UNIVERSITY of GREENWICH

# Report and Financial Statements for the Year Ended 31 July 2011

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 2011

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# 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<br>Chartered Accountants and<br>Registered Auditors<br>Grant Thornton House<br>202 Silbury Boulevard<br>Central Milton Keynes<br>MK9 1LW |
| **Internal Auditors** | RSM Tenon<br>66 Chiltern Street<br>London<br>W1U 4JT |
| **Bankers** | Barclays Bank PLC<br>1 Churchill Place<br>Canary Wharf<br>London E14 5HP |
| **Solicitors** | Stephenson Harwood<br>1 Finsbury Circus<br>London EC2M 7SH |

# 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 | (appointed 1.9.10) |
| | Mr R J Baglin | (resigned 31.8.10) |
| | 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 | (appointed 1.9.10) |
| | Mr A L Holmes | (appointed 1.9.10) |
| | Sir Peter Housden | (resigned 31.8.10) |
| | Mr S W Howlett | |
| | Mr J R H Loudon | (resigned 31.8.10) |
| | Sir Callum McCarthy | (resigned 31.8.10) |
| | Dr A S Pugh | (resigned 31.8.10) |
| | Mr J F Stoker | (appointed 1.9.10) |
| | Mrs H P Wyatt | |
| **Article 7(2)b – Academic Council Members** | Professor P Ainley | (resigned 31.8.10) |
| | Professor S Golding | (appointed 1.9.11) |
| | Professor P Maras | (appointed 1.9.10) |
| | Professor M Snowden | |
| **Article 7(2)c – Student Members** | Mr M Sekhon | (resigned 31.7.11) |
| | Mr A Thakral | (appointed 1.8.11) |
| **Article 7(2)d – Co-opted Members** | Mrs S L Clarke | (resigned 31.8.11) |
| | Mr L Devlin | (appointed 28.3.11) |
| | Ms S Patel | (appointed 1.9.10) |
| | Ms C H Rose | (resigned 31.12.10) |

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)** |
| | Richard Baglin | (until 31.8.10) |
| | Stephen Davie | (w.e.f. 1.1.10) |
| | Nick Eastwell | (w.e.f. 1.1.10) |
| | James Loudon | (until 31.8.10) |
| **Audit** | **Steve Davie** | **(Chairman w.e.f 1.1.10)** |
| | Sarika Patel | (w.e.f. 1.9.10) |
| | Alaric Pugh | (until 31.8.10) |
| | John Stoker | (w.e.f. 1.9.10) |
| | Helen Wyatt | (w.e.f. 1.9.10) |
| **Finance** | **Nick Eastwell** | **(Chairman w.e.f 1.1.10)** |
| | Alan Albert | (w.e.f. 1.9.10) |
| | James Barnes | |
| | Tessa Blackstone | (until 30.9.11) |
| | Marianne Hay | |
| | Peter Hazell | (w.e.f. 1.9.10) |
| | Andrew Holmes | (w.e.f. 11.10.10) |
| | Stephen Howlett | |
| | Callum McCarthy | (until 31.8.10) |
| | David Maguire | (w.e.f. 1.10.11) |
| **Nominations** | **Stuart Etherington** | **(Chairman)** |
| | Tessa Blackstone | (until 30.9.11) |
| | David Maguire | (w.e.f. 1.10.11) |
| | Martin Snowden | |
| | John Stoker | (w.e.f. 11.6.11) |
| **Remuneration** | **Nick Eastwell** | **(Chairman w.e.f 1.1.10)** |
| | Richard Baglin | (until 31.8.10) |
| | Tessa Blackstone | (until 30.9.11) |
| | Stuart Etherington | |
| | Marianne Hay | |
| | David Maguire | (w.e.f. 1.10.11) |
| | Helen Wyatt | (w.e.f. 1.9.10) |

# OPERATING AND FINANCIAL REVIEW

## INTRODUCTION

### 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. On 1st January 1995, the University became an exempt charity. 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, to develop research.

### 2. Mission and Objectives

The objects of the University have been refined in the Corporate Plan 2006-11 into the following:

The University of Greenwich aims to provide high quality education, research and enterprise for international, national, regional and local communities.

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

**The University's strategic objectives are:-**

(a) Enhancing learning and teaching

- To enhance the quality of learning and teaching through providing innovative programmes which take into account advances in knowledge, research and use of new technology

- To provide a distinctive learning experience for all students that fosters success through a high quality and strongly supported learning environment

(b) Employability

- To offer programmes of study which equip our graduates to obtain relevant employment and to be creative in the application of their knowledge and skills

- To ensure students are supported to complete their programmes of study and embark on graduate careers

(c) Expanding opportunities

- To attract and retain students and staff from a wide range of backgrounds and to promote equal opportunities for all

- To develop partnerships, both in the UK and overseas which encourage progression through the different levels of higher education

# OPERATING AND FINANCIAL REVIEW (continued)

## 2. Mission and Objectives (continued)

(d) Enterprise and research

- To undertake enterprise and research with the public and private sectors including consultancy and knowledge transfer activities

- To engage with local and regional communities and to provide services that meet their needs and encourage participation in University activities

(e) Effectiveness and efficiency

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

## 3. Achievements Against Objectives and Public Benefit

While focused on our achievement of targets in the strategic plan, we also deliver 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 Court has given careful consideration to the Charity Commission’s general guidance on public benefit and to its supplementary public benefit guidance on advancing education and on fee charging.

Our focus on teaching and learning has continued to be on enhancing academic excellence. We have continued to streamline our portfolio of programmes to gain efficiencies, whilst at the same time introducing attractive and innovative programmes. One example of an innovative programme which combines learning in the workplace, with academic study, assessments and laboratory exercises, as well as directly benefiting the community, is the new BSc in Paramedic Science. Students on placement during this programme work directly with ambulance crews. More than 200 applicants applied for the 15 places on the course.

The University’s commitment to improving teaching and learning can be seen in the results of the National Students Survey (NSS). We have once again outperformed the average satisfaction score for all universities by maintaining our overall satisfaction score of 84%. Teaching quality achieved high approval ratings from 85% of our students. It is very gratifying that the efforts of all staff to implement improvements have been appreciated by our students.

The University has always aimed to provide an environment that allows students to maximise their potential. To enhance this activity, we have started a new initiative, Greenwich Graduate, which aims to set out explicitly how the University will equip its graduates with a particular set of skills and qualities that sit alongside their disciplinary knowledge. These values and skills which the student will acquire through this initiative will make them better able to prepare for their future careers.

Alongside this, the University has set itself an ambitious target of improving student retention rates over the next five years. A working group has drawn up an implementation plan that is being informed by best practice both within the University and externally.

Widening participation and raising the aspirations of non traditional students has been at the core of the University’s mission. We have continued to recruit above national benchmarks for students from low participation neighbourhoods.

The University has collaborated with the London Borough of Greenwich in creating the Eltham Green Foundation School. University representatives form the majority of trustees of the Foundation. It has been particularly gratifying therefore that the University’s involvement in the School has enabled it to increase the proportion of pupils achieving 5 GCSEs at Grade A-C from 28% in 2010 to 48% in 2011.

# OPERATING AND FINANCIAL REVIEW (continued)

## 3. Achievements Against Objectives and Public Benefit (continued)

Our Education Liaison staff and student ambassadors visit schools and colleges, provide workshops and deliver presentations, co-host the central London UCAS convention, attend community and careers events. This year they had a combined audience for the work of over 9,000 people. The most popular presentations were on student finance, student life, and the benefits of higher education.

