated 2005 £'000
INCOME			
Funding council grants	2	60,222	54,706
Tuition fees and education contracts	3	44,583	43,290
Research grants and contracts	4	7,465	7,714
Other income	5	19,138	18,081
Total Income		<u>131,408</u>	<u>123,791</u>
EXPENDITURE			
Staff costs	6	63,116	58,769
Depreciation	14	4,583	4,139
Other operating expenses	8	59,843	58,892
Total Expenditure		<u>127,542</u>	<u>121,800</u>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		3,866	1,991
Exceptional items	9	-	3,351
Profit on disposal of assets	10	-	8,440
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets and before interest and tax		3,866	13,782
Share of profits of associated undertaking		10	18
Interest receivable	11	2,625	2,256
Interest payable	12	(3,736)	(4,272)
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets and interest but before tax		2,765	11,784
Taxation		-	-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets, interest and tax		<u>2,765</u>	<u>11,784</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 2006

	2006 £'000	Restated 2005 £'000
Surplus after depreciation of assets at valuation on continuing operations and before tax	2,765	11,784
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	115	115
Historical cost surplus before tax	<u>2,880</u>	<u>11,899</u>
Taxation	-	-
Historical cost surplus after tax	<u><u>2,880</u></u>	<u><u>11,899</u></u>

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 JULY 2006

	2006 £'000	Restated 2005 £'000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets, and tax	2,765	11,784
Investments – movements on endowment funds	2	35
Capital reserve created in respect of loan repayments reimbursed by HEFCE	4,394	165
Frs17 Retirement Benefits - actuarial losses	(869)	(3,771)
Total recognised gains relating to the period	<u>6,292</u>	<u>8,213</u>
Reconciliation:-		
Opening reserves and endowments	(8,245)	(16,458)
Total recognised gains for the year	6,292	8,213
Closing reserves and endowments	<u>(1,953)</u>	<u>(8,245)</u>

BALANCE SHEET

AS AT 31 JULY 2006

		Group		University	
	<i>Note</i>	2006 £'000	Restated 2005 £'000	2006 £'000	Restated 2005 £'000
Fixed Assets					
Tangible assets	14	85,300	77,248	85,300	77,248
Investments	15	259	249	172	172
		85,559	77,497	85,472	77,420
Endowment Asset Investments	16/17	612	610	612	610
Current Assets					
Stocks	18	15	20	15	20
Debtors	19	5,183	11,280	32,269	37,287
Investments	20	62,039	50,632	62,039	50,632
Cash at bank and in hand		1,033	1,378	847	1,194
		68,270	63,310	95,170	89,133
Creditors: amounts falling due within one year	21	(39,118)	(37,169)	(37,970)	(36,119)
Net Current Assets		29,152	26,141	57,200	53,014
Total Assets less Current Liabilities		115,323	104,248	143,284	131,044
Creditors: amounts falling due after more than one year	22	(48,629)	(54,573)	(76,382)	(81,158)
Provision for Liabilities & Charges	23	(4,126)	(4,073)	(4,126)	(4,073)
Net Assets (excluding Pension Liability)		62,568	45,602	62,776	45,813
Net Pension Liability	35	(35,231)	(33,756)	(35,231)	(33,756)
Net Assets		27,337	11,846	27,545	12,057

BALANCE SHEET (continued)

AS AT 31 JULY 2006

		Group		University	
	Note	2006 £'000	Restated 2005 £'000	2006 £'000	Restated 2005 £'000
Represented by:					
Deferred Capital Grants	24	29,290	20,091	29,290	20,091
Endowments	16/17				
General		159	159	159	159
Specific		453	451	453	451
		<u>612</u>	<u>610</u>	<u>612</u>	<u>610</u>
Reserves	25				
Revaluation reserve		8,022	8,137	8,022	8,137
Income and expenditure account		24,644	16,764	24,852	16,975
Pension reserve		(35,231)	(33,756)	(35,231)	(33,756)
		<u>(2,565)</u>	<u>(8,855)</u>	<u>(2,357)</u>	<u>(8,644)</u>
Total Funds		27,337	11,846	27,545	12,057

The Financial Statements on pages 20 to 62 were approved by the Court on 4 December 2006 and signed on its behalf by:-

Lady A-M S Nelson
Pro Chancellor

Baroness Blackstone
Vice-Chancellor

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2006

	<i>Note</i>	2006 £'000	Restated 2005 £'000
Cash inflow from operating activities	29	14,307	10,357
Returns on investments and servicing of finance	30	(452)	(1,160)
Capital expenditure and financial investment	31	4,082	9,979
Net cash inflow before use of liquid resources and financing		<u>17,937</u>	<u>19,176</u>
Management of liquid resources	32	(11,407)	(18,508)
Financing	33	(6,927)	(969)
Decrease in net cash		<u><u>(397)</u></u>	<u><u>(301)</u></u>

Reconciliation of net cash flow to movement in net funds / (debt)

	2006 £'000	Restated 2005 £'000
Decrease in cash in the period	(397)	(301)
Cash outflow re increase in liquid resources	11,407	18,508
Cash outflow re decrease in debt and lease financing	5,438	898
	<u>16,449</u>	<u>19,105</u>
Net debt at 01 August	(911)	(20,016)
Net funds / (debt) at 31 July	34 <u><u>15,537</u></u>	<u><u>(911)</u></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 revaluation of certain financial assets and liabilities at fair value.

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.

Bond

The University has an obligation in respect of a Guaranteed Secured Bond, which is listed on the Luxembourg Stock Exchange. In accordance with FRS 25 and FRS 26, this bond has been disclosed at fair value.

