UNIVERSITY of GREENWICH

Report and Financial Statements for the Year Ended 31 July 2012

A Company limited by guarantee not having a share capital.
An exempt charity for the purposes of the Charities Act 2006.

Registered in England and Wales: Number 986729.
Registered Office: Old Royal Naval College, Park Row, Greenwich, London SE10 9LS.






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REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

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UNIVERSITY of GREENWICH

OFFICERS AND PROFESSIONAL ADVISERS

Chancellor	The Lord Hart of Chilton
Pro-Chancellor and Chairman	Sir Stuart Etherington
Vice-Chancellor	Professor D Maguire
Secretary & Clerk to the Court	Mrs L Cording
External Auditors	Grant Thornton UK LLP Chartered Accountants and Registered Auditors Grant Thornton House Melton Street London NW1 2EP
Internal Auditors	RSM Tenon 66 Chiltern Street London W1U 4JT
Bankers	Barclays Bank PLC 1 Churchill Place Canary Wharf London E14 5HP
Solicitors	Stephenson Harwood 1 Finsbury Circus London EC2M 7SH

UNIVERSITY of GREENWICH

MEMBERSHIP OF THE COURT

The following served as Governors during the year and/or in the period to the date of approval of the financial statements. In the case of those who became or ceased to be Governors during this period, the appropriate dates are shown.

Article 7(1) – Vice-Chancellor	Baroness Blackstone	(resigned 30.9.11)
	Professor D Maguire	(appointed 1.10.11)
Article 7(2)a – Independent Members	Mr A J Albert	
	Mr J C Barnes	
	Mr J E Brathwaite	(resigned 31.8.11)
	Mr S H Davie	
	Mr N W Eastwell	
	Sir Stuart Etherington	
	Ms M Hay	
	Mr P F Hazell	
	Mr A L Holmes	
	Mr S W Howlett	
	Mr J F Stoker	
	Mrs H P Wyatt	
Article 7(2)b – Academic Council Members	Professor P Maras	
	Professor M Snowden	
Article 7(2)c – Student Members	Mr A Thakral	(resigned 31.7.12)
	Mr K Haque	(appointed 1.8.12)
Article 7(2)d – Co-opted Members	Mrs S L Clarke	(resigned 31.8.11)
	Dr J Cullinane	(appointed 1.11.12)
	Mr L Devlin	
	Professor S Golding	(appointed 1.9.11, resigned 31.5.12)
	Ms S Patel	

UNIVERSITY of GREENWICH

MEMBERSHIP OF COURT COMMITTEES

The following are the Court Committees and their membership during the year and/or in the period to the date of approval of the financial statements. In the case of those who became or ceased to be members during this period, the appropriate dates are shown.

Pro-Chancellor's Advisory Group	**Stuart Etherington**	**(Chairman)**
	Stephen Davie	
	Nick Eastwell	
	Stephen Howlett	(appointed 1.9.11)
Audit	**Steve Davie**	**(Chairman)**
	Stephen Howlett	(appointed 1.9.12)
	Sarika Patel	
	John Stoker	
	Helen Wyatt	(until 31.8.12)
Finance	**Nick Eastwell**	**(Chairman)**
	Alan Albert	
	James Barnes	
	Tessa Blackstone	(until 30.9.11)
	Marianne Hay	
	Peter Hazell	
	Andrew Holmes	
	Stephen Howlett	(until 31.8.12)
	David Maguire	(appointed 1.10.11)
Nominations	**Stuart Etherington**	**(Chairman)**
	Tessa Blackstone	(until 30.9.11)
	David Maguire	(appointed 1.10.11)
	Martin Snowden	
	John Stoker	
Remuneration	**Nick Eastwell**	**(Chairman)**
	Tessa Blackstone	(until 30.9.11)
	Stephen Davie	
	Stuart Etherington	
	Marianne Hay	
	David Maguire	(appointed 1.10.11)
	Helen Wyatt	

ABBREVIATIONS: (in the financial statements)

HEFCE	Higher Education Funding Council for England
TA	Teaching Agency

UNIVERSITY of GREENWICH

OPERATING AND FINANCIAL REVIEW

1. Constitution

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 2006. The Higher Education Funding Council for England (HEFCE) is the principal regulator both for the areas which it funds directly and on behalf of the Charity Commission for England and Wales.

The University Court is responsible for the setting and monitoring of the University's strategic direction and for ensuring the effective management of the institution. Members of the Court act as company directors and as charity trustees.

The objects of the University are set out in its Memorandum and Articles of Association and are to advance learning and knowledge in all its aspects, to enable students to develop their abilities, to contribute to community and to develop research.

2. Public Benefit

The University delivers public benefit through the advancement of learning and knowledge in both teaching and research. Students are helped to reach their full potential to the benefit of society as a whole as well as being the direct beneficiaries. The University's Court has given careful consideration to the Charity Commission's general guidance on public benefit and will be cognisant of the supplementary public benefit guidance on advancing education and fee charging when the Charity Commission's current review of this is complete.

3. Operating Review

(a) Strategic Plan

A new strategic plan for the period 2012-17 was developed in consultation with students, staff and other stakeholders and approved by the Court in July 2012. It sets out an ambitious course for the University in the next five years by building on previous achievements to develop a future based on a clear commitment to excellence in all areas. The plan identifies the core values of the institution and defines its mission and vision.

Mission: to inspire society through the discovery, application and dissemination of knowledge.

Vision: by 2017 we will have an enhanced reputation as a leading London university.

We aim to achieve this through high quality education, research and enterprise activities. Success will be demonstrated by significant cultural, economic, environmental and social contributions at local, national and international levels.

The means to realise its vision is encapsulated in four strategic objectives:
- Learning and Teaching: maximising the individual potential of students through high quality learning and teaching, and student satisfaction activities.
- Research and Enterprise: being a research-informed and enterprising institution with a well-developed culture producing research of international quality and knowledge exchange that is valued by our partners.
- Community and Experiences: creating a strong sense of community and ensuring that all associated with the University have great experiences.
- Services and Infrastructure: building effective, efficient and sustainable services and infrastructure that support the University's academic activities.

A new academic structure was approved by the Court. It merges current Schools and institutes into four faculties in order to have a more effective management structure and to gain efficiencies in the system. The future focus will be on core competency where we have the talent and opportunity to be successful. The new structure will be implemented in January 2013.

OPERATING AND FINANCIAL REVIEW

3. Operating Review (continued)

(b) Learning and teaching

The University places the student at the heart of its mission and is committed to providing a high quality learning experience for all students. This central aim is sustained by good teaching and a commitment to support and enable all students to reach their full potential through providing a high quality learning environment and learning facilities, innovative approaches to learning, teaching and assessment and a wide range of opportunities for students to participate in employment-related learning. The Learning and Teaching Strategy adopts the student life cycle as its organising framework proposing a series of aims, objectives, and actions that support students from pre-entry through to graduation and employment and further learning.

The University aims to provide a distinctive learning experience for all its students through an intensively supported learning environment making maximum use of new technology. Exploring and exploiting the potential use of ICT is a key underpinning element in enhancing learning. The use of e-learning is based on an awareness of its potential to enhance the flexibility with which students learn and to meet the requirements of a diverse range of students with varying needs.

The Strategy thus builds on the University's strengths in supporting students from a wide range of backgrounds, providing a strong added-value learning experience and enabling student success. It focuses on the development of approaches that build on existing strengths through staff development.

The high quality learning experience for its students and the provision of a distinctive learning experience requires a requisite level of resourcing of:-

- Academic staff to ensure adequate student staff ratios. The University has in recent years invested in additional academic staffing. It will continue this improvement by reallocating resources from "back office" functions and investing in front line learning and teaching.
- Developments to enhance the quality of learning and teaching. Previous allocations of Teaching Quantity Enhancement Fund (TQEF) funding were invested to facilitate this enhancement. This has now been "mainstreamed" with the establishment of an Education Development Unit. The unit is working with Schools to embed the Greenwich Graduate initiative that aims to develop attributes and literacies that employers value and life requires.
- Libraries and associated learning materials, to ensure currency and adequacy of this provision. Additional investment has been made in improving the quality and currency of its learning materials, and this investment will continue into the future.
- Support for its students to improve their learning outcomes.

Transition from school to university can be a difficult time for students. Research has shown that easing this transition can often mean the difference between success and failure. We have continued to give attention to this process. This year we introduced an Acceptors Portal which gives pre-arrival contact details, news items, preparation for study guides and other helpful information about the transition to the University. We believe that this easily accessible information introduces students to university life and gives them the confidence to ask questions before and after they arrive.

Our Teaching Fellowships programme recognises inspirational teaching by our staff. Three new Teaching Fellows were appointed this year. Teaching Fellows focus on excellence and innovation in teaching. Our Maths Arcade Incentive offered drop-in sessions to enable maths students to receive support from staff and to play a range of strategy games and mathematical puzzles. This informal and entertaining practice has greatly improved retention and student achievement.

Simulation-based teaching in law is inherently student focussed and offers an effective means of developing soft skills through its emphasis on collaboration and communication.

UNIVERSITY of GREENWICH

OPERATING AND FINANCIAL REVIEW

3. Operating Review (continued)

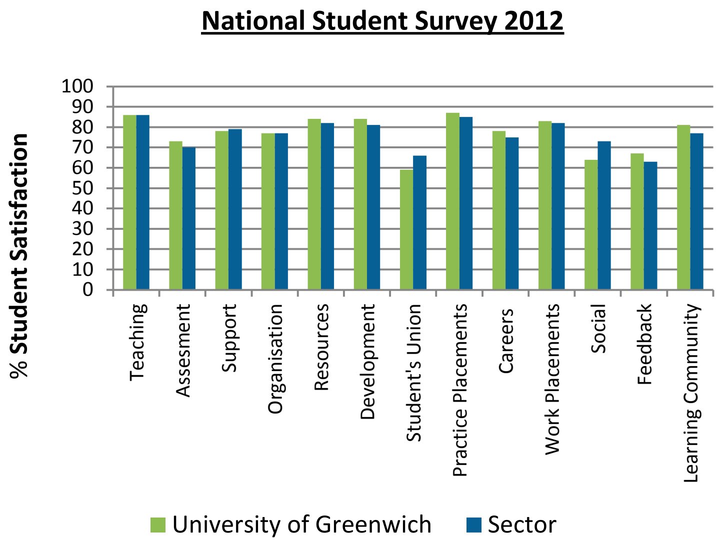
(c) Student achievement and success

Our students continue to win external awards:

- a recent graduate won a prestigious scholarship from the Law Society to continue her studies.
- a student won a national competition to provide innovative ideas to enhance the business of an international law firm. His proposal involved expert advice for companies wanting to expand and develop overseas markets.
- a student won a national competition for his essay on the impact of tourism in less developed countries. He showed that in some countries tourism has revitalised local culture and led to environmental improvement although it could also lead to tension with local people and reduce water supply.
- a student won Student Nurse of the Year within the Children's nursing category by demonstrating her outstanding clinical knowledge, her commitment to the welfare of children, and her potential as a role model for other student nurses.

(d) Student satisfaction

The quality of the students' experience is central to the University's objective of attracting high quality and able students who will maximise their potential during the period of their study at the University. A measure of this is the outcome from the annual National Student Survey (NSS) that allows students to give feedback on the quality of their courses and their learning experiences. The outcome from the 2012 NSS is summarised in the figure below:-



Overall satisfaction was 85% (2011: 84%) which matches the 2012 sector mean. Satisfaction with the quality of our teaching is on par with the sector while assessment and resourcing is above the sector average. Initiatives emanating from the new strategic plan are aimed at further improvements. This includes continued support for its Students' Union through the annual subvention, underpinned by the new university strategy that seeks to maximise student participation in sporting, social and support programmes, providing high quality experiences.

(e) Student recruitment

Recruitment of home and international students and meeting student recruitment targets for all teaching contracts underpin the major revenue streams of the University and its corporate financial outcomes. Shortfalls against student recruitment targets are therefore an important risk that is managed.

OPERATING AND FINANCIAL REVIEW

3. Operating Review (continued)

The number of recorded students in 2011-12 is summarised as follows:-

	2011/2012		2010/2011	
	Full-time	**Part-time**	Full-time	Part-time
HEFCE funded	**13,175**	**5,157**	12,354	5,645
Teaching Agency funded	**664**	**216**	695	174
Health contract	**1,173**	**1,201**	1,157	1,187
Overseas (non EU)	**3,346**	**1,558**	4,425	1,871
Others	**113**	**442**	397	562
Total (excluding International Collaborations)	**18,471**	**8,574**	19,028	9,439
Students with International Collaborative Institutions	**7,024**	**5,074**	6,360	5,254

The 22% reduction in overseas student numbers is similar to the level of reduction across the HE sector. It arises from UKBA student visa changes that make the UK a less attractive destination for international students (compared with counties such as Canada and Australia), and the strengthening against sterling of the currency of a key international student recruitment market.