Particular emphasis has been placed on supporting the transition into higher education and identifying those students at risk of leaving or failing. We have reviewed our pre-arrival information to ensure that it is clear, accurate and accessible. We have produced a programme of activities in the first few weeks and continuing throughout the first term in particular to ensure students are well supported. This enhanced induction process contributed to an easier start for many students.

We offer a range 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. Bursaries were awarded to thirty eight care leavers in 2010-11. For those students who qualify for maintenance or special support grants from Student Finance England, we have introduced a progression bursary payable in Year 2 of a degree programme to assist students with their studies.

The University is proud of its commitment to vocational subjects. Degree programmes in subjects such as Health and Social Care, Teacher training, Engineering and Pharmacy in particular provide specific education which benefits directly the wider community as well as students. Students in these disciplines make up 38% of our population. Many of our graduates from these disciplines remain in the region.

Around 23% of the University's total student population of 37,000 study in collaborative partnerships overseas. We were therefore reassured that the Quality Assurance Agency (QAA) collaborative audit of home and overseas provision confirmed that confidence can be placed in both the University's current and likely future management of the academic standards of its awards and the quality of the learning opportunities available to students.

The University places particular value on applied research and collaborations with industry, commerce and the public sector. We continued to generate collaborative projects with business and community partners which assist our regional communities. We offer business development support to help local businesses and SMEs to become more innovative and sustainable thus enhancing growth. Externally sponsored research and consultancy income has increased by 10% over the last two years. More than 250 clients chose the University to carry out research and consultancy services.

We have created the Greenwich Academic Literature Archive which provides free access to peer-reviewed articles, conference papers, and book chapters produced by researchers at the University. The Archive covers all research activity in the University and includes topics as diverse as controlling corruption, company case law, drug delivery mechanisms, country debt default probabilities, fire safety practices, cognitive flexibility, ethical procurement strategies for non-governmental organisations.

Sustainability is an important aspect of the University's work. We were delighted to move to 5th place in the People and Planet Green League Table, showing how effective our plans have been.

# OPERATING AND FINANCIAL REVIEW (continued)

## 4. The Future

We will continue to build on progress made within the resources available. The University has started to develop its new strategy for the next five years. Many changes to the landscape of higher education, particularly in student and public funding of teaching and research are on the immediate horizon. We will be reviewing our activities to ensure that we are as effective and efficient as possible. As preparation for the development of the plan as well as for the decision on the fees to change for 2012 and beyond, we have considered a number of scenarios and we will develop these as we go through the academic year. We will nevertheless continue our commitment to ensuring the best education for our students in an efficient and welcoming environment. We will:

- continue to embed employability skills in all of our programmes
- seek to increase the opportunities for students for work placement related activities, mentoring, volunteering
- develop a graduate attributes framework which will provide a focus for curriculum development which prepares graduates for their future work
- implement our Greenwich Graduate initiative to provide a focus for curriculum development which prepares graduates for their future work
- continue to raise aspirations of prospective students from a wide range of backgrounds
- continue to review our arrangements for collaborative provision nationally and internationally to ensure that the collaborative programme is meeting its objectives
- ensure that sustainability issues are recognised as a major priority throughout the University
- maintain the momentum in planning to develop the new School of Architecture & Construction and the Learning Resources Centre at our Greenwich campus
- continue to encourage growth in research and enterprise activity through a more focussed approach
- review our business processes to ensure that the University is an effective and efficient business

## 5. Key Performance Indicators

The University has made good progress in meeting the Key Performance Indicators approved by Court.

UNIVERSITY of GREENWICH

# OPERATING AND FINANCIAL REVIEW (continued)

## 6. 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.

The number of recorded students in 2010-11 is summarised as follows:-

| | **2010/2011** | | 2009/2010 | |
|---|---|---|---|---|
| | **Full-time** | **Part-time** | Full-time | Part-time |
| HEFCE funded | **12,354** | **5,645** | 12,166 | 7,118 |
| TDA funded | **695** | **174** | 711 | 186 |
| Health contract | **1,157** | **1,187** | 1,140 | 1,068 |
| Overseas (non EU) | **4,425** | **1,871** | 5,268 | 1,476 |
| Others | **397** | **562** | 523 | 309 |
| Total (excluding International Collaborations) | **19,028** | **9,439** | 19,808 | 10,157 |
| Students with International Collaborative Institutions | **6,360** | **5,254** | 5,985 | 3,139 |

## 7. Personnel Policy and Strategy

The quality and commitment of our employees remains paramount in the achievement of our objects as an institution of teaching, learning and research. Enthused and engaged employees are productive employees, and productive employees provide a better customer (student) service. A new work team is being developed in the Human Resources Office which will concentrate on employee relations and engagement.

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 and on paper. Internal communications are facilitated through discussions at meetings and regular briefings on the main University-wide developments, which are cascaded to staff via senior managers and by the regular issue of the University's newsletter ‘Greenwich Line’. HR- specific communications are disseminated via a termly HR newsletter ‘Spectrum’. A new newssheet ‘Bulletin’ is being developed which will address matters where a brief but timely cascade is required.

The Human Resources Office was reorganised in August 2011 with a view to establishing a more strategically focused and customer orientated service. The opportunity is being taken to review the existing strategy and this means that some target objectives are being rescheduled.

The new Balanced Academic Workload (BAW) model was introduced to all Schools during the past year. The model seeks to ensure transparency and equitability of workload allocation. The implementation went smoothly and the new system has been welcomed by the trade union UCU.

A new annual appraisal scheme was introduced in 2010/11. It is designed to better support staff and line managers to achieve key performance objectives, identify areas for development, and to tackle problems in a timely way. The scheme provides for an assessment of performance to be made by line managers on the understanding that unsatisfactory performance will require remedial action.

# OPERATING AND FINANCIAL REVIEW (continued)

## 7. Personnel Policy and Strategy (continued)

Among significant ‘policies’ overhauled during the last year were the University’s Capability and Performance procedure and the Bullying and Harassment procedure. A new system of Out of Hours payments was also introduced.

In line with its commitment to streamline and render more efficient its operational activities, the Office piloted a system for e-recruitment.

## 8. 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.

Part of this commitment includes 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. New initiatives include the establishment of a staff disability forum and an application to become a member of the Two Ticks Guaranteed Interview Scheme.

## 9. Diversity and Equality

The University published its Equality Strategy, which stands with the Equality Framework and Equality Action Plan as our Equality Scheme. HR/Personnel contributed to the drafting of the scheme and developed a departmental action plan, which is due to be reviewed in December 2011.

The Listening Ears and Harassment Adviser networks continue to operate and support staff who experience bullying, harassment and discrimination. Staff development training opportunities has included three sessions of 'Diversity Essentials' and three sessions of 'Cultural Communication Differences'. A new initiative includes engagement in the Stonewall Diversity Champion scheme.

## 10. 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 subsidiary companies Greenwich University Enterprises Limited and Greenwich Property Limited.

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.