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 the 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 some 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.

The loan debt was repaid in full on 30th November 2005.

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 are in respect of catering 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 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

Pensions

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) 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.

The University has fully implemented FRS17 Retirement Benefits during the year. The impact of this standard is fully reflected in the financial statements. Prior year comparatives have been restated where appropriate.

The difference between the fair value of the assets held in the University's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit measure is recognised in the University's balance sheet as a pension scheme asset or liability as appropriate. The carrying value of the resulting pension scheme asset is restricted to the extent that the University is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

NOTES TO THE FINANCIAL STATEMENTS

	Group	
	2006	2005
	£'000	£'000
2. Funding council grants		
HEFCE:-		
Recurrent grant	47,160	42,895
Specific grants	5,358	3,805
Inherited liabilities	492	835
Deferred capital grants released in year	1,791	1,633
Release of HEFCE capitalised rent	1,224	1,186
Training and Development Agency for schools:-		
Recurrent grant	3,815	3,898
Other	382	454
	<u>60,222</u>	<u>54,706</u>
3. Tuition fees and educational contracts		
Full-time home and EU students	12,293	11,447
Full-time students charged overseas fees	15,369	15,086
Part-time fees	6,788	7,157
	<u>34,450</u>	<u>33,690</u>
Health Authority contract	10,133	9,600
	<u>44,583</u>	<u>43,290</u>
4. Research grants and contracts		
Research Council	622	691
UK based charities	122	201
UK central govt. health & hospital authorities	3,453	4,172
European Commission	1,527	929
Other grants and contracts	1,741	1,721
	<u>7,465</u>	<u>7,714</u>

NOTES TO THE FINANCIAL STATEMENTS

Group	
2006 £'000	2005 £'000

5. Other income

Residences, catering and conferences	9,601	9,173
Other income generating activities	2,260	2,446
Other grant income	4,936	4,314
Other income	2,341	2,148
	<u>19,138</u>	<u>18,081</u>

6. Staff

(i) Staff Costs

Salaries and wages	51,234	48,737
Social Security Costs	4,376	4,156
Other Pension Costs	7,506	5,876
	<u>63,116</u>	<u>58,769</u>

2006 No.	2005 No.
-------------	-------------

Average staff numbers by major category:-

Academic	793	771
Administrative & technical support	923	862
Premises	117	128
Residence catering and conferences	15	19
Other	83	88
	<u>1,931</u>	<u>1,868</u>

Remuneration of higher paid staff, including externally generated earnings, contracts and sponsorship, but excluding employer's pension contributions were:-

£70,001 - £80,000	10	6
£80,001 - £90,000	3	3
£90,001 - £100,000	1	2
£100,001 - £110,000	1	-
£150,001 - £160,000	-	1
£170,001 - £180,000	1	-

NOTES TO THE FINANCIAL STATEMENTS

6. Staff (continued)

(ii) Voluntary severance

No member of staff earning over £70,000 pa left under the university's voluntary severance scheme during the year (2005: One member : £85,079).

(iii) Directors' emoluments

The aggregate amount of Directors' emoluments was £375,053 (2005: £377,990). 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 (2005: Seven) are accruing benefits under defined pension schemes, as set out in note 35.

The emoluments of the highest paid director (Vice-Chancellor) who was appointed on 1 September 2004 were:-

	2006 £	2005 £
Salary *	174,545	138,269
Taxable car benefit	5,122	5,450
	<u>179,667</u>	<u>143,719</u>

The emoluments of the former Vice-Chancellor who resigned on 31 August 2004, were:-

Salary	-	11,695
FURBS	-	863
Taxable car benefit	-	397
	<u>-</u>	<u>12,955</u>

University superannuation payments:-

Teachers Pension Scheme / Universities Superannuation Scheme	18,757	14,448
FURBS (see above) – included in emoluments	-	863

* Salary cost includes compensation resulting from the earnings cap on the Teachers Pension Scheme. This compensation was paid during 2005-06 and covered the period 1 September 2004 to 31 March 2006.

The Vice-Chancellor's accrued benefits on service to 31 July 2006 were: Teachers Pension Scheme accrued annual pension £57,427 and lump sum £172,280.

In the previous financial year, the University contributed to a separate retirement benefits scheme (FURBS) in respect of its former Vice-Chancellor (resigned 31 August 2004). The cost of this arrangement is included in both the total emoluments and superannuation payments for that year.

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. No Governor (2005: one), in their capacity as an employee, was advanced a loan under this scheme as follows:-

	2006 £	2005 £
Dr L Garner		
Balance outstanding at 1 August 2005	-	200
Loan advanced during year	-	-
Repayment made during year	-	(200)
Balance outstanding at 31 July 2006	<u>-</u>	<u>-</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 £7.5 million within any one year period.

NOTES TO THE FINANCIAL STATEMENTS

8. Other operating expenses

	Group	
	2006	Restated 2005
	£'000	£'000
Fees to other colleges	6,920	6,557
Books and periodicals	1,258	1,096
Consumables and laboratory expenditure	1,928	1,435
Printing, postage and stationery	1,891	2,080
Residence, catering and conference	6,170	5,995
Rents, rates and insurance	6,918	6,807
Electricity, gas and water	1,392	1,116
Building maintenance and repair	3,152	4,044
Students union subvention grant	812	700
Publicity and advertising	887	825
Computers, software and IT maintenance contracts	2,362	3,269
Research and consultancy – reimbursable costs	983	1,294
Provision for losses on long term contracts	18	(59)
Telephone and other communication costs	650	593
Other expenses	24,502	23,140
	59,843	58,892

Other operating expenses are stated after charging:-

Auditors' remuneration	- external audit	49	47
	- other services	14	9
Rentals under operating leases	- equipment and vehicles	-	1
	- other assets	6,229	6,122

9. Exceptional items

There were no exceptional items in the 2005-06 financial year.