We recruit a diverse student body both home and international. We have continued to recruit above the national benchmark for students from low participation neighbourhoods. Some 97% of our students come from State Schools. However, our focus has remained firmly on enhancing academic excellence.

(f) Student finance and financial support

We offer a number of bursaries and hardship funds to help students in financial difficulty. The University provides additional financial support for a range of students, including those entering higher education direct from local authority care. This year some 49 care leavers were helped in this way. We have introduced two types of new Scholarships for high achieving students entering the University in the academic year 2012-13.

(g) Partner Colleges

There continues to be a strong network of partner colleges. Circa 20% of the University's HEFCE teaching contract is delivered in these institutions where, in the year under review, there are 3,000 students on University of Greenwich accredited programmes of study.

The new funding regime that comes into effect in 2012/13 has allowed many of these partner colleges to secure HEFCE student numbers in their own right, with some adjustment to the balance between the University's own provision and that of the colleges.

(h) Outreach

Outreach and widening participation work at the University of Greenwich has adapted to the new HE environment by streamlining successful interventions designed to raise academic outcomes and aspirations. Our new Skills for Independent Learning course developed in 2012 offers local schools and colleges a fully resourced course to raise the higher level thinking and writing skills of learners. This initiative aims to change the relationship between HEIs and Level 3 teachers by providing CPD and a sustained dialogue with colleagues in this sector through the establishment of a community of practice. The course is already being delivered by some of our partners and our aim is to embed the course, and its philosophy, in schools and colleges at a regional level.

OPERATING AND FINANCIAL REVIEW

3. Operating Review (continued)

In the 2011-12 academic year the Access and Widening Participation Unit (AWPU) delivered 123 one day events, which targeted 3,917 students, additionally student Ambassadors worked on 21 sustained (comprising of 5 or more) interactions in local schools with over 300 students. Annually the AWPU team advertise a calendar of 20 taster days comprised of subjects from all Schools, which remain very popular.

Another initiative to be piloted in the new academic year is the Personal Development Planning (PDP) for school and college learners. Our research has indicated that young people would like more time and information to explore their study and career options and, in response, a six session resource has been developed which will be rolled out with CPD for teachers delivering it. In 2012/13 we are also one of the first HEIs in the country to train and deploy student ambassadors (SAs) on a sustained basis to support these two initiatives, provide general advice and guidance to students and the option of essay ‘surgeries’ in partner schools and colleges. Feedback from our partners indicates that literacy skills are often a barrier to successful transition to further study and we have responded to this need by up-skilling our already excellent SA team.

This change of emphasis has allowed us to continue offering our very popular calendar of events, such as ‘taster days’, to schools and colleges more widely. In the coming months we also intend to look at ways in which our outreach experience and expertise can contribute to the retention agenda at the University.

Our student Ambassadors also assist in the local community which gives them skills and experience of great value when they graduate. Greenwich's final-year mathematics undergraduates often work as teaching assistants in local schools, as part of the University's ambassador’s scheme.

A national report gave high praise for the work of our students in helping pupils from local schools to improve their academic performance. The report by the Office for Fair Access (OFFA) highlighted the role of our students in helping Year 11 secondary school students in south-east London to study for their Maths GCSEs.

(i) Research and enterprise

Our strategic objective is to become a research informed and enterprising institution. A number of initiatives have been put in place in support of this objective aimed at a cultural change in which there is significant participation in research and enterprise activities and an improved infrastructure to support academic staff wishing to undertake these activities.

A Research Professorship scheme was launched in 2012 to further improve the quality and volume of the University’s research, under which 10 professors will be appointed. A PhD Studentship scheme was also established that will see 130 scholarships created over three years to support PhD students in the University. The work of the University’s Early Career researchers was recognised with three Engineering Research Council (ERC) Excellence awards together with the ERC Communicator of the Year award for our research students.

The University had a successful year which saw Research and Enterprise commissioning grow 21% to £16.1m (2011:£13.3m) and 5% growth in reported revenues to £14.1m (2011:£13.4m). Research revenues grew by 21% to £8.7m (2011:£7.2m).

Significant new grants won in 2011-12 include several EU funded projects including: ‘New Deal for Innovation’, a project that will help small enterprises develop a new process of innovation; ‘GETAWAY’ concerned with improving pedestrian way-finding in transportation terminals, during emergency evacuations; ‘ECOTEC21’, a study of biofuels compositions and performance that will provide research data to support the installation and operation of a combined heat and power (CHP) plant on the Medway campus; Self Alerting Safety Jackets’, which aims to develop a miniature personal alert and locating beacon and integration technologies to embed the beacon into Personal Flotation Devices; “COST ES1104 - Desert Restoration Hub’, a project that will establish an ‘Arid Lands Restoration Hub’ which will assemble a multidisciplinary network of European and world experts to concentrate on the particular issue of arid lands restoration and combat of desertification through the establishment and management of vegetation.

3. Operating Review (continued)

There was further success for the Natural Resources Institute (NRI) with three new Bill and Melinda Gates Foundation Awards, while a member of its staff was the winner of the Grand Challenges Explorations (GCE) prize, that funds individuals worldwide to explore ideas that can break the mould in solving persistent global health and development challenges.

Our work with business and industry has also continued well, with new projects established with, amongst others, Ford, Cummins Power, Bombardier, the Fitness Industry Association and EDF Energy. We also launched a new ‘innovation voucher’ scheme, co-funded by Medway Council that provides Medway-based firms with up to £5,000 of University support to develop a new innovative product or service, by working on a short project with a University academic, and continue to develop our role at the Innovation Centre Medway to support start-up companies and small firms in and around the Medway region. The University’s intellectual property portfolio has grown and now encompasses more than 20 different technologies or patent families, with particular progress with technologies in novel drug delivery and crop protection.

(j) Staffing

The quality and commitment of our employees remains paramount in the achievement of our objectives as an institution of teaching, learning and research. Enthused and engaged employees are productive employees, and productive employees provide a better customer (student) service. The Employee Relations and Engagement team is responsible for equality, human resource communications, organisation development, employee relations and employee engagement. This multi-disciplinary team provides a holistic service to the wider University.

We continue to have employee representatives elected by and from members of staff as members of the University Court and of the Academic Council with access to minutes of these meetings made available to all staff through the University's intranet. 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’. HR- specific communications are disseminated via a termly HR newsletter ‘Spectrum’ and a short more targeted electronic briefing ‘Bulletin’ which addresses matters where a brief but timely cascade is required. The HR Office also now uses social media for staff communications such as Facebook and Twitter.

The Balanced Academic Workload (BAW) model which was introduced to all Schools last year is being reviewed for usage and consistency. This will be an on-going means of achieving continuous improvement.

A review of the appraisal form was carried out and more user-friendly forms will be introduced from October 2012 as well as comprehensive guidance notes. The new form will focus on a more accurate assessment of performance based on the level of achievement of previous year's appraisal objectives.

Following last year’s pilot of eRecruitment, some improvements were made and the system is now fully utilised. This contributes towards our efficiency and sustainability targets.

In furtherance of our efficiency and sustainability drive, we are working towards Employee Self-Service. This will be a web-based HR tool which, in due course, will facilitate employee empowerment, data integrity and enhanced management productivity.

The University has volunteered to commit to the Workplace Wellbeing Charter. Work is currently underway to achieve the “Excellent” status.

(k) Estate and facilities

There is continuous improvement in the University’s estate with £10m spent on maintenance in the current and previous financial year. This is part of a planned maintenance programme.

On the capital front, work has commenced on the construction of a new 16,000 sq.m academic and library facility in Greenwich town centre on a site adjacent to the Greenwich campus. The capital cost of this facility is £66m and it is expected to be completed on time for the September 2014 intake.

3. Operating Review (continued)

Student residences provision is maintained on or close to all three of the University's campuses and available to full-time undergraduate students. There are currently 3,400 bedrooms. This is to be added to in September 2014, with an additional 350 places in a new development close to the Greenwich campus.

(l) Environment

The University is committed to a 30% reduction by 2016 in its carbon emissions and a further 10% (total of 40%) by 2020, from a 2009 baseline. In March 2011 the University Court approved a £6million carbon management plan that outlines the basis on which the 2016 target will be achieved. This entails improving the energy efficiency of buildings, maximising space usage, improving insulation, upgrading light and heating systems, and student\staff awareness and re-education. The plan also outlines investment into alternative energy sources including solar panels (installed at the Avery Hill and Medway campuses) and combined heat and power (CHP) generation (planned for the Medway campus). Integrating some sustainability initiatives with the University's research is also an integral part of the carbon management plan.

The continuing commitment to and investment in sustainability was recognised in 2012 with the University being placed 1st in the People and Planet Green League table. This success was attributable to the overall improvement in embedding sustainability into the University's policies and processes in 2011/12 which was manifested by:-

- Gaining ISO14001 accreditation for the sustainability management system.
- Inclusion of sustainability in the Greenwich Graduate attributes and embedding sustainability in parts of the curriculum.
- Increased participation from staff sustainability champions – over 50 staff participated in the Green Impact scheme in which 1500 sustainability actions were completed.
- Development of a sustainable procurement policy and action plan.
- A reduction in carbon emissions (from its 2009 baseline) as a result of reduced energy usage across all campuses.

(m) Community

In March 2012, the Royal Borough of Greenwich reaffirmed the award of Freedom of the Royal Borough on the University as part of the celebrations of the granting of Royal Borough status. This award acknowledged the importance of the University's presence in the Royal Borough and the continuing collaboration between us. Many of our students, especially those involved in teaching and healthcare work in the locality when they have graduated. We also worked with the Royal Borough to establish a University Technical College (UTC). The design for the building is complete, a principal has been appointed and the UTC will open in 2013. We look forward to a successful partnership.

University Recognition awards for staff, students and alumni who have made an outstanding contribution to the University's work or in their work outside the University, were launched this year. Those nominated had made varied contributions to their communities. The three awards were announced at the Chancellor's Dinner to celebrate the year's achievements in July 2012.

(n) Senior management changes

The University's Vice Chancellor, Baroness Blackstone, retired at the end of September 2011 and was succeeded by Professor David Maguire. We were delighted that Baroness Blackstone received the Lord Dearing Life Time Achievement award from the Times Higher Education in 2012.

OPERATING AND FINANCIAL REVIEW

3. Operating Review (continued)

(o) London 2012

The University was an official host venue for the London 2012 Olympic Games with the Students' Union providing management facilities to support equestrian, running and shooting events in Greenwich Park. Three hundred of our students received specialist training for jobs at the London 2012 Olympic Games: a superb opportunity for our students to gain valuable work experience. The Stephen Lawrence Gallery hosted an artist in residence during the Games. The work produced will be the subject of a month-long exhibition in the gallery and will include an artwork for permanent display at the University

(p) Key performance indicators

The University Court reviews key performance indicators at each of its meetings to ensure that the University is achieving its goals. The KPIs are benchmarked against HEFCE indicators and against a set of similar Universities.

Key performance indicators have seen set out in our Strategic Plan to ensure that we can measure our performance towards our objectives.

OPERATING AND FINANCIAL REVIEW

4. Financial Review

(a) Scope of the Financial Statements

The financial statements comprise the consolidated results of the University (including the Natural Resources Institute) and its wholly owned subsidiary companies, Greenwich University Enterprises Limited and Greenwich Property Limited. Greenwich University Enterprises Limited undertakes commercial activities that do not fall within the scope of the University's charitable aims of teaching and research. A proportion of its taxable profits are covenanted to the University under the Gift Aid scheme. Greenwich Property Limited is a special purpose vehicle established for the purpose of a student resident PFI scheme.

The financial statements have been prepared in accordance with United Kingdom Accounting Standards (UK GAAP), the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and the Companies Act 2006.

(b) Results for the Year

The Group results for the year ended 31 July 2012 are summarised below:-

	2012	2011
	£'000	£'000
University (including NRI) operating surplus:		
- from operations	**7,487**	6,774
- staff severances (voluntary scheme)	**(3,708)**	-
- release of prior year provision	**-**	4,609
	3,779	11,383
Greenwich University Enterprises Limited	**88**	53
Greenwich Property Limited	**-**	-
Group historical cost surplus	**3,867**	11,436

The group reported a surplus of £3.9m (2011: £11.4m) representing a margin of 2.1% on total income. It takes account of a non-recurring staff severance charge of £3.7m under the terms of a University wide voluntary severance scheme. Thus the underlying position is a £7.5m surplus. This is higher than forecast and arises in the main from additional revenues on international collaborations, cost efficiencies in academic and support activities, and a FRS17 (retirement benefits) charge substantially lower than forecast.