# OPERATING AND FINANCIAL REVIEW (continued)

## 10. Financial Review (continued)

### *(b) Results for the Year*

The Group results for the year ended 31 July 2011 are summarised as follows:-

| | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| University (including NRI) operating surplus: | | |
| - from operations | **6,774** | 13,121 |
| - release of prior year provsion | **4,609** | (2,500) |
| | **11,383** | 10,621 |
| Greenwich University Enterprises Limited | **53** | 93 |
| Greenwich Property Limited | **-** | - |
| Group historical cost surplus | **11,436** | 10,714 |

The group reported a surplus for the year of £11.4m (2010: £10.7m) that includes a £4.6m release of clawback provisions held from the two previous financial years. These provisions were earmarked to meet an expected clawback on the HEFCE contract. However the contract was met in full and consequently the provisions were no longer required. Thus there is a reported surplus of £6.8m that excludes the exceptional release of the provisions. This outturn was against the backdrop of continued uncertainty in the HE funding environment that included an in-year cut in funding on the HEFCE teaching contract. Recruitment of international students was lower than in the previous year, but the revenue shortfall from this source was partly mitigated by a 15% increase in revenues from international academic collaborations.

The outturn confirms the continued success of the University in attracting students to its many programmes of study delivered at its campuses, at its Partner and Link College network and with its international academic partners. A continued contribution from research and enterprise also supported the successful outturn, despite the challenging economic environment.

### *(c) Revenues*

Funding council grants of £78.1m include the release of £4.6m of provisions made in the two previous financial years. These provisions were earmarked to meet an expected clawback on the HEFCE contract. The contract however was met in full and consequently the provisions were no longer required. When this non-recurring provision release is adjusted for, it reveals a 4.9% year on year reduction in Funding Council Grants. The reduction is in large part due to government efficiency savings of £2.5m, and a £1m increase in over-recruitment penalties compared to that of the previous year. Other material changes include additional spend on HEIF funding net of reductions in various specific grants that came to an end in the previous financial year or in the early months of the current year. The recurrent grant from the Teaching and Development Agency for Schools (TDA) was unchanged from the previous year at £4.1m.

Revenues from tuition fees and education contracts increased by 5.0% to £88.7m. The increase is accounted for by the University’s decision to raise the home undergraduate fee to the statutory maximum of £3,290 (with an associated increase in student bursaries), and additional revenues from its international academic collaborations. These increases compensate to some extent for a fall in revenues from international students, reflecting lower registrations associated with an increasing level of competition (both home and internationally) in this market.

Research revenues were marginally down on the previous year at £7.2m (2010: £7.5m). The reduction reflects the tough economic climate in which research bids are contested.

# OPERATING AND FINANCIAL REVIEW (continued)

## 10. Financial Review (continued)

Endowment and investment income was £0.7m, representing a 45% reduction on the previous year. The reduction is consistent with the low level of investment returns on cash balances that prevailed throughout the financial year.

### *(d) Expenditure*

Total expenditure increased by 3.2% to £186.0m, reflecting increases across staff costs, other operating expenses and depreciation on fixed assets, net of a reduction in interest payable.

Staff costs increased by 4.7% to £89.2m, (2010: £85.2m). The increase reflects the cost of increments, a 0.4% pay award, a 1% increase in the employers national insurance contribution rate (with effect from April 2011), additional academic and research posts consistent with the University's investment in teaching and research activities, and an increase in severance costs. There was a small reduction in non-academic posts.

Other operating expenses increased by 3.0% to £85.8m (2010: £83.4m). Items of significance include payments to other instuitions under franchise and similar arrangements (£15.4m), residence and conferencing activities (£9.1m), rents and service charges (£8.0m), building maintenance (£6.3m), energy, water, cleaning and security for the estate (£5.6m), computing and software (£4.6m), and student bursaries and scholarships (£3.4m).

### *(e) Capital investment and fixed assets*

The tangible fixed assets of the group at the balance sheet date were £93.3m (2010: £93.2m). Additions in the year were £6.0m, of which £2.7m was on equipment and IT infrastructure, with the remainder capital spend on the Stockwell Street development. Capital grants of £2.7m were received during the year.

Investment in equipment and IT infrastructure included the upgrade of classroom equipment and server replacement, both with a beneficial impact on the students' experience.

The Stockwell Street development is a major capital project that is the cornerstone of the University's current estate strategy. It involves 16,000 square metres of new build to accommodate an existing academic School and a library facility for the Greenwich campus. Construction commences in 2012 with expected occupancy in 2014.

### *(f) Long-term borrowing*

Long-term borrowing is currently £34.9m (2010: £35.5m), of which £20.4m is the outstanding value on the University's £30m bond (£25.5m in issue), and £14.4m the finance charge on a student residence PFI scheme. There is an addition of £0.1m being a notional loan arrangement under HEFCE's Revolving Green Fund to finance sustainability initiatives across the University.

In the previous financial year, the University repurchased for cancellation £4.5m (15%) of its £30m bond. Thus the nominal value of the bond in issue is £25.5m.

### *(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.

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.

# OPERATING AND FINANCIAL REVIEW (continued)

## 10. Financial Review (continued)

***(g) Pension schemes (continued)***

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 exceeds its assets, with a reported FRS17 pensions deficit of £53.2m (2010: £56.2m). 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.

***(h) Other balance sheet indicators***

Other key Balance Sheet ratios continue to improve. Short-term investments increased by 5.1% to £100.3m reflecting the strong underlying operating surplus, net of £3.3m of capital spend financed from internal resources. Creditors due within one year were £50.1m (2010: £53.8 m). Net current assets remain strong at £64.8m (2010: £49.5m) while Income and Expenditure reserves increased by 22% to £71.7m.

***(i) Post balance sheet events***

There are no post balance sheet events.

## 11. Principal risks and uncertainties

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

***(a) The 2011 HE White paper and future funding changes***

The 2011 HE White paper "students at the heart of the system" makes a number of proposals that fundamentally changes the future funding of HE provision. HEFCE recurrent funding will largely be replaced by funding from students who are to be charged higher fees with consequential higher levels of student debt. Additionally, new entrants onto programmes of study will be reduced by a proposal to remove from the student number control (SNC) entrants with an entry qualification of AAB or higher, and a further reduction, estimated at 9% of the SNC, required to create 20,000 contestable places. Institutions, including further educations colleges and new entrants to the sector can compete for the 20,000 contestable places if they have an average fee level (net of fee waivers) of £7,500 or less.

The key risk emanating from these proposals 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;
- Failure to retain AAB student numbers removed from the SNC ;
- Failure to mitigate the loss of student numbers associated with the top-slice from the SNC to create the "contestable" pool, either by way of improved retentions and\or a successful bid for contestable numbers;
- Reduced HEFCE recurrent grant, higher fees, and no additional student financial support resulting in lower PG student enrolments.

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 +) as well as seeking further and better particulars on various aspects of the proposals. Diversification of income streams is also an important aspect of risk managements in this regard.

# OPERATING AND FINANCIAL REVIEW (continued)

## 11. Principal risks and uncertainties (continued)

### *(b) International student recruitment;*

Revenues from international student recruitment account for 16% of total teaching revenues , and is therefore an important revenue stream. 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 manages this risk by making decisions informed by segmental market analysis, and investing in marketing and recruitment in its chosen market segments.

### *(c) Major overrun of capital projects;*

The University's estate strategy is underpinned by a major capital project associated with 16,000 square meters of new build on the Stockwell Street site. 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.

### *(d) Pension scheme deficits;*

A pension scheme to which the University contributes has in recent years fallen into deficit, primarily as a result of decreasing mortality rates coupled with underperformance on investments. This position has been exacerbated in the current economic climate where asset values have been depressed, and historically low bond yields (at which liabilities are discounted) contributing to the deficit position.