In the previous financial year there was an exceptional gain of £3,351,000 that arose from the write back of a provision in the financial statements of Greenwich Property Limited, a subsidiary company. This provision was in respect of disputed Inland Revenue assessment for withholding tax on payments under a PFI scheme. The dispute was resolved in favour of the subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS

10. Profit on disposal of properties

There were no property disposals in the 2005-06 financial year.

In the previous financial year the University disposed of the Island Site (Woolwich) and the Thomas Spencer Hall (Woolwich) both of which were leasehold properties, and Heathend Oakfield Lane (Dartford) which was a freehold property. The surplus arising from these disposals was £8.440m.

11. Interest receivable

	Group	
	2006	2005
	£'000	£'000
Bank deposits	904	855
Other	1,700	1,387
Transferred from specific endowments	21	14
	2,625	2,256

12. Interest payable

	2006	Restated 2005
	£'000	£'000
Bond interest	1,905	1,939
Greenwich Property Ltd. - PFI	1,134	1,156
Loan interest - Royal Borough of Kensington & Chelsea - (inherited debt)	135	403
Interest on pension scheme liabilities (net)	562	769
Other	-	5
	3,736	4,272

13. 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 £3.643 million (2005 (restated) - surplus of £8.451 million).

NOTES TO THE FINANCIAL STATEMENTS

14. Tangible fixed assets

	Land and Buildings						
	Freehold £'000	Long Leases £'000	Short Leases £'000	Assets in Course of Construction £'000	Equipment £'000	Vehicles £'000	Total £'000
Cost or Valuation							
At 1 August 2005	46,551	39,009	114	9,550	15,471	223	110,918
Additions at cost	72	2,367	-	9,013	1,167	32	12,651
Disposals	-	-	-	-	-	(40)	(40)
Transfers	-	7,884	-	(7,884)	-	-	-
At 31 July 2006	<u>46,623</u>	<u>49,260</u>	<u>114</u>	<u>10,679</u>	<u>16,638</u>	<u>215</u>	<u>123,529</u>
Depreciation							
At 1 August 2005	(12,705)	(8,259)	(114)	-	(12,435)	(157)	(33,670)
Disposals	-	-	-	-	-	24	24
Charge for year:-							
Finance leases	(166)	-	-	-	-	-	(166)
Other	(949)	(2,114)	-	-	(1,331)	(23)	(4,417)
	(1,115)	(2,114)	-	-	(1,331)	(23)	(4,583)
At 31 July 2006	<u>(13,820)</u>	<u>(10,373)</u>	<u>(114)</u>	<u>-</u>	<u>(13,766)</u>	<u>(156)</u>	<u>(38,229)</u>
Net Book Value:-							
Finances leases	6,326	-	-	-	-	-	6,326
Others	26,477	38,887	-	10,679	2,872	59	78,974
At 31 July 2006	<u>32,803</u>	<u>38,887</u>	<u>-</u>	<u>10,679</u>	<u>2,872</u>	<u>59</u>	<u>85,300</u>
Finances leases	6,326	-	-	-	-	-	6,326
Others	27,520	30,750	-	9,550	3,036	66	70,922
At 31 July 2005	<u>33,846</u>	<u>30,750</u>	<u>-</u>	<u>9,550</u>	<u>3,036</u>	<u>66</u>	<u>77,248</u>
Inherited	7,770	-	-	-	-	-	7,770
Financed by capital grants	1,560	16,021	-	9,855	1,854	-	29,290
Other	23,473	22,866	-	824	1,018	59	48,240
Net book value at 31 July 2006	<u>32,803</u>	<u>38,887</u>	<u>-</u>	<u>10,679</u>	<u>2,872</u>	<u>59</u>	<u>85,300</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Tangible fixed assets (continued)

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

Freehold land with a book value of £7.499m and assets in the course of construction stated at £10.679m 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 of the University's undertakings and assets, other than those not capable of being so charged under the conditions of relevant leases. There is a negative pledge over other assets.

Depreciation of assets held under finance leases was £330,433 (2005: £330,433). The net book value of these assets was £14,017,339 (2005: £14,347,772).

NOTES TO THE FINANCIAL STATEMENTS

15. Investments

(i) *Investments :-*

	Group		University	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Shares in CVCP Properties Plc	38	38	38	38
Shares and retained profit in associate company - (NR International Limited)	221	211	134	134
	<u>259</u>	<u>249</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	
	2006 £'000	2005 £'000
Investment in subsidiaries at cost		
UGMT Ltd	-	-
Greenwich Property Ltd	-	-
London Science Park Ltd	-	-
CCLR	-	-
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

15. 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 2006 have been consolidated in these financial statements with those of the University. UGMT Ltd. 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 2006 have been consolidated in these financial statements with those of the University.

London Science Park Ltd

London Science Park Ltd (a company incorporated in the United Kingdom) had not traded since its acquisition by the University in September 1994, and was dissolved on 7 February 2006.

The University held 100% of the issued share capital (£1 Ordinary Shares) in the company prior to its dissolution.

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 2006 have been consolidated in these financial statements with those of the University.