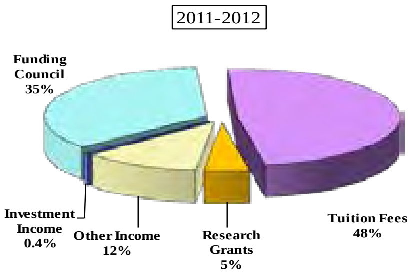
The position above represents a strong financial performance with consequential improvements on the group's balance sheet to its cash position, net assets and reserves (before account is taken of the FRS17 deficit). These improvements are important in meeting the challenges of the new funding regime that take effect in the 2012/13 academic year.

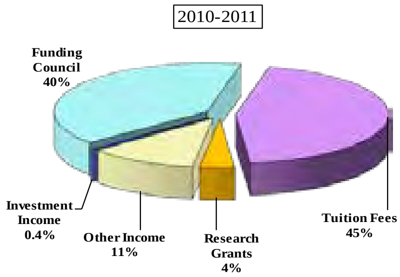
(c) Revenues

Total revenue comprises funding council grants, tuition fees and education contracts, research grants and contracts, other income, and endowment and investment income. The distribution of these is as follows:-

OPERATING AND FINANCIAL REVIEW

4. Financial Review (continued)





Funding council grants were £65.9m (2011: £78.1m). After adjusting for a £4.6m non-recurring release of a provision in the previous year, it represents 10% reduction in this funding stream. This is consistent with a 4.2% reduction in the announced HEFCE allocation for teaching and research funds, the discontinuation in the current year of various special initiative funding streams (primarily Aspire), and the reduction in Capital Investment Framework funds, part of which has a revenue impact. There is also a reduction in the Teacher Agency (TA) allocation reflecting reduced student numbers on the ITT contract.

Tuition and education contract revenues were £90.7m (2011: £88.6m) representing a 2.3% increase on the previous year. Here the picture is mixed, with increases in international collaborative and home full-time undergraduate revenues offset by reductions in revenue from campus based international students and home part-time provision. The increase in international collaborative revenue mirrors the 4.2% growth of students in its overseas partnerships with the University's move (in 2011) to the statutory maximum undergraduate fee accounting in large part for the increase in revenues for this mode of study. Revenue from the NHS teaching contract was level with that of the previous year.

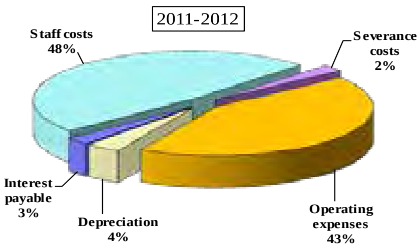
Research revenues increased by 21% to £8.7m (2011: £7.2m) mirroring increased levels of commissioning in the current and previous financial years. This is a formidable outcome given the tough economic climate in which bids are contested.

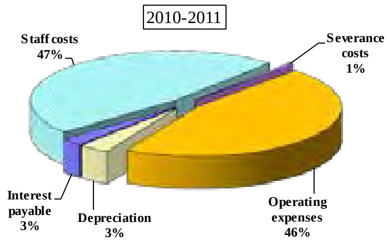
Other income accounts for 12% (2011: 11%) of total revenues comprising student residence and events income, revenues from consultancy services provided, and revenues from various other sources.

Investment income of £0.8m (2011: £0.7m) was received on cash investments for both endowment and on general funds. An average of £90m cash was under investment in the financial year. The return on these investments is indicative of the current low returns available on short and medium term cash investments.

(d) Expenditure

Expenditure is categorised across staffing, severance costs of a voluntary severance scheme, the depreciation of fixed assets and other operating expenses, with distribution as follows:-





OPERATING AND FINANCIAL REVIEW

4. Financial Review (continued)

Staff costs are 48% (2011: 47%) of total expenditure against a sector average of 53%. The variation is explained by the substantial level of University's programmes of study delivered in its partner institutions where the staff related teaching and support costs lie with those institutions. The cost for the financial year was £89.0m (2011: £88.1m) against a staff base of 2,338 (2011: 2,418) employees. The reduction in the staff base was across all categories, and reflects reduced costs arising from the discontinuation of HEFCE special initiative funding, a reduction in some manual grades and other efficiencies. Adjusting for the changed staff numbers establishes an underlying staff cost increase of 2.9%. This is comprised of the annual pay-award, the cost of annual increments and the full year impact of the April 2011 increase in employer national insurance contributions.

Operating expenses account for 43% (2011: 46%) of total expenditure compared with a sector average of 40%. The cost for the financial year was £79.7m (2011: £85.8m) with a full analysis of these in note 9 of the financial statements. The reduction from the previous year is explained in the main by reduced costs associated with:-

- reduced student enrolments in partner and network institutions coupled with a lower unit of resource arising from efficiency saving on the HEFCE teaching contract; (memo – 480 students)
- reduced international student enrolments; the previous year includes non-recurring costs of £1.2m part of which is associated with a provision for a VAT liability on agency fees.
- reduced spend on outreach arising from the discontinuation of HEFCE special initiative funding (specifically Aimhigher).
- reduced maintenance of the estate compared with previous year when additional maintenance funds were made available. Additionally the postponement of some maintenance projects planned for 2011-12 financial year gave rise to an underutilisation of the maintenance funds available in this period. (memo - £1.9m)
- Other reductions associated with various operational and procurement efficiencies.

There are a number of areas with material increases in operating expenses, notably residence and conference activities and bursaries. The former arises from additional maintenance and above inflation increases in energy costs charged to student residences, together with additional expenditure associated with increased conferencing activities. The University's decision to move to the statutory maximum home undergraduate fee with related bursary awards, accounts for the increase in bursary costs.

Staff severance costs account for 2% (2011: 1%) of total expenditure. The cost for the financial year was £4.2m (2011: £1.0m) of which £3.7m is under a University wide voluntary severance scheme launched in May 2012 that resulted in 140 staff severances. These are aimed at readjusting the cost base to address the reduction in both home and international enrolments (and resultant loss of revenue), and repositioning of resource allocations to meet the requirements of the new strategic plan.

(e) Capital investment and fixed assets

The tangible fixed assets of the group at the balance sheet date were £100.8m (2011: £93.3m). Additions in the year were £14.1m, of which £10.9m was on the Stockwell Street new build, and £3.2m was on equipment, IT and other infrastructure. Capital grants of £0.3m were received during the year.

(f) Long-term borrowing

Long-term borrowing at the balance sheet date was £34.1m (2011: £34.9m), of which £19.6m is the outstanding debt on the University's £30m bond (£25.5m in issue), and £14.4m the finance charge on Phase 2 of the Avery Hill student village PFI scheme. The remaining £0.1m is an advance received under the auspices of the HEFCE's Revolving Green Fund and employed in financing sustainability initiatives across the University.

(g) Pension schemes

The University contributes to the Teachers Pension Scheme (TPS) for its academic staff and the London Pension Fund Authority (LPFA) for its support staff.

4. Financial Review (continued)

The Teachers Pension Scheme is an unfunded, contributory, public service occupational pension scheme, governed by statutory regulations. As it has no assets that can be identified with individual employers it is accounted for on a pay as you go basis. The employer contribution rate throughout the financial year was 14.1% of the relevant pensionable payroll.

The London Pension Fund Authority (LPFA) is a funded multi-employer Local Government Superannuation Scheme. Its assets and liabilities are identified with individual employers and are therefore accounted for under the provisions of FRS17 (Retirement Benefits). The employer contribution rate of the University throughout the financial year was 22.3% of which 15.1% is in respect of current service cost, and 7.2% past service cost. The liabilities of the scheme exceed its assets, with a reported FRS17 pension deficit of £76.6m (2011: £53.2m). The FRS17 deficit on the scheme reflects a downward pressure on asset values arising from the general economic climate. On the liabilities side, ongoing reduction in mortality rates and low bond yields (used to discount liabilities), account for the substantial excess over asset values.

CPI is used in the actuarial assessment of future pensions, in line with the April 2010 change in government policy on pensions.

(g) Other balance sheet indicators

Other key Balance Sheet ratios continue to be healthy. Short-term investments were £100.3m reflecting the strong underlying operating surplus, net of £14.1m of capital spend financed from internal resources. Creditors due within one year were £51.0m (2011: £50.1 m). Net current assets remain strong at £60.4m (2011: £64.8m) while Income and Expenditure reserves increased by 7% to £77.2m.

(h) Key financial indicators

The 2011/12 financial outturn continues to build on those of the previous years, with the five year summary of key financial indicators as follows:-

University of Greenwich
Key Indicators

	2008	2009	2010	2011	2012
Total students	25,623	27,028	29,965	28,467	27,045
Total students - % movement		5%	11%	-5%	-5%
Funding Council grant as % of operating revenues	46%	42%	40%	41%	36%
Tuition and education contracts as % of operating revenue	37%	42%	46%	46%	49%
Operating margin %	5%	5%	6%	6%	2%
Interest costs as % of operating margin	44%	56%	53%	41%	119%
Debt as % of operating revenues	28%	24%	19%	18%	19%
Net cash and investments as % of operating revenues	53%	52%	53%	56%	56%

(i) Financial instruments

The Group finances its operations from cash generated from trading, retained surpluses, current liabilities and long-term borrowing.

4. Financial Review (continued)

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 Act 2000, and the University's Treasury Management Policy. Year-end cash and investments totalled £103m including £2.4m in a separate charged account under the terms of the Bond. The University adopts a prudent investment policy, with deposits limited by amount and maturity across financial institutions with minimum investment rating requirements. At the balance sheet date, the group held no funds with a maturity date in excess of 12 months.

The Group's financial instruments comprise borrowings, cash and liquid resources, trade debtors and trade creditors. Its policy is that no trading in financial instruments shall be undertaken. Its terms of payment are 30 days (net), with an average payment period of 29 days in the 2011-12 financial year. The main risks arising from the Group's financial instruments are liquidity risk, currency risk, credit risk and interest rate risk. The Court has oversight over the management of all risks.

(i.) Liquidity Risk

Liquidity risk is managed by the application of measures set out in the University's Treasury Management Policy. These ensure amounts due to the University are remitted on a timely basis, payments to suppliers comply with agreed terms of trade, and the managed investment of surplus funds.

Under the terms of the University's bond a ratio of current assets to current liabilities at not less than 1:1 is required to be maintained. Additionally, a minimum cash balance of 5% of turnover (£9.5m) is required to be maintained together with 12 months bond servicing cost (£2.4m) in a separate charged account. The requirements of these covenants have been met.

Total debt at 31 July 2012 was £34.9m, of which £20.4m is in respect of the University's bond, £14.4m a PFI debt repayable in 2026, with the remainder being a loan under HEFCE's Green Revolving Fund. At 31 July 2011, the maturity profile of borrowings (all of which were long term) shows an average maturity of 15 years. It is calculated that 4.4% is repayable in each of the periods that fall within one year and in 1 to 2 years, 7.5% in 2 to 5 years and 88.1% in more than 5 years.

(ii.) Currency Risk

Approximately 54% of the Group's business in research and consultancy contracts that are denominated in foreign currencies. The Group's policy is to mitigate currency exposures by reviewing contracts for currency risk as part of its risk assessment and where appropriate a contingency is built into the contract price. Additionally subcontracting is priced in the currency wherever possible. All other turnover is denominated in sterling. The University did not enter into any hedging arrangements during the year.

(iii.) Credit Risk

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

The credit risk on short-term investments and bank balances has increased in the current economic climate with many UK and European financial institutions downgraded by the major credit rating agencies. The Group manages this risk by its policy of agreed counterpart lists and minimum credit rating criteria for counterparty banks and deposit takers.

The credit risk for trade debtors (student and commercial debt) is medium\low. This risk is managed by the application of measures set out in the University's credit management policies, and the continuous assessment of the group's aggregate exposure to non-payment of student and commercial debt. The amounts disclosed in the balance sheet are net of allowances for bad and doubtful debts, the latter informed by the quality of the debtor book.

4. Financial Review (continued)

(iv.) Interest Rate Risk

The Group's borrowings are at fixed lending rates. Of this 58% relates to the 30 years bond with the remainder being in respect of the PFI financing of student residences and a loan from Salix Ltd. The latter is under the auspices of HEFCE's Revolving Green Fund.

(v.) Post balance sheet events

There are no post balance sheet events.

5. Principal risks and uncertainties

The principal risks and uncertainties of the University are as follows:-

(a) Funding changes

The changes to student funding that took effect in September 2012 are likely to have a significant impact on the University's operations. HEFCE recurrent funding has been replaced by funding from students who are charged higher fees with consequential higher levels of student debt. Additionally, the student number control (SNC) is reduced by that part of the student population with AAB or higher entry qualification together with an additional 350 students required creating a pool of "contestable places". Institutions, including further educations colleges and new entrants to the sector are able to compete for these contestable places.

The key risk emanating from these changes is the reduction in the home and EU student population as a result of one or more of the following:

- Lower student enrolments if students are deterred from entering HE by the combination of higher fees and higher debts, and competition from low cost providers.
- Failure to retain AAB student numbers removed from the SNC.