The key risk to the University of the deficit position on the pension schemes to which it contributes are increases to employers contribution rates that will add to its cost-base. This risk is managed by keeping under review the funding level of the scheme.

## 12. Financial instruments

The Group finances its operations from retained surpluses and long-term borrowing, including that under PFI arrangements.

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. Year-end cash and investments totalled £107.7m including £2.4m in a separate charged account under the terms of the Bond. 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 does not hold funds with a maturity date in excess of 12 months.

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

The University's terms of payment are 30 days. Within the financial year the average payment period was 29 days.

# OPERATING AND FINANCIAL REVIEW (continued)

## 12. Financial instruments (continued)

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

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

### (a) Liquidity Risk

The University manages its liquidity risk by adhering to its policy of managing net current assets, recovering on a timely basis all assets, all amounts due to it, and managing payments to suppliers consistent with agreed terms of sale.

Under the terms of the University's 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 (£2.4m), in a charged account and maintain a minimum cash balance of £9.5m.

The Group's total debt at 31 July 2011 was £35.7m, of which £21.1m is in respect of the Bond and £14.4m a PFI debt repayable in 2026. 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.

### (b) Currency Risk

Approximately 2.9% 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 by reviewing contracts for currency risk as part of its risk assessment. Where appropriate a contingency is built into the contract price, and subcontracting is priced in the currency of the contract wherever possible. All other turnover is denominated in sterling.

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

### (c) Credit Risk

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

The Group's credit risk is mainly attributable to its trade debtors (primarily student and commercial debt). This risk is managed by monitoring the group's aggregate exposure to non-payment of students' fees and by significant 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.

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

### (d) Interest Rate Risk

The Group's borrowings are at fixed lending rates, of which 59% 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.

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## 13. 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.

## 14. Statement of Directors responsibility for the Financial Statements

The statement of the responsibility of the Court for the financial statements is set out on pages 19 and 20 of this report.

## 15. Disclosure of information to auditors

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

- so far as each director (governor) is aware, there is no relevant information needed by the University's auditors in connection with preparing their report of which the University's auditors are unaware, and

- each director (governor) has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant information needed by the University's auditors in connection with preparing their report and to establish that the University's auditors are aware of that information.

## 16. 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.

## 17. Approval

The Report of the Governors (directors) was approved by the Court on 28 November 2011 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 210, 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 role of the Chair of Court is separate from that of the Chief Executive, the Vice-Chancellor. 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 and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons. He is responsible for the development of institutional strategy and the identification and planning of new developments. The senior staff of the University all contribute in various ways to this work, but the ultimate responsibility rests with the Court.

- 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, he provides independent advice to Members of Court on matters of governance.

- The Court meets at least five times a year. The Court conducts much of its business 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 2011 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:

   - The Mission and educational of character of the University is 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.

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.

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# 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 the Higher Education Funding Council for England and the Training and Development Agency for Schools are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE and the TDA 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.

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

We have audited the group and university financial statements (the 'financial statements') of the University of Greenwich ('the University') for the year ended 31 July 2011 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 (pages 19-20), 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 Training and Development Agency for Schools.

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 2011 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 Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2011 have been applied for the purposes for which they were received; and
- in all material aspects, income during the year ended 31 July 2011 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 Training and Development Agency for Schools.

**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 returns adequate for our audit have not been received from sites not visited by us; 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

30 November 2011

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, Greenwich University Enterprises Limited and an associated company, Natural Resources International Limited (sold during the year). With respect to the latter, the consolidated Income and Expenditure Account includes the group's share of the profit / loss of that undertaking and the consolidated balance sheet includes the investment of the group's share of its underlying net assets. For all other associate undertakings, it is considered that their results are not material and therefore have not been included in the consolidated financial statements.

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

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

**Recognition of income**

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.

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# 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.

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# 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. 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 receivables 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 receivables 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 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 2011

| | Note | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| **INCOME** | | | |
| Funding council grants | *1* | **78,196** | 74,817 |
| Tuition fees and education contracts | *2* | **88,691** | 84,499 |
| Research grants and contracts | *3* | **7,238** | 7,539 |
| Other income | *4* | **22,481** | 22,711 |
| Endowment and investment income | *5* | **731** | 1,310 |
| **Total Income** | | **197,337** | 190,876 |
| **EXPENDITURE** | | | |
| Staff costs | *6* | **89,222** | 85,164 |
| Other operating expenses | *8* | **85,829** | 83,355 |
| Depreciation | *12* | **6,310** | 6,109 |
| Interest payable | *9* | **4,617** | 5,633 |
| **Total Expenditure** | | **185,978** | 180,261 |
| **Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets and before tax** | | **11,359** | 10,615 |
| Share of profits of associated undertaking | | **-** | 26 |
| **Surplus on continuing operations *after* depreciation of tangible fixed assets at valuation and disposal of assets and interest but before tax** | | **11,359** | 10,641 |
| Taxation | *33* | **(11)** | (15) |
| Deficit for the year on accumulated income in endowment funds | | **139** | 144 |
| **Surplus on continuing operations *after* depreciation of tangible fixed assets at valuation and disposal of assets, interest and tax** | | **11,487** | 10,770 |

*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 2011

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Surplus after depreciation of assets at valuation on continuing operations and before tax | **11,359** | 10,641 |
| 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 | **11,447** | 10,729 |
| Taxation | **(11)** | (15) |
| Historical cost surplus after tax | **11,436** | 10,714 |

# CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

## FOR THE YEAR ENDED 31 JULY 2011

| | | 2011 | 2010 |
|---|---|---|---|
| | | £'000 | £'000 |
| Surplus on continuing operations after depreciation of assets at valuation, disposal of assets, and tax | | **11,348** | 10,626 |
| Increase in endowment asset investments | | **3** | 5 |
| Decrease in current asset investments | | **(231)** | - |
| New endowments | | **611** | 137 |
| FRS 17 Retirement Benefits - actuarial gain / (loss) | | **4,797** | (3,007) |
| FRS 17 Retirement Benefits - change to CPI (from RPI) * | *10* | **-** | 6,989 |
| **Total recognised gains for the year** | | **16,528** | **14,750** |
| **Reconciliation:-** | | | |
| Opening reserves and endowments | | **10,810** | (3,940) |
| Total recognised gains for the year | | **16,528** | 14,750 |
| Closing reserves and endowments | | **27,338** | 10,810 |

* This relates to a change of government policy on the indexation of pensions. See Note 10 for details.