NOTES TO THE FINANCIAL STATEMENTS

15. 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. The University of Edinburgh holds a further 25%, with Imperial College holding the remainder (50%). The University also holds 25% of the issued B share capital of this company, with the remainder 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 Natural Resources Institute from the Overseas Development Administration (ODA). The principal activity of the company is to supply International Funding Institutions with expertise in the management of natural resources in the international development sector. It delivers this work largely through sub contracts to members of the consortium, and to external organisations. The company reported a profit of £40,868 (2005: £71,364).

The following is a summary of the trading account and net assets of the company for the year to 31 July 2006:-

	Turnover £'000	Operating profit £'000	Net assets £'000
NR International Ltd	12,027	41	881
NR International Ltd – trade with the University	-	-	-
NR International Ltd – other than with the University	12,027	-	-

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 that region. The results are not included in the Group accounts as they are not material.

Southern Education Leadership Trust

The University is one of thirty-four members of the Southern Education Leadership Trust, a company limited by guarantee. The principal activity of the company is the promotion of leadership training in the education sector. The company was incorporated on 7 April 2006 and has not traded since that date.

(iv) Other arrangements:-

Kent Thameside

The University is one of seven parties of a forum that co-ordinates activities aimed at facilitating the regeneration of the Kent Thameside area in the Boroughs of Dartford and Gravesham. The results are not included in the group's accounts as they are not material.

NOTES TO THE FINANCIAL STATEMENTS

16. Endowment asset investment

	Group and University	
	2006 £	2005 £
Balance at 01 August 2005	609,784	574,648
Investment income	17,361	40,747
Distributions	(20,600)	(14,476)
Increase in value of investments	5,695	8,865
Balance at 31 July 2006	<u>612,240</u>	<u>609,784</u>
Represented by:		
COIF income shares	63,228	57,533
Managed funds	549,012	552,251
	<u>612,240</u>	<u>609,784</u>
Market value of COIF income shares	63,228	57,533

NOTES TO THE FINANCIAL STATEMENTS

17. Endowments

	Group and University				
	01 Aug 2005 £	Additions £	Withdrawals £	Investment income £	31 July 2006 £
General					
Governors' General Reserve	159,045	-	-	-	159,045
Specific					
Bergman Osterberg Trust	142,020	5,695	(480)	5,365	152,600
School of Land & Construction Prize Fund	39	-	-	2	41
E.de Barry Barnett Memorial Prize Fund	6,186	-	-	248	6,434
Garnett Prize Fund	19,354	-	(330)	775	19,799
Humanities Prize Fund	11,470	-	(75)	459	11,854
Coker Prize Fund	712	-	-	28	740
Sir William Boreham Bursary Fund	11,016	-	(9,250)	276	2,042
DP Connect – Business School Prize Fund	1,303	-	-	52	1,355
D. Fussey Memorial Choral Exhibition	250,941	-	(10,165)	9,848	250,624
John-Hood Williams Prize Fund	211	-	-	8	219
Admiral Sir John Chambers White Bursary	7,487	-	(300)	300	7,487
	450,739	5,695	(20,600)	17,361	453,195
Total	609,784	5,695	(20,600)	17,361	612,240

18. Stocks

	Group		University	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Raw materials and consumables	15	20	15	20
	15	20	15	20

NOTES TO THE FINANCIAL STATEMENTS

19. Debtors

	Group		University	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
<i>Due within one year</i>				
Trade debtors	2,548	2,739	2,178	2,410
Amounts owed by associated company	219	1,018	219	1,018
Amounts recoverable under long term contracts	598	465	598	465
Other debtors	406	1,723	311	1,628
Prepayments & accrued income	977	2,699	874	2,600
Amounts due from HEFCE / TDA				
Principal and interest on capital debt	-	295	-	295
Other	435	2,341	435	2,341
	5,183	11,280	4,615	10,757
<i>Due in more than one year</i>				
Amounts owed by subsidiaries	-	-	27,654	26,530
	5,183	11,280	32,269	37,287

20. Investments (current assets)

	Group		University	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Debt service reserve	2,412	2,412	2,412	2,412
Fixed term and notice bank deposits	59,627	48,220	59,627	48,220
	62,039	50,632	62,039	50,632

NOTES TO THE FINANCIAL STATEMENTS

21. Creditors: Amounts falling due within one year

	Group		University	
	2006 £'000	Restated 2005 £'000	2006 £'000	Restated 2005 £'000
Bank overdraft	1,777	1,727	1,751	1,724
Bond	645	591	645	590
Finance leases	315	291	-	-
Loan debt payable to Royal Borough of Kensington and Chelsea	-	167	-	167
Interest on loan debt payable to Royal Borough of Kensington and Chelsea	-	131	-	131
Trade creditors	6,843	8,709	6,793	8,699
Amounts owed to subsidiaries	-	-	2,859	2,506
Prepaid long term contract income	4,797	3,483	4,797	3,483
PAYE and other taxation payable	1,661	1,644	1,661	1,644
Other creditors	7,109	7,591	4,716	5,215
Accruals - losses on long term contracts	589	526	589	526
- others	5,536	3,916	4,313	3,041
Deferred income	9,846	8,393	9,846	8,393
	39,118	37,169	37,970	36,119

22. Creditors: Amounts falling due after more than one year

Bond	31,332	31,344	31,332	31,344
Finance lease	14,094	14,409	-	-
Loan - Greenwich Property Limited	-	-	41,847	40,994
Loan - Royal Borough of Kensington and Chelsea	-	4,392	-	4,392
	45,426	50,145	73,179	76,730
Others – deferred lease capitalisations	3,203	4,428	3,203	4,428
	48,629	54,573	76,382	81,158