The University is continually managing this risk in terms of its scenario planning, liaison with sector representatives and mission groups (e.g. Universities UK, Million +) and repositioning in the marketplace. Diversification of income streams is also an important aspect of risk management in this regard.

(b) International student recruitment

Revenue from international student enrolments accounts for 14% of total teaching revenues, and is therefore important to the University's finances. The key risk associated with this revenue stream is a shortfall against international student recruitment targets with particular reference to:-

- Increased international competition (from the USA, Canada, Australia) resulting in a reduction in the UK HE international student market. This may be exacerbated by the perception that recent UKBA changes to student visa conditions will make the UK a less attractive destination for international students.
- Progressive increases in in-country provision that will over time reduce the size and shape of the international student market.
- Increased competition from UK based HE providers who are seeking to increase international student recruitment as a mitigation measure against the potential impact of the funding changes emanating from the 2011 HE White Paper.

The University continues to manage this risk by making decisions informed by segmental market analysis, and investing in marketing and recruitment in its chosen market segments.

OPERATING AND FINANCIAL REVIEW

5. Principal risks and uncertainties (continued)

(c) Major overrun of capital projects

A new academic and library facility is currently under construction at a cost of £66m, and is due for completion in September 2014 (the Stockwell Street project). As with all such projects, the cost of overrun is a risk. The University manages this risk by ensuring value for money in the procurement of all building and professional services (by means of adequate market testing), and the appointment of professional project managers to ensure that the project is delivered to budget and on time. The project management process has been subject to internal audit review that produced a satisfactory audit opinion.

(d) Pension scheme deficits

A pension scheme to which the University contributes is in deficit, primarily the result of decreasing mortality rates and underperformance on its investments. This is exacerbated by low bond yields used in discounting pension liabilities.

The key risk to the University of pension scheme deficits are increases in employers pension contribution rates where these are required to make good the deficit. This risk is managed by keeping under review the funding level of the scheme. The University also continues to be cognisant of the scheme’s 20 year strategy for eliminating the deficit.

6. Equality and Diversity

In the academic year 2011-12 the University consolidated its three existing committees and sub-groups relating to equality and diversity into a single Equality and Diversity Committee which is chaired by the HR Director and reports directly to the Executive Committee. This new committee received the Annual Equality Monitoring Report relating to staff and students, as well as the Equality and Diversity Action Plan in March 2012, which will be reviewed annually.

The University currently operates two volunteer networks: the Bullying and Harassment Adviser Network for staff and Listening Ears for students. In June 2012, the Equality and Diversity Committee approved a proposal to merge these two networks to offer a cohesive advisory and support service to staff and students.

The University organised a week of events called 'Celebrate Difference and Diversity' in March 2012, which included a guest lecture from the Head of Diversity at the BBC, Cuban salsa lessons and displays of Morris dancing to highlight the diverse cultures and interests of our staff and student body. The University promotes Equality and Diversity through regular updates to the staff portal, equality web pages and our equality blog, including national awareness campaigns.

The University is a Stonewall Diversity Champion and subscribes to the Workplace Equality Index, meaning that their policies and practices are reviewed on an annual basis by Stonewall, the Lesbian, Gay and Bisexual (LGB) charity, to measure our progress as an employer of LGB staff. The University signed up to this initiative in 2011.

7. Disability Policy

The University is committed to a policy of equality of opportunity for disabled staff and students and aims to create an environment which enables them to participate fully in University life. This commitment encompasses strategies to ensure the needs of disabled staff and students, as identified through consultation, are included in planning processes and policy development and a commitment to make reasonable adjustments.

A Staff Disability Forum is established to facilitate discussion and agree best practice in relation to disability issues.

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OPERATING AND FINANCIAL REVIEW

8. Directors

The Governors of the University are Directors of the Company.

The Governors who served during the year and/or in the period to the date of approval of the financial statements, 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.

9. Statement of Directors Responsibility for the Financial Statements

The statement of the responsibly of the Court for the financial statements is set out on pages 23 and 24 of this report.

10. 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.

11. Auditors

Grant Thornton UK LLP are annually reappointed as auditors in accordance with an elective resolution made under section 386 of the Companies Act 1985, which continues in force under the Companies Act 2006.

12. Approval

The Operating and Financial Review was approved by the Court on 26 November 2012 and signed on its behalf by:

Sir Stuart Etherington
Chairman

CORPORATE GOVERNANCE

The University is committed to exhibiting current 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. The University's practice is consistent with the guidance to institutions of higher education from the Committee of University Chairmen in its Guide for Members of HE Governing Bodies in the UK and takes account of the provisions of the Charities Act 2006.

This summary describes the University's corporate governance arrangements and the manner in which the University has applied the principles of Codes of practice published by HEFCE, CUC, Charities Commission and the UK Corporate Governance Code 2010, insofar as they are applicable to Higher Education Institutions.

- The University is a company limited by guarantee and an exempt charity. The University is governed by its Memorandum and Articles of Association which set out its objects to advance learning and knowledge in all their aspects. Members of the University Court are legally Directors of the Company and Charity Trustees. The Court is specifically required to determine the educational character and mission of the University and to set its strategic direction.

- The Court has a majority of lay persons chosen for their expertise in areas relevant to the work of the University. They 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 Chair is elected from the lay members.

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

- The 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. He is responsible for the development of institutional strategy and the identification and planning of new developments.

- In accordance with the Articles of Association the Secretary and Registrar is appointed to act as Secretary to the Court and its Committees and as Company Secretary. In that capacity, she provides independent advice to Members of Court on matters of governance.

- The Court meets at least five times a year. However, much of its business is conducted through the following committees: Audit, Finance, Nominations, Remuneration. All of these Committees have terms of reference and membership approved by Court. All Committees of the Court submit their minutes and recommendations to the Court.

- The Finance Committee is responsible to Court for reviewing the University's finances, accounts and investments. It makes recommendations to Court on the annual revenue and capital budgets. It monitors performance in relation to approved allocations.

- The Remuneration Committee determines the annual remuneration of the Vice-Chancellor, Deputy Vice-Chancellors and Secretary and Registrar.

- The Court maintains a Register of Interests of its members and senior officers, which is updated annually and can be viewed on request to the Secretary and Registrar.

- 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. It is particularly concerned with general issues relating to academic standards, learning and teaching, and research.

CORPORATE GOVERNANCE (continued)

STATEMENT ON INTERNAL CONTROL

1. The Court is responsible for ensuring a good system of internal control to support the University's policies and objectives. It is responsible for safeguarding the public and other funds available to it in accordance with the duties assigned to it in the articles of governance and the financial memorandum with HEFCE.

2. Internal control 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. It is also designed to prevent and detect fraud and other irregularities.

3. The system of internal control is informed by a continuous process which identifies, evaluates and manages the University's significant risk of all types. This process has been in place for the year ended July 2012 and up to the date of the approval of the financial statements. The Court believes that the University follows the best practice guidelines of HEFCE and BUFDG in its approach to risk management.

4. The Court is responsible for reviewing the effectiveness of the system of internal control and does so in the following way:

    - Matters related to the Mission and educational character of the University are discussed on a regular basis.
    - The Chair of the Audit Committee reports to each meeting of Court on matters discussed at Audit Committee.
    - The Audit Committee receives reports from Internal Auditors at each of its meetings, which provide an independent opinion on the adequacy and effectiveness of the internal control systems together with recommendations for approval.
    - Each year the Audit Committee approves a programme for the year, which is based on a balanced portfolio of risk exposure while focussing on the most important key risks.
    - There is a clear policy and plan of risk management which has been communicated throughout the University. The risk appetite has been clearly defined by the Court.
    - The Audit Committee annually reviews the effectiveness of the risk management arrangements, which are managed by the Secretary and Registrar who also acts as Secretary to the Audit Committee.
    - The Director of Finance and the Secretary and Registrar attend meetings of the Audit Committee and have direct and independent access to members of that Committee, as do the external and internal auditors.
    - The Corporate Risk Register is updated throughout the year and includes the main risk owners and risk mitigating actions. Risks are prioritised by likelihood and impact and ranked accordingly.

5. The Vice Chancellor in his capacity as accounting officer confirms to the Court that matters of academic, corporate, financial, estate and personnel management delegated to the executive have been properly discharged.

Professor David Maguire Vice-Chancellor	Sir Stuart Etherington Chairman

RESPONSIBILITIES OF THE COURT OF THE UNIVERSITY OF GREENWICH

The primary responsibilities of the Court are:-

- To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
- To delegate authority to the Vice Chancellor as chief executive, for the academic, corporate, financial, estate, and personnel management of the University.
- To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment.
- To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans, delivery and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
- To establish processes to monitor and evaluate the performance and effectiveness of the Court itself.
- To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
- To appoint the Vice Chancellor.
- To appoint a secretary to the University Court and to ensure that, if the person appointed has managerial responsibilities, there is an appropriate separation in the lines of accountability.
- To be the employing authority for all staff and to be responsible for establishing a human resources strategy.
- To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the university's assets, property and estate.
- To be the University's legal authority and, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the University's name.
- To make such provision as it thinks fit for the general welfare of students, in consultation with the Academic Council.
- To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
- To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

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

FINANCIAL RESPONSIBILITIES OF THE UNIVERSITY COURT

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 UK Accounting Standards (UK GAAP). In accordance with these terms and conditions, the Court must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the surplus or deficit of the University for the year. 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 taken reasonable steps to:

- ensure that funds from HEFCE and the TA are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE and the TA and any other conditions which they 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, efficiency and effective management of the University resources and expenditure.

The key elements of the University's system of internal financial control 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.

The Members of Court who held office at the date of approval of the accounts confirm that: as far as they are each aware; each Member of Court has taken all the steps that he or she ought to have taken to make himself or herself aware of any relevant audit information, and to establish that the company's auditors are aware of that information.

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REPORT OF THE INDEPENDENT AUDITORS TO THE GOVERNING BODY OF THE UNIVERSITY OF GREENWICH

We have audited the financial statements of the University of Greenwich ('the University') for the year ended 31 July 2012 which comprise the consolidated income and expenditure account, the consolidated statement of historical cost surplus and deficits, the consolidated statement of total recognised gains and losses, the group and university balance sheets, the consolidated cash flow statement, principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body, in accordance with the University Memorandum and Articles of Association, section 124B(3) of the Education Reform Act 1988 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it 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 Members of the Court for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Members of the Court and Auditors

As explained more fully in the Responsibilities of the Court of the University of Greenwich the governing body (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Education and Reform Act 1988 and the Companies Act 2006 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

We also report to you whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England ('the Funding Council') and the Teaching Agency.

We read the Operating and Financial Review and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

REPORT OF THE INDEPENDENT AUDITORS TO THE GOVERNING BODY OF THE UNIVERSITY OF GREENWICH (continued)

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the University and the Group as at 31 July 2012 and of the Group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters

In all material respects:

- income from the Funding Council, the Teaching Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2012 have been applied for the purposes for which they were received; and
- in all material aspects, income during the year ended 31 July 2012 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Funding Council, the funding agreement with the Teaching Agency.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the governing body's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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David Barnes FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

27 November 2012

UNIVERSITY of GREENWICH

PRINCIPAL ACCOUNTING POLICIES

Basis of preparation and accounting

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and UK Accounting Standards (UK GAAP).

The financial statements have been prepared on a going concern basis. This is informed by the University's future financial forecasts/plans and its healthy cash reserves.

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 and Greenwich University Enterprises Limited. The group's associate undertakings are not considered 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

Tuition fee income (net of discounts) is recognised in the income and expenditure account to reflect the delivery of teaching to students. This includes short course income. Bursaries and scholarships are accounted for as expenditure.

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

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.

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

Donations with restrictions are recognised when the relevant conditions have been met. This usually relates to expenditure incurred for specific purposes. Donations which are to be retained for the benefit of the University are recognised in the statement of total recognised gains and losses and in endowments; other donations are included in other income in the income and expenditure account.

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

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.

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 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 that 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 and Motor Vehicles

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.

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.

PRINCIPAL ACCOUNTING POLICIES (continued)

Investments

Fixed asset investments 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.

Equity investments are included in the Balance Sheet at market value.

Other 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.

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 a 662-bedroom students residence, and the provision of facilities management services for 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.

Bond

The University has an obligation in respect of a 30 year £30m Guaranteed Secured Bond issued in 1998. Its accounting policy in respect of this financial liability is initial recognition at its fair value and subsequent measurement at amortised cost, with any difference between the initial carrying value and the redemption value recognised in the Income and Expenditure Account over the 30 year period using the effective interest method.

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.

PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation

The University is a charity within the meaning of Part 1 of the Charities Act 2006 and as such is a charity within the meaning of Para 1 Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) 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.

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19.

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. However, as the TPS is a multi employer scheme whose assets and liabilities cannot be identified by the employer, it is accounted for as a defined contribution scheme. The funds are valued every three years for LPFA and TPS not less than every four 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 and the impact of this standard is fully reflected in these financial statements.