UNIVERSITY of GREENWICH

(Company Registration No. 986729)

# BALANCE SHEET

## AS AT 31 JULY 2011

| | Note | Group | | University | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | | **£'000** | £'000 | **£'000** | £'000 |
| **Fixed Assets** | | | | | |
| Tangible assets | *12* | **93,280** | 93,528 | **93,214** | 93,441 |
| Investments | *13* | **38** | 341 | **38** | 172 |
| | | **93,318** | 93,869 | **93,252** | 93,613 |
| **Endowment Asset Investments** | *14/15* | **1,326** | 851 | **1,326** | 851 |
| **Current Assets** | | | | | |
| Stocks | *16* | **35** | 26 | **35** | 26 |
| Debtors | *17* | **7,196** | 7,322 | **37,830** | 37,832 |
| Investments | *18* | **100,297** | 95,423 | **100,297** | 95,423 |
| Cash at bank | | **7,383** | 534 | **7,277** | 415 |
| | | **114,911** | 103,305 | **145,439** | 133,696 |
| **Creditors:** amounts falling due within one year | *19* | **(50,088)** | (53,847) | **(58,363)** | (60,690) |
| **Net Current Assets** | | **64,823** | 49,458 | **87,076** | 73,006 |
| **Total Assets less Current Liabilities** | | **159,467** | 144,178 | **181,654** | 167,470 |
| **Creditors:** amounts falling due after more than one year | *20* | **(34,938)** | (35,566) | **(57,129)** | (58,979) |
| Provision for liabilities | *21* | **(5,649)** | (3,871) | **(5,649)** | (3,871) |
| **Net Assets (excluding Pension Liability)** | | **118,880** | 104,741 | **118,876** | 104,620 |
| Net Pension liability | *32* | **(53,243)** | (56,229) | **(53,243)** | (56,229) |
| **Net Assets** | | **65,637** | 48,512 | **65,633** | 48,391 |

UNIVERSITY of GREENWICH

(Company Registration No. 986729)

# BALANCE SHEET (continued)

## AS AT 31 JULY 2011

| | Note | Group | | University | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | | **£'000** | £'000 | **£'000** | £'000 |
| **Represented by:** | | | | | |
| **Deferred Capital Grants** | *22* | **38,299** | 37,702 | **38,299** | 37,702 |
| **Endowments** | *14/15* | | | | |
| Expendable | | **828** | 351 | **828** | 351 |
| Permanent | | **498** | 500 | **498** | 500 |
| | | **1,326** | 851 | **1,326** | 851 |
| **Reserves** | *23* | | | | |
| Revaluation reserve | | **7,580** | 7,669 | **7,580** | 7,669 |
| Income and expenditure account | | **71,675** | 58,519 | **71,671** | 58,398 |
| Pension reserve | | **(53,243)** | (56,229) | **(53,243)** | (56,229) |
| | | **26,012** | 9,959 | **26,008** | 9,838 |
| **Total Funds** | | **65,637** | 48,512 | **65,633** | 48,391 |

The Financial Statements on pages 23 to 69 were authorised and approved by the Court on 28 November 2011 and signed on its behalf by:

**Professor David Maguire,** Vice-Chancellor

**Sir Stuart Etherington,** Chairman

# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 JULY 2011

| | Note | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| Cash inflow from operating activities | 26 | **16,903** | 16,370 |
| Return on investments and servicing of finance | 27 | **(1,994)** | (1,585) |
| Capital expenditure and financial investment | 28 | **(2,691)** | 1,563 |
| Net cash inflow before use of liquid resources and financing | | **12,218** | 16,348 |
| Management of liquid resources | 29 | **(4,874)** | (10,516) |
| Financing | 30 | **(495)** | (4,592) |
| **Increase in net cash** | | **6,849** | 1,240 |

**Reconciliation of net cash flow to movement in net funds**

| | Note | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| Increase in cash in the period | | **6,849** | 1,240 |
| Cash outflow re increase in liquid resources | | **4,874** | 10,516 |
| Cash outflow re decrease in debt and lease financing | | **495** | 4,592 |
| | | **12,218** | 16,348 |
| **Net funds at 1 August** | | **59,756** | 43,408 |
| **Net funds at 31 July** | 31 | **71,974** | 59,756 |

UNIVERSITY of GREENWICH

# NOTES TO THE FINANCIAL STATEMENTS

| | Group 2011 £'000 | Group 2010 £'000 |
|---|---|---|
| **1. Funding council grants** | | |
| **HEFCE:-** | | |
| Recurrent grant | **59,512** | 63,203 |
| Recurrent grant - release of provisions * | **4,609** | (2,500) |
| Specific grants | **6,847** | 6,709 |
| Inherited liabilities | **389** | 388 |
| Deferred capital grants released in year | **1,722** | 1,723 |
| Release of HEFCE capitalised rent | **430** | 876 |
| **Training and Development Agency for schools:-** | | |
| Recurrent grant | **4,141** | 4,107 |
| Other | **546** | 311 |
| | **78,196** | 74,817 |

* 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

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Full-time home and EU students | **38,756** | 33,022 |
| Part-time home and EU students | **6,649** | 5,856 |
| Overseas students | **31,149** | 33,858 |
| | **76,554** | 72,736 |
| Health Authority contract | **12,137** | 11,763 |
| | **88,691** | 84,499 |

## 3. Research grants and contracts

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Research Council | **735** | 1,024 |
| UK based charities | **337** | 266 |
| UK central govt.\health & hospital authorities | **1,498** | 1,666 |
| European Commission | **1,402** | 805 |
| Other grants and contracts | **3,266** | 3,778 |
| | **7,238** | 7,539 |

# NOTES TO THE FINANCIAL STATEMENTS

| | Group 2011 £'000 | Group 2010 £'000 |
|---|---|---|
| **4. Other income** | | |
| Residences, catering and conferences | **13,751** | 12,536 |
| Other income generating activities | **769** | 696 |
| Other grant income | **5,486** | 7,280 |
| Other income | **2,475** | 2,199 |
| | **22,481** | 22,711 |
| **5. Endowment and Investment Income** | | |
| Income from expendable endowments | **3** | 1 |
| Income from permanent endowments | **9** | 4 |
| Income from short term investments | **719** | 1,305 |
| | **731** | 1,310 |

UNIVERSITY of GREENWICH

# NOTES TO THE FINANCIAL STATEMENTS

## 6. Staff

### *(i) Staff Costs*

| | Group 2011 £'000 | Group 2010 £'000 Restated |
|---|---|---|
| Salaries and wages | **71,477** | 68,550 |
| Social Security Costs | **6,056** | 5,735 |
| Other Pension Costs | **10,652** | 10,295 |
| Severance Costs * | **1,037** | 584 |
| | **89,222** | 85,164 |

* Relates to severances occurring in the financial year across schools and offices. These give rise to future operating efficiencies.

| | 2011 No. | 2010 No. |
|---|---|---|
| **Average staff numbers by major category:-** | | |
| Academic | **1,007** | 960 |
| Administrative & technical support | **1,202** | 1,227 |
| Premises | **71** | 81 |
| Residence catering and conferences | **9** | 10 |
| Other | **129** | 102 |
| | **2,418** | 2,380 |

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

| | 2011 | 2010 |
|---|---|---|
| £100,001 - £110,000 | **2** | 3 |
| £110,001 - £120,000 | **3** | 3 |
| £120,001 - £130,000 | **-** | 1 |
| £200,001 - £210,000 | **-** | 1 |
| £220,001 - £230,000 | **1** | - |

Included in 2010 are members of staff whose annual salary falls into one of the above bands but who joined the University part way through the year.

### *(ii) Voluntary severance*

No member of staff earning over £100,000 per annum left the University employment under any voluntary severance arrangement in the course of the financial year (2010: None).

# NOTES TO THE FINANCIAL STATEMENTS

## 6. Staff (continued)

### *(iii) Directors' emoluments and expenses*

The aggregate amount of Directors' emoluments was £492,908 (2010: £496,328). 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 (2009: Seven) are accruing benefits under defined pension schemes, as set out in note 32.

The total expenses paid to Directors during the year was £8,919 (2010: £6,828).