NOTES TO THE FINANCIAL STATEMENTS

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

Analysis of loan repayments

	Group		University	
	2006 £'000	Restated 2005 £'000	2006 £'000	Restated 2005 £'000
Repayable between one and two years				
Bond	691	632	691	632
Finance lease	340	315	-	-
Loan - Greenwich Properties Limited	-	-	-	-
Loan - Royal Borough of Kensington & Chelsea	-	180	-	180
	<u>1,031</u>	<u>1,127</u>	<u>691</u>	<u>812</u>
Repayable between two and five years				
Bond	2,382	2,180	2,382	2,180
Finance lease	1,192	1,104	-	-
Loan - Greenwich Properties Limited	-	-	-	-
Loan - Royal Borough of Kensington & Chelsea	-	616	-	616
	<u>3,574</u>	<u>3,900</u>	<u>2,382</u>	<u>2,796</u>
Repayable after five years				
Bond	28,259	28,532	28,259	28,532
Finance lease	12,562	12,990	-	-
Loan - Greenwich Properties Limited	-	-	41,847	40,994
Loan - Royal Borough of Kensington & Chelsea	-	3,596	-	3,596
	<u>40,821</u>	<u>45,118</u>	<u>70,106</u>	<u>73,122</u>
	<u>45,426</u>	<u>50,145</u>	<u>73,179</u>	<u>76,730</u>

Bond

On 14 October 1998, the University issued on the Luxembourg Stock Exchange £30m Guaranteed Secured Bonds at an interest coupon of 6.36%. The bond had an effective interest rate of 6.97% after taking account of all issue and guarantee costs. AMBAC Insurance UK Ltd guarantees re-payments of interest and principal, for which guarantee the University paid a premium covering the 30-year period. The University is required to maintain a Debt Service Reserve comprising cash, or cash equivalents, sufficient to meet two scheduled Bond payments. Payments are semi-annual on 31 January and 31 July.

The bond is secured by a fixed charge over certain properties, and a first floating charge over all of the University's assets, other than those not capable of being so charged by the conditions under relevant leases. There is a negative pledge over other assets.

Under the requirements of FRS25/26 'Financial Instruments', the outstanding value of the bond is stated in these financial statements at its fair value, which is determined by its market price at 31 July 2006 as quoted on the Luxembourg Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

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

Loan debt - Royal Borough of Kensington and Chelsea

The debt due to the Royal Borough of Kensington and Chelsea was repaid in full on 30 November 2005. The repayment was at a premium of £1.227m, with both principal and premium reimbursed by HEFCE.

The debt was previously associated with tangible fixed assets transferred to the University from the Inner London Education Authority (ILEA) under the Education Reform Act 1988. The loans were unsecured and were repayable by instalments over various periods up to 2021, at an average rate of interest of 8.603% (2005: 8.603%).

The University was until its repayment 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 were reimbursed by HEFCE.

23. Provisions for liabilities and charges

	Group and University		
	Enhanced pensions £'000	Decontam- ination £'000	Total £'000
At 01 August 2005	3,097	976	4,073
Additions in year	100	-	100
Interest charge	162	-	162
Payments in year	(209)	-	(209)
At 31 July 2006	<u>3,150</u>	<u>976</u>	<u>4,126</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

24. Deferred capital grants

	Group and University				
	Hefce		Other		Total
	Equipment £'000	Buildings £'000	Equipment £'000	Buildings £'000	£'000
At 01 August 2005	1,993	10,488	82	7,528	20,091
Received in the year	727	5,541	-	5,066	11,334
Released to Income & Expenditure Account	(910)	(881)	(38)	(306)	(2,135)
At 31 July 2006	1,810	15,148	44	12,288	29,290

25. Reserves

	Revaluation Reserve £'000	Income & Expenditure £'000	Pension Reserve £'000	Total Reserves £'000
(a) Group				
At 01 August 2005 as previously reported	8,137	21,250	-	29,387
Prior year adjustments (Note 26)	-	(4,486)	(33,756)	(38,242)
At 01 August 2005 as restated	8,137	16,764	(33,756)	(8,855)
Profit for year	-	2,765	-	2,765
Frs17 - deficit for year	-	606	(606)	-
Reimbursement - repayment of inherited loan	-	4,558	-	4,558
Transfer from reserves re depreciation	(115)	115	-	-
Transfer re HEFCE debt reimbursement	-	(164)	-	(164)
Actuarial loss on pension scheme	-	-	(869)	(869)
At 31 July 2006	8,022	24,644	(35,231)	(2,565)
(b) University				
At 01 August 2005 as previously reported	8,137	21,461	-	29,598
Prior year adjustments (Note 26)	-	(4,486)	(33,756)	(38,242)
At 01 August 2005 as restated	8,137	16,975	(33,756)	(8,644)
Profit for year	-	2,762	-	2,762
Frs17 - deficit for year	-	606	(606)	-
Reimbursement - repayment of inherited loan	-	4,558	-	4,558
Transfer from reserves re depreciation	(115)	115	-	-
Transfer re HEFCE debt reimbursement	-	(164)	-	(164)
Actuarial loss on pension scheme	-	-	(869)	(869)
At 31 July 2006	8,022	24,852	(35,231)	(2,357)