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 method is recognised in the University's balance sheet as a pension scheme asset or liability as appropriate. The carrying value of any 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 current service costs and costs of settlement and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the schemes liabilities and the expected return on scheme assets are included net of other finance costs / income. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

Accounting for charitable donations

Unrestricted donations

- Charitable donations are recognised in the accounts when the charitable donation has been received.

Endowment Funds
Where charitable donations are to be retained for the benefit of the University as specified by the donor, these are accounted for as endowments, as follows:

- Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets and the University can convert the donated sum into income.

- Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

For all the endowment funds, capital is shown as an asset on the balance sheet, with income received recognised in the income and expenditure account on the accruals basis and any realised gains or losses included in the Consolidated Statement of Total Recognised Gains and Losses.

PRINCIPAL ACCOUNTING POLICIES (continued)

Financial assets

Financial assets are categorised as loans and receivables; available-for-sale financial assets, and held-to-maturity investments. They are assigned by management to these different categories on initial recognition, depending on the purpose for which they were acquired.

All financial assets are recognised when the group becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs. There are no financial assets categorised as at fair value through the income and expenditure account.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade debtors and current asset investments (cash deposits) are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income and expenditure account.

Provision against trade debtors is made when there is objective evidence that the group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, with changes in value recognised in reserves, through the consolidated statement of total recognised gains and losses. Gains and losses arising from investments classified as available-for-sale are recognised in the income and expenditure account when they are sold or when the investment is impaired.

An assessment for impairment is undertaken at each balance sheet date.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through the income and expenditure account are recorded initially at fair value, with transaction costs recognised in the income and expenditure account. All other financial liabilities are recorded initially at fair value, net of transaction costs.

Financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as a finance expense in the income and expenditure account. Finance charges, including premiums payable on settlement or redemption and transaction costs, are charged to the income and expenditure account on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Medway School of Pharmacy

The University has an agreement with the University of Kent with respect to the Medway School of Pharmacy, under which revenue and costs are shared equally. In accordance with FRS9 this arrangement has been accounted for as a Joint Arrangement that is Not an Entity (JANE), reflecting the University’s share of the assets, liabilities and results for the year within the financial statements.

UNIVERSITY of GREENWICH

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 JULY 2012

	Note	2012 £'000	2011 £'000
INCOME			
Funding council grants	1	**65,909**	78,196
Tuition fees and education contracts	2	**90,666**	88,691
Research grants and contracts	3	**8,769**	7,238
Other income	4	**21,661**	22,481
Endowment and investment income	5	**825**	731
Total Income		**187,830**	197,337
EXPENDITURE			
Staff costs	6	**89,029**	88,185
Severance costs	7	**4,217**	1,037
Other operating expenses	9	**79,728**	85,829
Depreciation	12	**6,566**	6,310
Interest payable	10	**4,507**	4,617
Total Expenditure		**184,047**	185,978
Surplus on continuing operations *after* depreciation of tangible fixed assets at valuation and disposal of assets and interest but before tax		**3,783**	11,359
Taxation	33	**(4)**	(11)
Deficit for the year transferred to accumulated income in endowment funds		**107**	139
Surplus on continuing operations *after* depreciation of tangible fixed assets at valuation and disposal of assets, interest and tax		**3,886**	11,487

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

UNIVERSITY of GREENWICH

CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUS AND DEFICITS

FOR THE YEAR ENDED 31 JULY 2012

	2012	2011
	£'000	£'000
Surplus after depreciation of assets at valuation on continuing operations and before tax	**3,783**	11,359
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	**88**	88
Historical cost surplus before tax	**3,871**	11,447
Taxation	**(4)**	(11)
Historical cost surplus after tax	**3,867**	11,436

UNIVERSITY of GREENWICH

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 JULY 2012

	2012	2011
	£'000	£'000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets, and tax	**3,779**	11,348
(Decrease) / increase in endowment asset investments	**(1)**	3
Increase / (decrease) in current asset investments	**216**	(231)
New endowments	**138**	611
Endowment transfers	**(13)**	-
FRS 17 Retirement Benefits - actuarial (loss) / gain	**(22,025)**	4,797
Total recognised (losses) / gains for the year	**(17,906)**	**16,528**
Reconciliation:-		
Opening reserves and endowments	**27,338**	10,810
Total recognised (losses) / gains for the year	**(17,906)**	16,528
Closing reserves and endowments	**9,432**	27,338

UNIVERSITY of GREENWICH

(Company Registration No. 00986729)

BALANCE SHEET

AS AT 31 JULY 2012

	Note	Group		University	
		2012	2011	**2012**	2011
		£'000	£'000	**£'000**	£'000
Fixed Assets					
Tangible assets	*12*	**100,864**	93,280	**100,722**	93,214
Investments	*13*	**188**	38	**38**	38
		101,052	93,318	**100,760**	93,252
Endowment Asset Investments	*14/15*	**1,343**	1,326	**1,343**	1,326
Current Assets					
Stocks	*16*	**37**	35	**37**	35
Debtors: amounts falling due within one year	*17*	**8,297**	7,196	**7,492**	6,432
Debtors: amounts falling due after more than one year	*17*	**-**	-	**31,648**	31,398
Investments	*18*	**100,290**	100,297	**100,290**	100,297
Cash at bank		**2,733**	7,383	**2,640**	7,277
		111,357	114,911	**142,107**	145,439
Creditors: amounts falling due within one year	*19*	**(50,983)**	(50,088)	**(60,577)**	(58,363)
Net Current Assets		**60,374**	64,823	**81,530**	87,076
Total Assets less Current Liabilities		**162,769**	159,467	**183,633**	181,654
Creditors: amounts falling due after more than one year	*20*	**(34,121)**	(34,938)	**(54,989)**	(57,129)
Provision for liabilities	*21*	**(5,995)**	(5,649)	**(5,995)**	(5,649)
Net Assets (excluding Pension Liability)		**122,653**	118,880	**122,649**	118,876
Net Pension liability	*32*	**(76,581)**	(53,243)	**(76,581)**	(53,243)
Net Assets		**46,072**	65,637	**46,068**	65,633

UNIVERSITY of GREENWICH

(Company Registration No. 986729)

BALANCE SHEET (continued)

AS AT 31 JULY 2012

	Note	Group		University	
		2012	2011	**2012**	2011
		£'000	£'000	**£'000**	£'000
Represented by:					
Deferred Capital Grants	*22*	**36,640**	38,299	**36,640**	38,299
Endowments	*14/15*				
Expendable		**835**	828	**835**	828
Permanent		**508**	498	**508**	498
		1,343	1,326	**1,343**	1,326
Reserves	*23*				
Revaluation reserve		**7,492**	7,580	**7,492**	7,580
Income and expenditure account		**77,178**	71,675	**77,174**	71,671
Pension reserve		**(76,581)**	(53,243)	**(76,581)**	(53,243)
		8,089	26,012	**8,085**	26,008
Total Funds		**46,072**	65,637	**46,068**	65,633

The Financial Statements on pages 27 to 74 were authorised and approved by the Court on 26 November 2012 and signed on its behalf by:

Professor David Maguire, Vice-Chancellor

Sir Stuart Etherington, Chairman

UNIVERSITY
of
GREENWICH

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2012

	Note	**2012 £'000**	2011 £'000
Cash inflow from operating activities	*26*	**10,122**	16,903
Return on investments and servicing of finance	*27*	**(1,839)**	(1,994)
Capital expenditure and financial investment	*28*	**(12,169)**	(2,691)
Net cash (outflow) / inflow before use of liquid resources and financing		**(3,886)**	12,218
Management of liquid resources	*29*	**7**	(4,874)
Financing	*30*	**(771)**	(495)
(Decrease) / increase in net cash		**(4,650)**	6,849

Reconciliation of net cash flow to movement in net funds			
(Decrease) / increase in cash in the period		**(4,650)**	6,849
Cash (inflow) / outflow from liquid resources		**(7)**	4,874
Cash outflow re decrease in debt and lease financing		**771**	495
		(3,886)	12,218
Net funds at 1 August		**71,974**	59,756
Net funds at 31 July	*31*	**68,088**	71,974

UNIVERSITY of GREENWICH

NOTES TO THE FINANCIAL STATEMENTS

	Group 2012 £'000	Group 2011 £'000
1. Funding council grants		
HEFCE:-		
Recurrent grant	**57,214**	59,512
Recurrent grant - release of provisions *	**-**	4,609
Specific grants	**2,427**	6,847
Inherited liabilities	**396**	389
Deferred capital grants released in year	**1,633**	1,722
Release of HEFCE capitalised rent	**39**	430
Teaching Agency:-		
Recurrent grant	**3,885**	4,141
Other	**315**	546
	65,909	78,196

* Provisions totalling £4.6m were made in the two previous financial years in respect of a student data audit. The outcome of the audit meant that these provisions were no longer required, hence its release in the 2011 financial statements.

2. Tuition fees and educational contracts

	2012 £'000	2011 £'000
Full-time home and EU students	**43,786**	38,756
Part-time home and EU students	**6,279**	6,649
Overseas students	**28,456**	31,149
	78,521	76,554
Health Authority contract	**12,145**	12,137
	90,666	88,691

3. Research grants and contracts

	2012 £'000	2011 £'000
Research Council	**606**	735
UK based charities	**237**	337
UK central govt.\health & hospital authorities	**1,495**	1,498
European Commission	**2,913**	1,402
Other grants and contracts	**3,518**	3,266
	8,769	7,238

UNIVERSITY of GREENWICH

NOTES TO THE FINANCIAL STATEMENTS

	Group	
	2012	2011
	£'000	£'000
4. Other income		
Residences, catering and conferences	**14,459**	13,751
Other income generating activities	**897**	769
Other grant income	**4,394**	5,486
Other income	**1,911**	2,475
	21,661	22,481
5. Endowment and Investment Income		
Income from expendable endowments	**18**	3
Income from permanent endowments	**16**	9
Income from short term investments	**791**	719
	825	731

NOTES TO THE FINANCIAL STATEMENTS

6. Staff

(i) Staff Costs

	Group 2012 £'000	Group 2011 £'000
Salaries and wages	**71,865**	71,477
Social Security costs	**6,321**	6,056
Other Pension costs	**10,843**	10,652
	89,029	88,185

	2012 No.	2011 No.
Average staff numbers by major category:-		
Academic	**985**	1,007
Administrative & technical support	**1,169**	1,202
Premises	**56**	71
Residence catering and conferences	**8**	9
Other	**120**	129
	2,338	2,418

Remuneration of higher paid staff, excluding employer's pension contributions were:-

	2012	2011
£100,001 - £110,000	**3**	2
£110,001 - £120,000	**-**	3
£120,001 - £130,000	**3**	-
£190,001 - £200,000	**1**	-
£200,001 - £210,000	**-**	-
£220,001 - £230,000	**-**	1

Included in 2012 are members of staff whose annual salary falls into one of the above bands but who joined the University part way through the year.

NOTES TO THE FINANCIAL STATEMENTS

6. Staff (continued)

(ii) Directors' emoluments and expenses

The aggregate amount of Directors' emoluments was £505,154 (2011: £492,908). 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 (2011: Seven) are accruing benefits under defined pension schemes, as set out in note 32.

The total expenses paid to Directors during the year was £5,740 (2011: £8,919).

The emoluments of the highest paid director (Vice-Chancellor) who was appointed on 1 October 2011 were:-

	2012	2011
	£	£
Salary	**166,667**	-
Other	**27,423**	-
	194,090	-
University superannuation payments:-		
Teachers Pension Scheme - employers contributions	**23,500**	-

The emoluments of the former Vice-Chancellor, who retired on 30 September 2011, were:-

Salary	**37,709**	224,652
University superannuation payments:-		
Teachers Pension Scheme - employers contributions	**5,288**	31,507

(iii) Directors' loans

The University operates an interest-free loan scheme, available to all employees, for the purchase of travel season tickets and computers. One Governor in their capacity as an employee received a loan under this scheme during the course of the financial year (2011: none).

	2012	2011
	£	£
	Prof P. Maras	
Loan advanced during year	**750**	-
Repayment made during year	**(625)**	-
Balance outstanding at 31 July 2012	**125**	-

UNIVERSITY of GREENWICH

NOTES TO THE FINANCIAL STATEMENTS

7. Severance costs

	2012 £'000	2011 £'000
Severance costs	**4,217**	1,037
	4,217	1,037

During the year the University opened a voluntary severance scheme in response to forecast reductions in home and international student numbers which is likely to occur as a result of government policy changes in respect to the new funding regime for home students and UKBA rules for overseas students. The scheme ran from 21st May to 27th July 2012 and cost £3.7m.

8. Directors

The University is a company limited by guarantee with the liability of its Directors limited to £1. Its professional indemnity insurance provides £10 million of group cover for its Governors (directors) in any one-year period.