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

| | **2011** | 2010 |
|---|---|---|
| | **£** | £ |
| Salary | **224,652** | 206,270 |
| Taxable car benefit (to 13 October 2009) | **-** | 586 |
| Other | **-** | 35 |
| | **224,652** | 206,891 |
| University superannuation payments:- | | |
| Teachers Pension Scheme - employers contributions | **31,507** | 28,916 |

### *(iv) Directors' loans*

The University operates an interest-free loan scheme, available to all employees, for the purchase of travel season tickets and computers. No Governor in their capacity as an employee received a loan under this scheme during the course of the financial year (2010: none).

## 7. 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.

UNIVERSITY of GREENWICH

# NOTES TO THE FINANCIAL STATEMENTS

## 8. Other operating expenses

| | Group 2011 £'000 | Restated 2010 £'000 |
|---|---|---|
| Fees to other colleges | **15,404** | 16,185 |
| Student recuitment | **3,353** | 2,193 |
| Books and periodicals | **1,854** | 1,938 |
| Consumables and laboratory expenditure | **2,596** | 2,132 |
| Computers, software and IT maintenance contracts | **4,692** | 4,310 |
| Bursaries and scholarships | **3,456** | 2,426 |
| Students union subvention grant | **1,022** | 1,001 |
| Printing, postage and stationery | **1,856** | 2,115 |
| Residence, catering and conference | **9,056** | 8,410 |
| Rents, service charges, rates and insurance | **8,007** | 8,457 |
| Electricity, gas and water | **2,052** | 2,269 |
| Building maintenance and repair | **6,379** | 7,196 |
| Security | **1,898** | 1,777 |
| Cleaning, caretaking and waste management | **1,635** | 1,707 |
| Publicity and advertising | **1,624** | 1,642 |
| Outreach programmes | **1,357** | 1,391 |
| Research and consultancy – reimbursable costs | **2,019** | 1,675 |
| Subcontractors' fees and expenses | **2,008** | 4,591 |
| Telephone and other communication costs | **493** | 520 |
| Legal and professional fees | **782** | 614 |
| Non contracted and agency staff | **1,608** | 1,374 |
| Consultancy fees | **2,060** | 1,427 |
| Staff training / CPD | **1,064** | 1,023 |
| Subscriptions | **870** | 785 |
| Travel and subsistence | **1,553** | 1,428 |
| Transportation | **1,131** | 980 |
| Furniture and equipment | **1,811** | 2,347 |
| Pension increase payment | **389** | 354 |
| Other expenses | **3,800** | 1,088 |
| | **85,829** | 83,355 |

Other operating expenses are stated after charging:-

| | | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| Auditors' remuneratioı | - fees payable to the external auditors for the audit of the financial statements | **58** | 54 |
| | - fees payable to external auditors for other services | **13** | 6 |
| | - fees payable to internal auditors | **76** | 80 |
| | - fees payable to other audit firms | **7** | 6 |
| Rentals under operating leases | - equipment and vehicles | **88** | 74 |
| | - property: campuses | **6,425** | 6,980 |
| | - property: student residences | **376** | 362 |

UNIVERSITY of GREENWICH

# NOTES TO THE FINANCIAL STATEMENTS

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **£** | £ |

## 9. Interest payable

| | **2011 £** | 2010 £ |
|---|---|---|
| Bond interest | **1,375** | 1,532 |
| Finance lease interest - PFI | **1,351** | 1,363 |
| Interest on pension scheme liabilities (net) | **1,891** | 2,738 |
| | **4,617** | 5,633 |

## 10. Pension fund change to CPI

In the previous financial year a gain of £6.989m arose from a change in the FRS17 (Retirement Benefits) actuarial assessment for the London Pension Fund Authority (LPFA) superannuation scheme. Future pensions are now linked to CPI (as against RPI), in line with announced government policy. The resultant reduction in future pensions (because CPI is historically lower than RPI), was regarded as a change in assumption. Thus the related reduction in the pension liability was a gain recognised through the Consolidated Statement of Total Recognised Gains and Losses.

## 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 £11.465 million (2010 - surplus of £10.506 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 2010 | 71,451 | 56,333 | 112 | 602 | 16,896 | 306 | 145,700 |
| Additions at cost | - | - | - | 3,217 | 2,774 | 71 | 6,062 |
| Disposals | - | - | - | - | (3,303) | - | (3,303) |
| **At 31 July 2011** | **71,451** | **56,333** | **112** | **3,819** | **16,367** | **377** | **148,459** |
| **Depreciation** | | | | | | | |
| At 1 August 2010 | (19,462) | (19,872) | (112) | - | (12,524) | (202) | (52,172) |
| Disposals | - | - | - | - | 3,303 | - | 3,303 |
| Charge for year:- | | | | | | | |
| Finance leases | (330) | - | - | - | - | - | (330) |
| Other | (1,201) | (2,496) | - | - | (2,230) | (53) | (5,980) |
| | (1,531) | (2,496) | - | - | (2,230) | (53) | (6,310) |
| **At 31 July 2011** | **(20,993)** | **(22,368)** | **(112)** | **-** | **(11,451)** | **(255)** | **(55,179)** |
| **Net Book Value:-** | | | | | | | |
| Finance leases | 12,365 | - | - | - | - | - | 12,365 |
| Others | 38,093 | 33,965 | - | 3,819 | 4,916 | 122 | 80,915 |
| **At 31 July 2011** | **50,458** | **33,965** | **-** | **3,819** | **4,916** | **122** | **93,280** |
| Finance leases | 12,696 | - | - | - | - | - | 12,696 |
| Others | 39,293 | 36,461 | - | 602 | 4,372 | 104 | 80,832 |
| **At 1 August 2010** | **51,989** | **36,461** | **-** | **602** | **4,372** | **104** | **93,528** |
| Inherited | 7,770 | - | - | - | - | - | 7,770 |
| Financed by capital grants | 22,626 | 14,380 | - | - | 1,293 | - | 38,299 |
| Other | 20,062 | 19,585 | - | 3,819 | 3,623 | 122 | 47,211 |
| **At 31 July 2011** | **50,458** | **33,965** | **-** | **3,819** | **4,916** | **122** | **93,280** |

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 2010 | 71,451 | 56,332 | 112 | 602 | 16,500 | 306 | 145,303 |
| Additions at cost | - | - | - | 3,217 | 2,763 | 71 | 6,051 |
| Disposals | - | - | - | - | (3,303) | - | (3,303) |
| **At 31 July 2011** | **71,451** | **56,332** | **112** | **3,819** | **15,960** | **377** | **148,051** |
| **Depreciation** | | | | | | | |
| At 1 August 2010 | (19,462) | (19,872) | (112) | - | (12,214) | (202) | (51,862) |
| Disposals | - | - | - | - | 3,303 | - | 3,303 |
| Charge for year:- | | | | | | | |
| Finance leases | (330) | - | - | - | - | - | (330) |
| Other | (1,201) | (2,496) | - | - | (2,198) | (53) | (5,948) |
| | (1,531) | (2,496) | - | - | (2,198) | (53) | (6,278) |
| **At 31 July 2011** | **(20,993)** | **(22,368)** | **(112)** | **-** | **(11,109)** | **(255)** | **(54,837)** |
| **Net Book Value:-** | | | | | | | |
| Finance leases | 12,365 | - | - | - | - | - | 12,365 |
| Others | 38,093 | 33,964 | - | 3,819 | 4,851 | 122 | 80,849 |
| **At 31 July 2011** | **50,458** | **33,964** | **-** | **3,819** | **4,851** | **122** | **93,214** |
| Finance leases | 12,696 | - | - | - | - | - | 12,696 |
| Others | 39,293 | 36,460 | - | 602 | 4,286 | 104 | 80,745 |
| **At 1 August 2010** | **51,989** | **36,460** | **-** | **602** | **4,286** | **104** | **93,441** |
| Inherited | 7,770 | - | - | - | - | - | 7,770 |
| Financed by capital grants | 22,626 | 14,380 | - | - | 1,293 | - | 38,299 |
| Other | 20,062 | 19,584 | - | 3,819 | 3,558 | 122 | 47,145 |
| **At 31 July 2011** | **50,458** | **33,964** | **-** | **3,819** | **4,851** | **122** | **93,214** |

# 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 £3.820m 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 of 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 (2010: £330,433). The net book value of these assets was £12,365,174 (2010: £12,695,607).