NOTES TO THE FINANCIAL STATEMENTS

26. Prior year adjustments

	FRS 17 Retirement Benefits £'000	FRS 25/26 Financial Instruments £'000	Total prior year adjustments £'000	Memo (2006) £'000
Opening reserves at 01 August 2004	(29,120)	(2,649)	(31,769)	N/A
Adjustment to income and expenditure - year ended 31 July 2005: -				
Staff Costs	(96)	-	(96)	(44)
Other Operating Expenses	-	(1,837)	(1,837)	(549)
Interest payable	(769)	-	(769)	(562)
	(865)	(1,837)	(2,702)	(1,155)
Adjustment to statement of total recognised gains and losses for the year ended 31 July 2005	(3,771)	-	(3,771)	(869)
Total prior year adjustment	<u>(33,756)</u>	<u>(4,486)</u>	<u>(38,242)</u>	

The prior year adjustments relate to the implementation of new accounting standards in the 2005-06 financial year as follows:-

- FRS 17 Retirement Benefits. Full implementation is required in the 2005-06 financial years. The full impact on the financial statements is set out in Note 35.
- FRS 25/26 – Financial Instruments. This relates primarily to the £30m Bond which is now included in the financial statements at its fair value (see Note 41).

The impact in these financial statements on Reserves, the Income and Expenditure Account, and the Statement of Total Recognised Gains and Losses is set out in the table above.

NOTES TO THE FINANCIAL STATEMENTS

27. Lease obligations

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

	Group		University	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Obligations under finance leases:-				
Due within one year	315	291	-	-
Due between two and five years	1,532	1,419	-	-
Due over five years	12,562	12,990	-	-
	<u>14,409</u>	<u>14,700</u>	<u>-</u>	<u>-</u>

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

Operating lease commitments:-

Land and buildings

Expiring within two and five years inclusive	411	675	411	675
Expiring in over five years	5,499	5,508	5,499	5,508
	<u>5,910</u>	<u>6,183</u>	<u>5,910</u>	<u>6,183</u>

28. Capital commitments

	Group		University	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Commitments contracted at 31 July 2006	<u>5,283</u>	<u>2,831</u>	<u>5,283</u>	<u>2,831</u>

NOTES TO THE FINANCIAL STATEMENTS

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

	Group	
	2006	2005
	£'000	£'000
Surplus before tax	2,765	11,784
Depreciation (<i>Note 14</i>)	4,583	4,139
Write down of freehold/leasehold properties	-	217
Profit on sale of fixed assets	(1)	(8,440)
Deferred capital grants released to income (<i>Note 24</i>)	(2,135)	(1,712)
Release of lease capitalisation	(1,224)	(1,186)
Investment income	(2,625)	(2,256)
Interest payable	3,736	3,503
Decrease / (increase) of stocks	5	(5)
Decrease / (increase) in debtors	3,966	(1,728)
Increase in creditors	5,266	6,755
Increase / (decrease) in provisions	53	(47)
Share of profit of associated undertaking	(10)	(18)
FRS 17 interest cost (net)	562	769
FRS 17 service cost adjustment	44	96
FRS 25/26 fair value adjustment	549	1,837
Release of accrual re disputed assessments	-	(3,351)
Premium on repayment of LRB Loan	(1,227)	-
Net cash inflow from operating activities	<u>14,307</u>	<u>10,357</u>

30. Returns on investments and servicing of finance

Income from endowments	21	14
Interest received	2,625	2,256
Interest paid - finance leases	(1,134)	(1,156)
- other	(1,964)	(2,274)
	<u>(452)</u>	<u>(1,160)</u>

NOTES TO THE FINANCIAL STATEMENTS

31. Capital expenditure and financial investment

	Group	
	2006 £'000	2005 £'000
Purchase of tangible fixed assets	(13,309)	(11,496)
Sale of tangible fixed assets	20	10,015
Deferred capital grants received	11,334	11,278
HEFCE - grant received for debt repayment	6,052	164
Endowments (withdrawn) / received	(15)	18
	4,082	9,979

32. Management of liquid resources

Investment in deposits	11,407	18,508
	11,407	18,508

33. Financing

Bond repayment	584	545
Finance Lease	291	270
LRB debt repayment	6,052	154
	6,927	969

NOTES TO THE FINANCIAL STATEMENTS

34. Analysis of changes in net debt

	1 August 2005 £'000	Cash Flows £'000	Other Changes £'000	31 July 2006 £'000
Cash in hand, at bank & deposits repayable on demand	1,378	(345)	-	1,033
Overdraft	(1,727)	(52)	-	(1,777)
	<u>(349)</u>	<u>(397)</u>	<u>-</u>	<u>(744)</u>
Current asset investments	50,632	11,407	-	62,039
Debt due within 1 year	(758)	758	(645)	(645)
Debt due after 1 year	(35,736)	5,203	(171)	(30,704)
Finance leases	(14,700)	291	-	(14,409)
Total	<u>(911)</u>	<u>17,262</u>	<u>(816)</u>	<u>15,537</u>

35. Contributions to Pension Funds

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

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

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is an unfunded statutory contributory final salary scheme, which provides retirement benefits for academic staff members. The scheme operates under the Teachers' Pensions Regulations 1997 (as amended). These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by Local Authorities (LAs) and also to teachers in establishments of further and higher education. Membership is automatic for full-time teachers (lecturers), and for part-time teachers (lecturers) on election. Teachers / lecturers are able to opt out of the TPS.

The Government Actuary conducts an actuarial review of the TPS not less than every five years. The aim of the review is to specify the level of future contributions. The next actuarial review, effective as at 31 March 2004 and covering the previous three financial years, is expected to be published in December 2006.