NOTES TO THE FINANCIAL STATEMENTS

9. Other operating expenses

	Group 2012 £'000	Group 2011 £'000
Fees to other colleges	**14,527**	15,404
Student recruitment	**1,717**	3,353
Books and periodicals	**1,932**	1,854
Consumables and laboratory expenditure	**2,444**	2,596
Computers, software and IT maintenance contracts	**4,298**	4,692
Bursaries and scholarships	**4,470**	3,456
Students union subvention grant	**1,029**	1,022
Printing, postage and stationery	**1,867**	1,856
Residence, catering and conferences	**10,481**	9,486
Rents, service charges, rates and insurance	**8,177**	8,007
Electricity, gas and water	**2,560**	2,052
Building maintenance and repair	**4,069**	5,949
Security	**1,719**	1,898
Cleaning, caretaking and waste management	**1,783**	1,635
Publicity and advertising	**1,672**	1,624
Outreach programmes	**-**	1,357
Research and consultancy – reimbursable costs	**1,536**	2,019
Subcontractors' fees and expenses	**2,656**	2,008
Telephone and other communication costs	**493**	493
Legal and professional fees	**646**	782
Non-contracted and agency staff	**2,090**	1,608
Consultancy fees	**1,692**	2,060
Staff training / CPD	**812**	1,064
Subscriptions	**867**	870
Travel and subsistence	**1,777**	1,553
Transportation	**1,140**	1,131
Furniture and equipment	**1,022**	1,811
Pension increase payment	**396**	389
Other expenses	**1,856**	3,800
	79,728	85,829

Other operating expenses are stated after charging:-

		2012 £'000	2011 £'000
Auditors' remuneration	- fees payable to the external auditors for the audit of the financial statements	**60**	58
	- fees payable to external auditors for other services	**8**	13
	- fees payable to internal auditors	**79**	76
	- fees payable to other audit firms	**6**	7
Rentals under operating leases	- equipment and vehicles	**58**	88
	- property: campuses	**6,668**	6,425
	- property: student residences	**407**	376

NOTES TO THE FINANCIAL STATEMENTS

	Group	
	2012	2011
	£'000	£'000

10. Interest payable

Bond interest	**1,332**	1,375
Finance lease interest - PFI	**1,332**	1,351
Interest on pension scheme liabilities (net)	**1,843**	1,891
	4,507	4,617

11. 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 408 of the Companies Act 2006.

The surplus after depreciation of assets at valuation of the parent company (University of Greenwich) was £3.779 million (2012 - surplus of £11.465 million).

UNIVERSITY of GREENWICH

NOTES TO THE FINANCIAL STATEMENTS

12. Tangible fixed assets - Group

	Land and Buildings						
	Freehold	Long Leases	Short Leases	Assets in Course of Construction	Equipment	Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 August 2011	71,451	56,333	112	3,819	16,367	377	148,459
Additions at cost	-	-	-	10,970	3,178	-	14,148
Disposals	-	-	-	-	(774)	(28)	(802)
At 31 July 2012	**71,451**	**56,333**	**112**	**14,789**	**18,771**	**349**	**161,805**
Depreciation							
At 1 August 2011	(20,993)	(22,368)	(112)	-	(11,451)	(255)	(55,179)
Disposals	-	-	-	-	774	30	804
Charge for year:-							
Finance leases	(330)	-	-	-	-	-	(330)
Other	(1,201)	(2,496)	-	-	(2,491)	(48)	(6,236)
	(1,531)	(2,496)	-	-	(2,491)	(48)	(6,566)
At 31 July 2012	**(22,524)**	**(24,864)**	**(112)**	**-**	**(13,168)**	**(273)**	**(60,941)**
Net Book Value:-							
Finance leases	12,035	-	-	-	-	-	12,035
Others	36,892	31,469	-	14,789	5,603	76	88,829
At 31 July 2012	**48,927**	**31,469**	**-**	**14,789**	**5,603**	**76**	**100,864**
Finance leases	12,365	-	-	-	-	-	12,365
Others	38,093	33,965	-	3,819	4,916	122	80,915
At 1 August 2011	**50,458**	**33,965**	**-**	**3,819**	**4,916**	**122**	**93,280**
Inherited	7,770	-	-	-	-	-	7,770
Financed by capital grants	22,476	13,322	-	-	-	-	35,798
Other	18,681	18,147	-	14,789	5,603	76	57,296
At 31 July 2012	**48,927**	**31,469**	**-**	**14,789**	**5,603**	**76**	**100,864**

UNIVERSITY of GREENWICH

NOTES TO THE FINANCIAL STATEMENTS

12. Tangible fixed assets - University

	Land and Buildings						
	Freehold	Long Leases	Short Leases	Assets in Course of Construction	Equipment	Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 August 2011	71,451	56,332	112	3,819	15,960	377	148,051
Additions at cost	-	-	-	10,970	3,044	-	14,014
Disposals	-	-	-	-	(774)	(28)	(802)
At 31 July 2012	**71,451**	**56,332**	**112**	**14,789**	**18,230**	**349**	**161,263**
Depreciation							
At 1 August 2011	(20,993)	(22,368)	(112)	-	(11,109)	(255)	(54,837)
Disposals	-	-	-	-	774	30	804
Charge for year:-							
Finance leases	(330)	-	-	-	-	-	(330)
Other	(1,201)	(2,496)	-	-	(2,433)	(48)	(6,178)
	(1,531)	(2,496)	-	-	(2,433)	(48)	(6,508)
At 31 July 2012	**(22,524)**	**(24,864)**	**(112)**	**-**	**(12,768)**	**(273)**	**(60,541)**
Net Book Value:-							
Finance leases	12,035	-	-	-	-	-	12,035
Others	36,892	31,468	-	14,789	5,462	76	88,687
At 31 July 2012	**48,927**	**31,468**	**-**	**14,789**	**5,462**	**76**	**100,722**
Finance leases	12,365	-	-	-	-	-	12,365
Others	38,093	33,964	-	3,819	4,851	122	80,849
At 1 August 2011	**50,458**	**33,964**	**-**	**3,819**	**4,851**	**122**	**93,214**
Inherited	7,770	-	-	-	-	-	7,770
Financed by capital grants	22,476	13,322	-	-	-	-	35,798
Other	18,681	18,146	-	14,789	5,462	76	57,154
At 31 July 2012	**48,927**	**31,468**	**-**	**14,789**	**5,462**	**76**	**100,722**

NOTES TO THE FINANCIAL STATEMENTS

12. Tangible fixed assets (continued)

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

Freehold land with a book value of £16.499m and assets in the course of construction stated at £14.789m are not depreciated.

Under the terms of the £30m (£25.5m in issue) bond, there is a fixed charge on specific University assets and a floating charge over all University assets, other than those that are not capable of being 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 (2011: £330,433). The net book value of these assets was £12,034,741 (2011: £12,365,174).

NOTES TO THE FINANCIAL STATEMENTS

13. Investments

(i) Investments :-

	Group		University	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Shares in CVCP Properties Plc	**38**	38	**38**	38
Shares in Toximet Limited	**150**	-	**-**	-
	188	38	**38**	38

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 the company in proportion to an agreed subscription formula. On this basis the University of Greenwich acquired 37,714 (0.9%) of the shares of the company.

	University	
	2012	2011
	£	£
Investment in subsidiaries at cost		
Greenwich University Enterprises Limited	**2**	2
Greenwich Property Limited	**2**	2
	4	4

NOTES TO THE FINANCIAL STATEMENTS

13. Investments (continued)

(ii) Investment in subsidiary companies:-

Greenwich University Enterprises Limited

The University holds 100% of the issued share capital (£1 Ordinary Shares) of Greenwich University Enterprises Limited 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 2012 are consolidated in these financial statements with those of the University. Greenwich University Enterprises Limited has equity shareholding in the following spin off companies:-

(a) 7,000 ordinary shares (6.43%) in Toximet Limited. (The company acquired an additional 6,980 shares on 5 August 2011 at a cost of £150,000).
(b) 200 ordinary shares (20%) in Carbon8 Systems Limited.
(c) 200 Ordinary shares (20%) in Centrion Therapeutics Limited.

Greenwich Property Limited

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. Its 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 2012 are consolidated in these financial statements with those of the University.

(iii) Investment in associated undertakings:-

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.

(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.

AIRTO Limited

The University became a member of AIRTO Limited 1st July 2012. AIRTO Limited is the Association of Independent Research and Technology Organisations, the foremost membership body for organisations operating in the UK's intermediate research and technology sector.

14. Endowment asset investment

	Group 2012 £	Group 2011 £
Balance at 1 August 2011	**1,326,209**	850,545
Net additions	**18,259**	471,850
(Decrease) / increase in market value of investments	**(1,128)**	3,814
Balance at 31 July 2012	**1,343,340**	1,326,209
Represented by:		
Charities Official Investment Fund (COIF) income shares	**58,207**	59,335
Managed funds	**1,285,133**	1,266,874
	1,343,340	1,326,209
Market value of COIF income shares	**58,207**	59,335

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NOTES TO THE FINANCIAL STATEMENTS

15. Endowments

	Restricted Permanent £'000	Restricted Expendable £'000	2012 Total £'000	2011 Total £'000
Balances at 1 Aug 2011				
Capital	395	56	**451**	451
Accumulated income	103	772	**875**	400
	498	828	**1,326**	851
New endowments	7	131	**138**	611
Investment income	16	18	**34**	12
Expenditure	(11)	(131)	**(142)**	(151)
Transfers	(1)	(11)	**(12)**	-
	4	(124)	**(120)**	(139)
(Decrease) \ increase in market value	(1)	-	**(1)**	3
At 31 July 2012	508	835	**1,343**	1,326
Represented by:				
Capital	401	56	**457**	451
Accumulated income	107	779	**886**	875
	508	835	**1,343**	1,326

NOTES TO THE FINANCIAL STATEMENTS

15. Endowments (continued)

	Note	1 August 2011 £	Income In Year £	Expenditure In Year £	**31 July 2012 £**
Governors' General Reserve		150,426	-	-	**150,426**
Named Funds:					
Rochester Bridge Trust		88,217	-	(88,217)	-
William Hills Mechanical Engineering Award		390,299	60,872	-	**451,171**
Prize Funds:					
E. de Barry Barnett Memorial Prize Fund		7,203	198	(800)	**6,601**
Garnett Prize Fund		21,269	636	(60)	**21,845**
Humanities Prize Fund		13,268	1,409	-	**14,677**
Coker Prize Fund		558	17	(100)	**475**
DP Connect – Business School Prize Fund		3,683	103	(855)	**2,931**
John-Hood Williams Prize Fund		249	8	-	**257**
Francis Duke Prize Fund		9,635	276	(500)	**9,411**
Tessa Blackstone Prize Fund		10,636	2,865	(1,200)	**12,301**
National Association for Primary Education Prize		1,001	28	(100)	**929**
Tavistock Law Prize		751	14	(375)	**390**
Bursary Funds and Scholarships:					
University of Greenwich Endowment Fund		145,157	5,164	(2,783)	**147,538**
Sir William Boreham Bursary Fund		3,685	3,083	(3,900)	**2,868**
D. Fussey Memorial Choral Exhibition		246,187	7,299	(7,269)	**246,217**
Admiral Sir John Chambers White Bursary		7,403	222	-	**7,625**
John McWilliam Bursary Fund		60,376	1,811	-	**62,187**
Thus PLC Scholarship		12,781	341	(2,000)	**11,122**
Kathleen Jones Scholarship		54,635	1,314	(18,000)	**37,949**
Alan Giles Scholarship		12,180	-	(12,180)	-
Project Finance & Project Management		43,248	19,870	(7,758)	**55,360**
Paul Dyer Leadership Fund		8,357	489	(7,730)	**1,116**
Zhonghui Luan Scholarship		35,005	1,037	(1,010)	**35,032**
Guildford Academic Associates		-	58,363	-	**58,363**
Vice Chancellor's Scholarship Fund		-	6,549	-	**6,549**
		1,175,783	171,968	(154,837)	**1,192,914**
Total		1,326,209	171,968	(154,837)	**1,343,340**

NOTES TO THE FINANCIAL STATEMENTS

	Group		University	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000

16. Stocks

	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Raw materials and consumables	**37**	35	**37**	35
	37	35	**37**	35

17. Debtors

	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Due within one year				
Trade debtors	**5,798**	4,816	**5,238**	4,190
Amounts recoverable under long term contracts	**247**	99	**247**	99
Other debtors	**810**	882	**663**	744
Prepayments & accrued income	**1,355**	1,177	**1,257**	1,177
Amounts due from HEFCE / TA	**87**	222	**87**	222
	8,297	7,196	**7,492**	6,432
Due in more than one year				
Amounts owed by subsidiaries	**-**	-	**31,648**	31,398
	8,297	7,196	**39,140**	37,830

18. Investments (current assets)

	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Equity	**9,970**	9,755	**9,970**	9,755
Debt service reserve	**2,412**	2,412	**2,412**	2,412
Fixed term and notice bank deposits	**87,908**	88,130	**87,908**	88,130
	100,290	100,297	**100,290**	100,297