# NOTES TO THE FINANCIAL STATEMENTS

## 13. Investments

*(i) Investments :-*

| | Group | | University | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Shares in CVCP Properties Plc | **38** | 38 | **38** | 38 |
| Shares and retained profit in associate company | | | | |
| - (NR International Limited) * | **-** | 303 | **-** | 134 |
| | **38** | 341 | **38** | 172 |

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.

* The University disposed of its interest in its associated company (NR International Ltd) on 26 January 2011.

| | University | |
|---|---|---|
| | **2011** | 2010 |
| | **£** | £ |
| **Investment in subsidiaries at cost** | | |
| Greenwich University Enterprises Ltd | **2** | 2 |
| Greenwich Property Ltd | **2** | 2 |
| | **4** | 4 |

# NOTES TO THE FINANCIAL STATEMENTS

## 13. Investments (continued)

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

**Greenwich University Enterprises Ltd**

The University holds 100% of the issued share capital (£1 Ordinary Shares) of Greenwich University Enterprises Ltd which is incorporated in the UK and whose principal activity is the provision of consultancy, management development programmes, and hotel and conference activities. The results for the year ended 31 July 2011 are consolidated in these financial statements with those of the University. Greenwich University Enterprises Ltd has equity shareholding in the following spin off companies:-

(a) 20 ordinary shares (5.6%) in Toximet Limited. (The University acquired 12.5 additional shares on 5 August 2011 increasing its holding to 8.0%).
(b) 200 ordinary shares (20%) in Carbon8 Systems Limited.
(c) 200 Ordinary shares (20%) in Centrion Therapeutics Limited.

**Greenwich Property Ltd**

The University holds 100% of the issued share capital (£1 Ordinary Shares) of Greenwich Property Limited, a company registered in England and operating in the UK. 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 2011 are consolidated in these financial statements with those of the University.

### *(iii) Investment in associated undertakings:-*

**Natural Resources International Ltd**

The University disposed of its interest in NR International Ltd on 26 January 2011 under an agreement for the sale of the company. The proceeds from the disposal were £283,333 which are reflected in these financial statements.

Prior to the disposal the University held 25% of the issued share capital (10 pence Ordinary Shares) in the company. A further 25% of the issued share capital was held by the University of Edinburgh, with Imperial College holding the remainder (50%). The University also held 25% of the issued B share capital, with the remainder held by the University of Edinburgh and Imperial College in the same proportions as that of the 10p ordinary shares.

**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.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. Endowment asset investment

| | Group 2011 £ | 2010 £ |
|---|---|---|
| Balance at 1 August 2010 | **850,545** | 853,013 |
| Net additions/(distributions) | **471,850** | (7,795) |
| Increase in market value of investments | **3,814** | 5,327 |
| Balance at 31 July 2011 | **1,326,209** | 850,545 |
| Represented by: | | |
| COIF income shares | **59,335** | 55,522 |
| Managed funds | **1,266,874** | 795,023 |
| | **1,326,209** | 850,545 |
| Market value of COIF income shares | **59,335** | 55,522 |

UNIVERSITY of GREENWICH

# NOTES TO THE FINANCIAL STATEMENTS

## 15. Endowments

| | Restricted Permanent £'000 | Restricted Expendable £'000 | 2011 Total £'000 | 2010 Total £'000 |
|---|---|---|---|---|
| **Balances at 1 Aug 2010** | | | | |
| Capital | 395 | 56 | **451** | 451 |
| Accumulated Income | 105 | 295 | **400** | 402 |
| | 500 | 351 | **851** | 853 |
| New Endowments | 3 | 608 | **611** | 137 |
| Investment Income | 9 | 3 | **12** | 5 |
| Expenditure | (17) | (134) | **(151)** | (149) |
| Transfers | | | **-** | - |
| | (8) | (131) | **(139)** | (144) |
| Increase in market value | 3 | - | **3** | 5 |
| **At 31 July 2011** | 498 | 828 | **1,326** | 851 |
| Represented by: | | | | |
| Capital | 395 | 56 | **451** | 451 |
| Accumulated Income | 103 | 772 | **875** | 400 |
| | 498 | 828 | **1,326** | 851 |

UNIVERSITY of GREENWICH

# NOTES TO THE FINANCIAL STATEMENTS

## 15. Endowments (continued)

| | Note | 1 August 2010 £ | Income In Year £ | Expenditure In Year £ | **31 July 2011 £** |
|---|---|---|---|---|---|
| Governors' General Reserve | | 150,426 | - | - | **150,426** |
| Named Funds: | | | | | |
| Rochester Bridge Trust | (a) | - | 176,434 | (88,217) | **88,217** |
| William Hills Mechanical Engineering Award | (b) | - | 390,299 | - | **390,299** |
| Prize Funds: | | | | | |
| E. de Barry Barnett Memorial Prize Fund | | 7,104 | 99 | - | **7,203** |
| Garnett Prize Fund | | 21,185 | 294 | (210) | **21,269** |
| Humanities Prize Fund | | 13,085 | 183 | - | **13,268** |
| Coker Prize Fund | | 649 | 9 | (100) | **558** |
| DP Connect – Business School Prize Fund | | 1,763 | 2,025 | (105) | **3,683** |
| John-Hood Williams Prize Fund | | 246 | 3 | - | **249** |
| Francis Duke Prize Fund | | 10,000 | 135 | (500) | **9,635** |
| Tessa Blackstone Prize Fund | | 1,304 | 9,532 | (200) | **10,636** |
| National Association for Primary Education Prize | | - | 1,001 | - | **1,001** |
| Tavistock Law Prize | | - | 751 | - | **751** |
| Bursary Funds and Scholarships: | | | | | |
| University of Greenwich Endowment Fund | | 140,720 | 7,600 | (3,163) | **145,157** |
| Sir William Boreham Bursary Fund | | 4,625 | 2,060 | (3,000) | **3,685** |
| D. Fussey Memorial Choral Exhibition | | 250,000 | 3,458 | (7,271) | **246,187** |
| Admiral Sir John Chambers White Bursary | | 7,598 | 105 | (300) | **7,403** |
| John McWilliam Bursary Fund | | 62,680 | 3,696 | (6,000) | **60,376** |
| Thus PLC Scholarship | | 18,582 | 199 | (6,000) | **12,781** |
| Kathleen Jones Scholarship | | 81,721 | 914 | (28,000) | **54,635** |
| Alan Giles Scholarship | | 12,012 | 168 | - | **12,180** |
| Project Finance & Project Management | | 29,905 | 20,895 | (7,552) | **43,248** |
| Paul Dyer Leadership Fund | | 1,896 | 6,461 | - | **8,357** |
| Zhonghui Luan Scholarship | | 35,044 | 487 | (526) | **35,005** |
| | | 700,119 | 626,808 | (151,144) | **1,175,783** |
| **Total** | | 850,545 | 626,808 | (151,144) | **1,326,209** |

Notes:

(a) The Rochester Bridge Trust has provided funds to meet the cost of the Professor of Bridge and Tunnel Engineering for 2010/11 and 2011/12.