The last published actuarial review as at 31 March 2001 (covering the period from 1 April 1996) assumed that the review should be such that the value of the scheme assets equals the value of the scheme liabilities. The scheme assets consist of the notional investments and the future contributions in respect of existing members. The Government Actuary determined the value of both the assets and liabilities of the scheme at that date to be £142,880 million. As a result, the scheme has no deficit at this date.

The employers' contribution rate of the scheme is currently 13.5% (wef 1 April 2003) with the employees' contribution rate at 6%. These rates increase from 1 January 2007 with the employers' rate rising to 14.1% and the employees' rate to 6.4%.

This scheme is accounted for in the University's accounts as a defined contribution scheme, with employers' contributions charged to the Income and Expenditure account on a payable basis.

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 2004 determined that, on the basis of the projected unit method, the University's contribution increased from 11.4% to 22.3% with effect from 1 April 2005. The next valuation is due as at 31 March 2007.

The main actuarial assumptions used in the 2004 valuation were:

Rate of return on investments :-	
- equities	7.6%
- target return funds	6.3%
Rate of pay increases	4.6%
Rate of pension increases	3.1%
Valuation of assets	Average market value in the 12 months ended 31 March 2004.

At 31 March 2004 the market value of the assets of the Active Sub-Fund was £1,405m.

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 £428,090 (2005: £407,263) payable to the London Pensions Fund Authority in respect of the University's contributions on salaries for July 2006.

The following disclosures in relation to LPFA are a requirement of FRS17 (Retirement Benefits) which has now been fully implemented by the group.

Assumptions as at year end	2006 % pa	2005 % pa	2004 % pa
Price increases	3.1%	2.8%	2.9%
Salary increases	4.6%	4.3%	4.4%
Pension increases	3.1%	2.8%	2.9%
Discount rate	5.1%	5.0%	5.8%

Assets in the whole LPFA fund and expected rate of return	Assumed long term return % pa at July 2006	Value at 31 July 2006 £m	Assumed long term return % pa at July 2005	Value at 31 July 2005 £m	Assumed long term return % pa at July 2004	Value at 31 July 2004 £m
Equities	7.6%	1,226	7.3%	1,389	7.9%	1,093
Bonds	6.3%	386	4.7%	170	5.4%	159
Property	6.7%	239	5.4%	120	6.7%	105
Cash	4.8%	158	4.5%	82	4.5%	17
Total	7.0%	2,009	6.8%	1,761	7.5%	1,374
% of Fund attributed to University		3.6%		3.5%		3.9%
Value (£m)		£71.4m		£61.7m		£54.9m

NOTES TO THE FINANCIAL STATEMENTS

35. Contributions to pension funds (continued)

	2006 £'000	2005 £'000	2004 £'000
Net Pension Liability (University's share of LPFA Active Sub fund)			
Estimated employer assets (A)	71,372	61,699	54,893
Present value of scheme liabilities (B)	105,713	94,960	83,504
Present value of unfunded liabilities (C)	890	495	509
Net pension liability (A - B - C)	<u>(35,231)</u>	<u>(33,756)</u>	<u>(29,120)</u>

	2006 £'000	% of pay costs	2005 £'000	% of pay costs
Analysis of amount charged to operating surplus in Income and Expenditure account:-				
Service cost	3,679	19.7%	2,622	15.4%
Past service costs	-	- %	61	0.4%
Curtailments and settlements	542	2.9%	-	- %
Total Operating Charge (A)	<u>4,221</u>	<u>22.6%</u>	<u>2,683</u>	<u>15.8%</u>

	2006 £'000	% of pay costs	2005 £'000	% of pay costs
Amount charged to finance cost:-				
Expected return on employer assets	4,274	22.9%	4,133	24.3%
Interest on pension scheme liabilities	(4,836)	(25.9%)	(4,902)	(28.8%)
Net cost (B)	<u>(562)</u>	<u>(3.0%)</u>	<u>(769)</u>	<u>(4.5%)</u>
Net Income & Expenditure account charge (A - B)	<u>4,783</u>	<u>25.6%</u>	<u>3,452</u>	<u>20.3%</u>

	2006 £000	2005 £000
Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets	2,861	6,370
Experience gains and losses arising on the scheme liabilities	44	660
Changes in assumptions underlying present value of scheme liabilities	(3,774)	(10,801)
Actuarial loss in pension plan	(869)	(3,771)
Actuarial loss recognised in STRGL	<u>(869)</u>	<u>(3,771)</u>

NOTES TO THE FINANCIAL STATEMENTS

35. Contributions to pension funds (continued)

	2006 £'000	2005 £'000
Movement in deficit during the year		
Deficit at beginning of the year	(33,756)	(29,120)
Current service cost	(3,679)	(2,622)
Employer contributions	4,121	2,549
Contributions in respect of unfunded benefits	56	38
Past service costs	-	(61)
Impact of settlements and curtailments	(542)	-
Net return on assets	(562)	(769)
Actuarial losses	(869)	(3,771)
Deficit at end of year	<u>(35,231)</u>	<u>(33,756)</u>

	2006 £'000	2005 £'000
History of Experience Gains and Losses		
Difference between the expected and actual return on assets	2,861	6,370
Value of assets	71,372	61,699
Percentage of assets	4.0%	10.3%
Experience gains / (losses) on liabilities	44	660
Present value of liabilities	106,603	95,455
Percentage of the present value of liabilities	- %	0.7%
Actuarial losses recognised in STRGL	(869)	(3,771)
Present value of liabilities	106,603	95,455
Percentage of the present value of liabilities	(0.8%)	(4.0%)