NOTES TO THE FINANCIAL STATEMENTS

19. Creditors: Amounts falling due within one year

	Group 2012 £'000	Group 2011 £'000	University 2012 £'000	University 2011 £'000
Bond	**765**	719	**765**	719
Loan - Salix Limited	**52**	52	**52**	52
Trade creditors	**7,362**	9,606	**7,356**	9,603
Amounts owed to subsidiaries	**-**	-	**13,048**	11,781
Prepaid long term contract income	**8,693**	7,229	**8,693**	7,229
PAYE and other taxation payable	**2,170**	2,110	**2,170**	2,099
Other creditors	**10,630**	10,517	**9,072**	8,683
Accruals - losses on long term contracts	**588**	620	**588**	620
- others	**13,447**	10,409	**11,557**	8,751
Deferred income	**7,276**	8,826	**7,276**	8,826
	50,983	50,088	**60,577**	58,363

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

	Group 2012 £'000	Group 2011 £'000	University 2012 £'000	University 2011 £'000
Bond	**19,635**	20,400	**19,635**	20,400
Finance lease	**14,409**	14,409	**-**	-
Loan - Salix Limited	**77**	129	**77**	129
Loan - Greenwich Property Limited	**-**	-	**35,277**	36,600
	34,121	34,938	**54,989**	57,129

NOTES TO THE FINANCIAL STATEMENTS

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

	Group		University	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Analysis of loan repayments				
Repayable between one and two years				
Bond	**814**	765	**814**	765
Loan - Salix Limited	**52**	52	**52**	52
	866	817	**866**	817
Repayable between two and five years				
Bond	**2,773**	2,604	**2,773**	2,604
Finance lease	**1,132**	409	**-**	-
Loan - Salix Limited	**25**	77	**25**	77
	3,930	3,090	**2,798**	2,681
Repayable after five years				
Bond	**16,048**	17,031	**16,048**	17,031
Finance lease	**13,277**	14,000	**-**	-
Loan - Greenwich Properties Limited	**-**	-	**35,277**	36,600
	29,325	31,031	**51,325**	53,631
	34,121	34,938	**54,989**	57,129

Bond

On 14 October 1998, the University issued a 30 year £30m Guaranteed Secured Bond (coupon rate 6.36%), of which £4.5m was repurchased and cancelled on 12 January 2010. The effective interest rate for the issue was 6.97%, after account was taken of issue and guarantee costs. The bonds are quoted on the Luxembourg Stock Exchange.

AMBAC Insurance UK Limited 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.

In line with the requirements of FRS 26 (Financial Instruments: Recognition and Measurement), the outstanding value of the bond is stated in these financial statements at amortised cost using the effective rate method. At 31 July 2012, the market price of the bond as quoted on the Luxembourg Stock Exchange was £122.531 per £100 unit (2011: £110.242 per £100 unit).

UNIVERSITY of GREENWICH

NOTES TO THE FINANCIAL STATEMENTS

21. Provisions for liabilities

	Group and University		
	Enhanced pensions £'000	Decontam-ination £'000	Total £'000
At 1 August 2011	4,673	976	5,649
Revaluation of enhanced pension liability	481	-	481
Additions in year	6	-	6
Interest charge	70	-	70
Payments in year	(211)	-	(211)
At 31 July 2012	**5,019**	**976**	**5,995**

There is a provision of £5.0m for enhanced pension entitlements in respect of former employees. The services of these employees were severed under one of several voluntary severance arrangements that were available at the relevant time. This provision was revalued during the year using actuarial tables supplied by the Government Actuaries Department. The net interest rate applied was 1.5% and resulted in an increase in provision of £0.5m.

The decontamination provision of £0.9m is in respect of a former pyrotechnic site at North Dartford that was acquired by the University some years ago and is now earmarked for disposal. A number of studies have been commissioned in recent years to establish the degree of contamination of the site and the cost of decontamination. A study commissioned in 2007 and carried out by a firm of consultant engineers estimated a decontamination cost (assuming disposal for commercial usage). The £0.9m provision falls within the range of this estimate.

22. Deferred capital grants

	Group and University				
	Hefce		Other		Total
	Equipment £'000	Buildings £'000	Equipment £'000	Buildings £'000	£'000
At 1 August 2011	1,293	26,005	-	11,001	38,299
Received in the year	86	266	-		352
Released to Income & Expenditure Account	(537)	(1,096)	-	(378)	(2,011)
At 31 July 2012	**842**	**25,175**	**-**	**10,623**	**36,640**

NOTES TO THE FINANCIAL STATEMENTS

23. Reserves

	Revaluation Reserve £'000	Income & Expenditure £'000	Pension Reserve £'000	Total Reserves £'000
(a) Group				
At 1 August 2011	7,580	71,675	(53,243)	26,012
Surplus for year	-	3,886	-	3,886
Frs 17 - deficit for year	-	1,313	(1,313)	-
Equities - increase in market value in year	-	216	-	216
Transfer from reserves re depreciation	(88)	88	-	-
Actuarial loss on pension scheme	-	-	(22,025)	(22,025)
At 31 July 2012	**7,492**	**77,178**	**(76,581)**	**8,089**
(b) University				
At 1 August 2011	7,580	71,671	(53,243)	26,008
Surplus for year	-	3,886 *	-	3,886
Frs 17 - deficit for year	-	1,313	(1,313)	-
Equities - increase in market value in year	-	216	-	216
Transfer from reserves re depreciation	(88)	88	-	-
Actuarial loss on pension scheme	-	-	(22,025)	(22,025)
At 31 July 2012	**7,492**	**77,174**	**(76,581)**	**8,085**

* Includes Gift Aid donation to the University of £88,223 from Greenwich University Enterprises Limited.

NOTES TO THE FINANCIAL STATEMENTS

	Group		University	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000

24. Lease obligations

	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
The finance lease obligations:-				
Due within one year	**-**	-	**-**	-
Due between two and five years inclusive	**1,132**	409	**-**	-
Due after five years	**13,277**	14,000	**-**	-
	14,409	14,409	**-**	-
Operating lease payments falling due in the next year:-				
Equipment				
Expiring within one year	**56**	88	**56**	88
Expiring between two and five years inclusive	**456**	204	**456**	204
	512	292	**512**	292
Land and buildings				
Expiring within one year	**62**	72	**62**	72
Expiring between two and five years inclusive	**5,276**	5,022	**5,276**	5,022
Expiring after five years	**1,330**	1,327	**1,330**	1,327
	6,668	6,421	**6,668**	6,421

25. Capital commitments

	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Commitments contracted at 31 July 2012	**43,855**	1,782	**43,855**	1,782
Authorised but not contracted at 31 July 2012	**-**	3,520	**-**	3,520
	43,855	5,302	**43,855**	5,302

NOTES TO THE FINANCIAL STATEMENTS

	Group	
	2012	2011
	£'000	£'000

26. Reconciliation of consolidated operating surplus to net cash from operating activities

Surplus before tax	**3,783**	11,359
Depreciation *(Note 12)*	**6,566**	6,310
Deferred capital grants released to income *(Note 22)*	**(2,011)**	(2,100)
Release of lease capitalisation	**(39)**	(430)
Investment income	**(825)**	(731)
Interest payable	**2,664**	2,726
Increase of stocks	**(2)**	(9)
Increase in debtors	**(1,102)**	(353)
Decrease in creditors	**(571)**	(3,458)
Increase in provisions	**346**	1,778
FRS 17 pension adjustment	**1,313**	1,811
Net cash inflow from operating activities	**10,122**	16,903

27. Returns on investments and servicing of finance

Income from endowments	**34**	12
Interest received	**791**	719
Interest paid - finance leases	**(1,332)**	(1,351)
- other	**(1,332)**	(1,374)
	(1,839)	(1,994)

28. Capital expenditure and financial investment

Purchase of tangible fixed assets	**(12,659)**	(5,999)
Deferred capital grants received	**352**	2,697
Endowments received	**138**	611
	(12,169)	(2,691)

NOTES TO THE FINANCIAL STATEMENTS

	Group	
	2012	2011
	£'000	£'000

29. Management of liquid resources

	2012 £'000	2011 £'000
Cash transferred to deposits	**(7)**	4,874
	(7)	4,874

30. Financing

	2012 £'000	2011 £'000
Bond repayment in the year	**719**	674
Loan received in year	**-**	(205)
Loan repayment in the year	**52**	26
	771	495

31. Analysis of changes in net debt

	1 August 2011 £'000	**Cash Flows £'000**	**Other Changes £'000**	**31 July 2012 £'000**
Cash at bank & deposits repayable	7,383	(4,650)	-	**2,733**
Current asset investments	100,297	(7)	-	**100,290**
Debt due within 1 year	(768)	771	(817)	**(814)**
Debt due after 1 year	(20,529)	817	-	**(19,712)**
Finance leases	(14,409)	-	-	**(14,409)**
Total	71,974	(3,069)	(817)	**68,088**

NOTES TO THE FINANCIAL STATEMENTS

32. 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 Authority 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 a statutory, contributory, defined benefit scheme regulated by 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, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers, and from 1 January 2007, for teachers and lecturers in part-time employment. Teachers and lecturers are able to opt out of the TPS.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. The scheme is unfunded with both teachers and employers contributions "on a pay as you go basis" credited to the Exchequer under the arrangements governed by the above act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Account, to be kept of receipts and expenditure (including the cost of pensions' increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce a real rate of return.

Not less than every four years, with a supporting interim valuation in between, the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate for the scheme is assessed in two parts. First, a standard contribution is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial review, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions.

The most recent actuarial review of the scheme relates to the period 1 April 2001 – 31 March 2004 (published November 2006). The report revealed the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at valuation date) was £163,240 millions. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution has been assessed at 19.75%, plus a supplementary contribution rate of 0.75% (to balance assets and liabilities within 15 years as required by the regulations); a total contribution rate of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1%.

NOTES TO THE FINANCIAL STATEMENTS

32. Contributions to Pension Funds (continued)

Teachers' Pension Scheme- continued

The 31 March 2006 interim actuarial review (published in June 2007), did not recommend any changes to contribution rates. It assessed the Scheme's total liabilities at this date amounted to £176,600 millions.

The Teachers Pension Scheme is a multi employer defined benefit scheme whose assets and liabilities cannot be identified by the employer. It is therefore accounted for as a defined contribution scheme.

London Pension Fund Authority (LPFA)

In accordance with the Local Government Superannuation regulations, an actuarial valuation of the London Pensions Fund was undertaken at 31 March 2010. It determined a 83% funding level of the Active sub-fund (2007 valuation: 82%), and 77% for the Pensioner sub-fund (2007 valuation: 86%). The University's contribution rate, which increased on 1 April 2005 to 22.3% (on the back of the results of the 2004 actuarial valuation), remains at that level. At 31 March 2010, the assets of the Active sub-fund were £2,538m, while those of the Pensioner sub-fund were £1,299m.

The main actuarial assumptions used in the 2010 valuation were:

Annual rate of price inflation	3.5%
Discount rate	6.7%
Annual rate of pay increases	4.5%
Annual rate of pension increases	3.0%
Valuation of assets	6 month smoothed market value straddling the valuation date 31 March 2010.

The next valuation is at 31 March 2013.

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 £594,898 (2011: £598,256) payable to the London Pensions Fund Authority in respect of the University's pension contributions on July 2012 salaries.

NOTES TO THE FINANCIAL STATEMENTS

32. Contributions to Pension Funds (continued)

London Pension Fund Authority (LPFA) - continued

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	**31 July 2012**	31 July 2011	31 July 2010
	Nominal % pa	Nominal % pa	Nominal % pa
RPI increases	**2.6%**	3.5%	3.2%
CPI increases	**1.8%**	2.7%	2.7%
Salary increases	**3.5%**	4.5%	4.7%
Pension increases	**1.8%**	2.7%	2.7%
Discount rate	**3.9%**	5.3%	5.4%

Mortality Assumptions

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

	2012		2011	
	Males	**Females**	Males	Females
Current Pensioners	**20.8 years**	**23.7 years**	20.7 years	23.6 years
Future Pensioners	**22.8 years**	**25.6 years**	22.7 years	25.5 years

The assets in the LPFA scheme and expected rate of return were:

Asset Class	Expected Return at 31 July 2012	**Fair Value at 31 July 2012 £'000)**	Expected Return at 31 July 2011	Fair Value at 31 July 2011 £'000)
Equities	**5.6%**	**75,830**	6.8%	71,222
Target return portfolio	**4.3%**	**10,680**	4.5%	11,354
Alternative assets	**4.6%**	**17,089**	5.8%	14,451
Cash	**0.5%**	**3,204**	3.0%	4,129
Other Bonds	**n/a**	**-**	5.3%	2,064
Total		**106,803**		103,220

UNIVERSITY of GREENWICH

NOTES TO THE FINANCIAL STATEMENTS

32. Contributions to Pension Funds (continued)

London Pension Fund Authority (LPFA) - continued

Analysis of the amount shown in the balance sheet	**2012**	2011
	£'000	£'000
Present value of scheme liabilities	**(183,384)**	(156,463)
Fair value of employer assets	**106,803**	103,220
Deficit in scheme- net pension liability	**(76,581)**	(53,243)

Analysis of the amount charged to staff costs within operating surplus	**2012**	2011
	£'000	£'000
Current service cost	**(5,047)**	(5,413)
Employer contributions	**5,623**	5,559
Contributions re unfunded benefits	**44**	43
Gains on curtailments and settlements	**(90)**	(109)
Total	**530**	80

Analysis of the amount that is credited to Endowment and Investment Income	**2012**	2011
	£'000	£'000
Interest cost	**8,341**	8,046
Expected return on employer assets	**(6,498)**	(6,155)
Net cost	**1,843**	1,891

Analysis of the amount recognised in the statement of Total Recognised Gains and Losses (STRGL)	**2012**	2011
	£'000	£'000
Actual return less expected return on pension scheme deficits	**(5,280)**	3,493
Experience (loss) / gain	**(12)**	14,347
Changes in assumptions underlying the present value of the scheme liabilities	**(16,733)**	(13,043)
Actuarial (loss) / gain recognised in STRGL	**(22,025)**	4,797

NOTES TO THE FINANCIAL STATEMENTS

32. Contributions to Pension Funds (continued)

London Pension Fund Authority (LPFA) - continued

	2012 £'000	2011 £'000
Movement in deficit during the year		
Deficit at beginning of the year	**(53,243)**	(56,229)
Current service cost	**(5,047)**	(5,413)
Employer contributions	**5,623**	5,559
Contributions in respect of unfunded benefits	**44**	43
Impact of settlements and curtailments	**(90)**	(109)
Net return on assets	**(1,843)**	(1,891)
Actuarial (loss) / gain	**(22,025)**	4,797
Deficit at end of year	**(76,581)**	(53,243)

Analysis of the movement in the present value of the scheme liabilities

	2012 £'000	2011 £'000
Opening defined benefit obligation	**156,463**	147,188
Current service cost	**5,047**	5,413
Interest cost	**8,341**	8,046
Contributions by members	**1,726**	1,722
Actuarial losses / (gains)	**16,745**	(1,787)
Losses on curtailments	**90**	109
Estimated unfunded benefits paid	**(44)**	(43)
Estimated benefits paid net of transfers in	**(4,984)**	(4,185)
Closing defined benefit obligation	**183,384**	156,463

Analysis of the movement in the market value of the scheme assets

	2012	2011
Opening fair value of employer assets	**103,220**	90,959
Expected return on assets	**6,498**	6,155
Contributions by members	**1,726**	1,722
Contributions by the employer	**5,667**	5,602
Contributions in respect of unfunded benefits	**44**	43
Actuarial (losses) / gains	**(5,280)**	3,010
Estimated unfunded benefits paid	**(44)**	(43)
Estimated benefits paid	**(5,028)**	(4,228)
Closing fair value of employer assets	**106,803**	103,220

* An explanation of the pension deficit is made in the Operating and Financial Review (page 15).

NOTES TO THE FINANCIAL STATEMENTS

32. Contributions to Pension Funds (continued)

London Pension Fund Authority (LPFA) - continued

History of experience gains and losses	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Difference between the expected and actual return on assets	**(22,025)**	4,797	3,982	(24,146)	(10,143)
Value of assets	**106,803**	103,220	90,959	79,046	81,410
Percentage of assets	**20.6%**	(4.6%)	(4.4%)	30.5%	12.5%
Experience gains on liabilities	**(12)**	14,347	374	-	1,222
Present value of liabilities	**183,384**	156,463	147,188	137,172	114,939
Percentage of the present value of liabilities	**0.0%**	9.2%	0.3%	- %	1.1%
Actuarial gain / (loss) recognised in STRGL	**(22,025)**	4,797	3,982	(24,146)	(10,143)
Present value of liabilities	**183,384**	156,463	147,188	137,172	114,939
Percentage of the present value of liabilities	**(12.0%)**	3.1%	2.7%	(17.6%)	(8.8%)

Analysis of projected amount to be charged to operating profit for the year to 31 July 2013:-

	Year to 2013 £'000	
Estimated current service cost & total operating charge *(A)*	**5,863**	
Expected return on employer assets	**5,568**	
Interest on pension scheme liabilities	**(7,202)**	
Net return *(B)*	**(1,634)**	
Expected net I&E account cost *(A – B)*	**7,497**	*

* Includes employer contributions of £5,530k.

NOTES TO THE FINANCIAL STATEMENTS

32. Contributions to Pension Funds (continued)

London Pension Fund Authority (LPFA) - 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 2012 does not include any allowance for this change to the pension scheme.

In calculating the scheme assets and liabilities, the fund's actuaries made a number of assumptions on 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 3.0% in excess of price inflation.

An amount of £5.019m (2011: £4.673m) 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:-

	2012	2011
	£'000	£'000
Contributions to TPS	**5,230**	5,106
Contributions to USS	**87**	78
Contributions to LPFA	**5,526**	5,468
Total pension costs **(note 6)**	**10,843**	10,652

NOTES TO THE FINANCIAL STATEMENTS

33. Taxation

	2012 £'000	2011 £'000
UK corporation tax on the profits of		
Greenwich University Enterprises Limited	**4**	11
Greenwich Property Limited	**-**	-
	4	11

34. Contingent liabilities

The University is a member of U.M. Association (Special Risks) Limited, a mutual association of over 120 higher education institutions for cover against terrorism risk. The association has a reserve fund in excess of £15m, and a £1bn aggregate layer of insurance with which to meet claims. Institutions pay contributions based on the value of their property and geographical location. No claims from the University of Greenwich, or any other member, have been made during the year ended 31st July 2012.

35. Related party transactions

(i) Subsidiary companies

Related party transactions between the University and its wholly owned subsidiaries are not disclosed in these financial statements under a specific exemption allowed by FRS 8 (Related Party Disclosures).

(ii) Other matters

The University is one of five equal partners in Goetec Limited, a company formed on 1 April 2002, and limited by guarantee, 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.

UNIVERSITY of GREENWICH

NOTES TO THE FINANCIAL STATEMENTS

36. HEFCE – Student support funding

	Rec'd In Year £'000	Interest Earned £'000	Disbursed £'000	31 July 2012 £'000	31 July 2011 £'000
Access to learning fund	**696**	**1**	**(655)**	**42**	166
PGCE TT Bursaries	**149**	**-**	**(141)**	**8**	21
	845	**1**	**(796)**	**50**	187

HEFCE student support funding is available solely for the benefit of students with the University acting as the paying agent. These funds and related disbursements are therefore excluded from the Income and Expenditure Account.

37. Teaching Agency

	Rec'd In Year £'000	Disbursed £'000	31 July 2012 £'000	31 July 2011 £'000
ITT trainee funding				
Training bursaries	**530**	**(598)**	**(68)**	(178)
Student associate scheme	**-**	**-**	**-**	185
	530	**(598)**	**(68)**	7

TA student support funding is available solely for students where the University acts as the paying agent. These funds and related disbursements are therefore excluded from the Income and Expenditure Account.

NOTES TO THE FINANCIAL STATEMENTS

38. Financial instruments - Group

(i) Overview

The University has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Credit risk
- Interest rate risk
- Currency risk

This note presents information about the Group's exposure to each of the above risks and its objectives, policies and processes for measuring and managing risk.

The University's Court has overall responsibility for the establishment and oversight of the University's risk management framework.

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 Act 2000, and by regulations of the University's Finance Committee.

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

Categories of financial instruments	**Group**		**University**	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Financial assets				
Available for sale financial assets	**11,501**	11,119	**11,351**	11,119
Loans and receivables				
Receivables (excludes prepayments)	**6,942**	6,021	**6,235**	5,255
Amounts owed by subsidiaries	**-**	-	**31,648**	31,398
Cash and cash equivalents	**93,047**	97,925	**92,954**	97,819
	111,490	115,065	**142,188**	145,591
Financial liabilities at amortised cost				
Trade & other payables (excludes deferred income)	**20,162**	22,233	**31,646**	32,165
Loan - Salix Limited	**129**	181	**129**	181
Bond	**20,400**	21,119	**20,400**	21,119
Loan - Greenwich Properties Limited	**-**	-	**35,277**	36,600
	40,691	43,533	**87,452**	90,065

NOTES TO THE FINANCIAL STATEMENTS

38. Financial instruments - Group (continued)

(ii) *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. To minimise this risk the University does not hold funds with a maturity date in excess of 12 months.

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 (including fixed term and bank deposits) of the higher of £5m or 10% of the group's total expenditure.

The Group has no undrawn borrowing facilities.

The maturity profile of the Group's financial liabilities, stated at contractual maturity values including future interest where applicable, is as follows:-

	Loan - Salix Ltd £'000	Trade & other payables £'000	Bond £'000	Finance lease £'000
As at 31st July 2012				
In one year or less or on demand	**52**	**20,162**	**2,050**	**1,665**
In more than one year but not more than two years	**52**	**-**	**2,050**	**1,715**
In more than two years but not more than five years	**25**	**-**	**6,151**	**5,458**
In more than five years	**-**	**-**	**22,555**	**19,604**
	129	**20,162**	**32,806**	**28,442**
As at 31st July 2011				
In one year or less or on demand	52	22,233	2,050	1,616
In more than one year but not more than two years	52	-	2,050	1,665
In more than two years but not more than five years	77	-	6,151	5,299
In more than five years	-	-	24,606	21,478
	181	22,233	34,857	30,058

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the University's receivables from customers and investment of liquid funds.

The University adopts a prudent investment policy for surplus funds, with deposits limited by amount and maturity across financial institutions with a minimum investment rating of AA-.

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 commercial customers. The amounts disclosed in the balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

38. Financial instruments - Group (continued)

(iii) Credit risk (continued)

The maturity of the Group's trade debtors, analysed by type and net of bad debt provision, is as follows:

	Total £'000	0 to 6 Months £'000	7 to 12 Months £'000	More than 1 Year £'000
As at 31st July 2012				
Accommodation	250	250	-	-
Commercial	5,198	4,352	846	-
Tuition	350	350	-	-
	5,798	**4,952**	**846**	**-**
As at 31st July 2011				
Accommodation	250	250	-	-
Commercial	4,266	4,255	11	-
Tuition	300	300	-	-
	4,816	4,805	11	-

Commercial debtors not past due, net of bad debt provision, are £1,753k (2011: £1,484k).

NOTES TO THE FINANCIAL STATEMENTS

38. Financial instruments - Group (continued)

(iv) Interest rate risk

Interest rate risk is the risk that changes in market interest rates will affect the Group's income or expenditure or the value of its holdings of financial instruments.

The following table indicates the weighted average interest rate of the University's interest earning financial assets and interest bearing financial liabilities.

	As at 31 July 2012			As at 31 July 2011		
	Total £'000	Floating /fixed	Weigh-ted average interest	Total £'000	Floating /fixed	Weigh-ted average interest
Financial assets						
Available for sale financial assets						
Endowment asset investments						
COIF income shares	58	-	-	59	-	-
Managed Funds	1,285	Floating	0.40%	1,267	Floating	0.40%
Equity	9,970	-	-	9,755	-	-
Cash and equivalents						
Debt service reserve	2,412	Fixed	1.71%	2,412	Fixed	1.71%
Fixed term & notice bank deposits						
Sterling	87,908	Floating	-	88,130	Floating	-
US Dollar	-	-	-	-	-	-
Cash at bank	2,733	-	-	7,383	-	-
	104,366			109,006		
Financial liabilities						
Loan - Salix Limited	129	-	-	181	-	-
Bond	20,400	Fixed	6.97%	21,119	Fixed	6.97%
Finance lease	14,409	Fixed	8.00%	14,409	Fixed	8.00%
	34,938			35,709		

NOTES TO THE FINANCIAL STATEMENTS

38. Financial instruments - Group (continued)

(v) Currency risk

Currency risk is the risk that foreign exchange rate fluctuations will affect the Group's income or expenditure or the value of its holdings of financial instruments.

Approximately 52% 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 carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2012	2011	**2012**	2011
Currency	**£'000**	£'000	**£'000**	£'000
Sterling	**108,615**	107,186	**55,100**	57,942
EURO	**1,408**	4,058	-	-
US $	**1,458**	3,774	-	-
Other	**15**	47	-	-
	111,496	115,065	**55,100**	57,942

The University did not enter into any hedging arrangements during the year.

(vi) Fair values of financial instruments

Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between two informed and willing parties.

The fair values of the Group's financial instruments are equal to book values except for the bond which is stated at amortised cost (see Note 20).

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