Analysis of projected amount to be charged to operating profit for the year to 31 July 2007:-

	Year to 2007 £'000	% of pay costs	Year to 2006 £'000	% of pay costs
Estimated current service cost & total operating charge (A)	<u>3,971</u>	<u>20.9%</u>	<u>3,363</u>	<u>19.1%</u>
Expected return on employer assets	5,083	26.8%	4,219	24.0%
Interest on pension scheme liabilities	(5,495)	(28.9%)	(4,815)	(27.4%)
Net return (B)	<u>(412)</u>	<u>(2.2%)</u>	<u>(596)</u>	<u>(3.4%)</u>
Expected net I&E account cost (A - B)	<u>4,383</u>	<u>23.1%</u>	<u>3,959</u>	<u>22.5%</u>

NOTES TO THE FINANCIAL STATEMENTS

35. Contributions to pension funds (continued)

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries, we have taken the view that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently, the valuation of the retirement benefit liabilities as at 31 July 2006 does not include any allowance for this change to the pension scheme.

In calculating the scheme assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

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 £3.150m (2005: £3.097m) 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:-

	2006	2005
	£'000	£'000
Contributions to TPS	3,453	3,283
Contributions to USS	22	45
Contributions to LPFA	4,031	2,548
Total pension costs (note 6)	<u><u>7,506</u></u>	<u><u>5,876</u></u>

36. Taxation

U.K. corporation tax on the profits of, and by

UGMT Ltd	-	-
Greenwich Property Ltd.	-	-
	<u><u>-</u></u>	<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 110 institutions. The association has a reserve fund of £10m, a £15m “internal” loan facility from member institutions, and a £425m 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.

At the balance sheet date, the University had an outstanding legal claim against it in respect of a contractual dispute. The University is contesting this claim and therefore no provision exists in these financial statements. The maximum exposure of the University in this matter is £0.5m.

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 £2.24m (2005: £3.29m). The University sold services to N R International Ltd to the value of £5,754 (2005: £838). The company has called-up share capital of £136,001 and reserves of £744,868.

The University seconded approximately four of its staff (2005: four) to the company at a cost of £0.203m (2005: £0.235m). At the year end the total amount owed to the University by N R International Ltd was £0.278m (2005: £1.267m).

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. Its principal activity is maintaining microwave radio links between HE institutions in Kent.

A register of Governors’ 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.

NOTES TO THE FINANCIAL STATEMENTS

39. HEFCE – Student support funding

	Rec'd In Year £'000	Interest Earned £'000	Disbursed £'000	31 July 2006 £'000	31 July 2005 £'000
Access to learning fund	1,281	17	(1,269)	29	31
Fee Waiver	26	-	(26)	-	19
Opportunity bursaries	66	-	(66)	-	3
	<u>1,373</u>	<u>17</u>	<u>(1,361)</u>	<u>29</u>	<u>53</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. Training and development agency for schools

(i) ITT trainee funding

	Rec'd In Year £'000	Disbursed £'000	31 July 2006 £'000	31 July 2005 £'000
Training bursaries	2,107	(1,871)	236	341
SSSS	102	(72)	30	23
Student associate scheme	139	(53)	86	273
	<u>2,348</u>	<u>(1,996)</u>	<u>352</u>	<u>637</u>

The above TDA 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	Disbursed £'000	31 July 2006 £'000	31 July 2005 £'000
Minority ethnic recruitment	36	(9)	27	11
	<u>36</u>	<u>(9)</u>	<u>27</u>	<u>11</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 2006			As at 31 July 2005		
	Total £'000	Floating rate £'000	Fixed rate £'000	Total £'000	Floating rate £'000	Fixed rate £'000
Currency						
Sterling	46,386	-	46,386	46,708	4,558	42,150

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 2006 weighted average		As at 31 July 2005 weighted average	
	Interest rate	Period for which rate is fixed	Interest rate	Period for which rate is fixed
Currency				
Sterling	7.29%	21 Years	7.33%	22 Years

(iii) Interest rate risk of financial assets

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

	As at 31 July 2006			As at 31 July 2005		
	Total £'000	Floating rate £'000	Fixed rate £'000	Total £'000	Floating rate £'000	Fixed rate £'000
Currency						
Sterling	62,395	356	62,039	50,884	252	50,632
Euro	301	301	-	774	774	-
US Dollar	376	376	-	352	352	-
	<u>63,072</u>	<u>1,033</u>	<u>62,039</u>	<u>52,010</u>	<u>1,378</u>	<u>50,632</u>

NOTES TO THE FINANCIAL STATEMENTS

41. 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	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
EURO	385	589	-	-
US \$	121	261	-	-
CHF	-	4	-	-
MUR	3	2	-	-
	509	856	-	-

(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:-

	As at 31 July 2006			As at 31 July 2005		
	Total £'000	Floating rate £'000	Fixed rate £'000	Total £'000	Floating rate £'000	Fixed rate £'000
In one year or less, or on demand	960	-	960	966	167	799
In more than one year, but not more than two years	1,031	-	1,031	1,039	180	859
In more than two years, but not more than five years	3,574	-	3,574	3,594	616	2,978
In more than five years	40,821	-	40,821	41,109	3,595	37,514
	46,386	-	46,386	46,708	4,558	42,150

NOTES TO THE FINANCIAL STATEMENTS

41. 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 2006		As at 31 July 2005	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Current portion of long term borrowings	960	960	966	966
Long term borrowings	40,392	45,426	41,257	50,736
Cash deposits and current asset investments	63,072	63,072	52,010	52,010
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.