(b) A legacy was received from the late William Hills to provide awards to students on Mechanical Engineering programmes.

# NOTES TO THE FINANCIAL STATEMENTS

| | Group | | University | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **£'000** | £'000 | **£'000** | £'000 |

## 16. Stocks

| | **2011** | 2010 | **2011** | 2010 |
|---|---|---|---|---|
| Raw materials and consumables | **35** | 26 | **35** | 26 |
| | **35** | 26 | **35** | 26 |

## 17. Debtors

| | **2011** | 2010 | **2011** | 2010 |
|---|---|---|---|---|
| ***Due within one year*** | | | | |
| Trade debtors | **4,816** | 4,498 | **4,190** | 4,135 |
| Amounts owed by associated company * | **-** | 440 | **-** | 440 |
| Amounts recoverable under long term contracts | **99** | 108 | **99** | 108 |
| Other debtors | **882** | 711 | **744** | 602 |
| Prepayments & accrued income | **1,177** | 1,223 | **1,177** | 1,216 |
| Amounts due from HEFCE / TDA | **222** | 342 | **222** | 342 |
| | **7,196** | 7,322 | **6,432** | 6,843 |
| ***Due in more than one year*** | | | | |
| Amounts owed by subsidiaries | **-** | - | **31,398** | 30,989 |
| | **7,196** | 7,322 | **37,830** | 37,832 |

* The University disposed of its interest in its associated company (NR International Ltd) on 26 January 2011.

## 18. Investments (current assets)

| | **2011** | 2010 | **2011** | 2010 |
|---|---|---|---|---|
| Equity | **9,755** | - | **9,755** | - |
| Debt service reserve | **2,412** | 2,412 | **2,412** | 2,412 |
| Fixed term and notice bank deposits | **88,130** | 93,011 | **88,130** | 93,011 |
| | **100,297** | 95,423 | **100,297** | 95,423 |

# NOTES TO THE FINANCIAL STATEMENTS

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

| | Group | | University | |
|---|---|---|---|---|
| | | Restated | | Restated |
| | **2011** | 2010 | **2011** | 2010 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Bond | **719** | 675 | **719** | 675 |
| Loan - Salix Ltd | **52** | - | **52** | - |
| Trade creditors | **9,606** | 9,153 | **9,603** | 9,139 |
| Amounts owed to subsidiaries | **-** | - | **11,781** | 10,566 |
| Prepaid long term contract income | **7,229** | 6,808 | **7,229** | 6,808 |
| PAYE and other taxation payable | **2,110** | 2,031 | **2,099** | 2,016 |
| Other creditors | **10,517** | 10,944 | **8,683** | 8,858 |
| Accruals - losses on long term contracts | **620** | 21 | **620** | 21 |
| - others | **10,409** | 7,793 | **8,751** | 6,185 |
| Deferred income | **8,826** | 16,422 | **8,826** | 16,422 |
| | **50,088** | 53,847 | **58,363** | 60,690 |

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

| | Group 2011 £'000 | Group Restated 2010 £'000 | University 2011 £'000 | University Restated 2010 £'000 |
|---|---|---|---|---|
| Bond | **20,400** | 21,119 | **20,400** | 21,119 |
| Finance lease | **14,409** | 14,409 | **-** | - |
| Loan - Salix Ltd | **129** | - | **129** | - |
| Loan - Greenwich Property Limited | **-** | - | **36,600** | 37,822 |
| | **34,938** | 35,528 | **57,129** | 58,941 |
| Others – deferred lease capitalisations | **-** | 38 | **-** | 38 |
| | **34,938** | 35,566 | **57,129** | 58,979 |

# NOTES TO THE FINANCIAL STATEMENTS

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

| | Group | | University | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Analysis of loan repayments** | | | | |
| **Repayable between one and two years** | | | | |
| Bond | **765** | 719 | **765** | 719 |
| Loan - Salix Ltd * | **52** | - | **52** | - |
| | **817** | 719 | **817** | 719 |
| **Repayable between two and five years** | | | | |
| Bond | **2,604** | 2,446 | **2,604** | 2,446 |
| Finance lease | **409** | - | **-** | - |
| Loan - Salix Ltd * | **77** | - | **77** | - |
| | **3,090** | 2,446 | **2,681** | 2,446 |
| **Repayable after five years** | | | | |
| Bond | **17,031** | 17,954 | **17,031** | 17,954 |
| Finance lease | **14,000** | 14,409 | **-** | - |
| Loan - Greenwich Properties Limited | **-** | - | **36,600** | 37,822 |
| | **31,031** | 32,363 | **53,631** | 55,776 |
| | **34,938** | 35,528 | **57,129** | 58,941 |

* The University received a notional loan of £0.2m under HEFCE’s Green Revolving Fund initiative. This is being utilised on sustainability initiatives as part of the University’s carbon reduction commitments (CRC).

**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 Ltd guarantees re-payments of interest and principal, for which guarantee the University paid a premium covering the 30-year period. The University is required to maintain a Debt Service Reserve comprising cash, or cash equivalents, sufficient to meet two scheduled Bond payments. Payments are semi-annual on 31 January and 31 July.

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

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 2011, the market price of the bond as quoted on the Luxembourg Stock Exchange was £110.242 per £100 unit (2010: £104.075 per £100 unit).

# NOTES TO THE FINANCIAL STATEMENTS

## 21. Provisions for liabilities

| | Group and University | | |
|---|---|---|---|
| | Enhanced pensions £'000 | Decontam-ination £'000 | Total £'000 |
| At 1 August 2010 | 2,895 | 976 | 3,871 |
| Revaluation of enhanced pension liability | 1,574 | - | 1,574 |
| Additions in year | 317 | - | 317 |
| Interest charge | 89 | - | 89 |
| Payments in year | (202) | - | (202) |
| **At 31 July 2011** | **4,673** | **976** | **5,649** |

There is a provision of £4.7m 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 2% and resulted in an increase in provision of £1.6m.

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 2010 | 1,306 | 25,017 | - | 11,379 | 37,702 |
| Received in the year | 613 | 2,084 | - | | 2,697 |
| Released to Income & Expenditure Account | (626) | (1,096) | - | (378) | (2,100) |
| **At 31 July 2011** | **1,293** | **26,005** | **-** | **11,001** | **38,299** |

UNIVERSITY of GREENWICH

# NOTES TO THE FINANCIAL STATEMENTS

## 23. Reserves

| | Revaluation Reserve £'000 | Income & Expenditure £'000 | Pension Reserve £'000 | Total Reserves £'000 |
|---|---|---|---|---|
| ***(a) Group*** | | | | |
| At 1 August 2010 | 7,669 | 58,519 | (56,229) | 9,959 |
| Surplus for year | - | 11,487 | - | 11,487 |
| Frs 17 - deficit for year | - | 1,811 | (1,811) | - |
| Equities - loss in market value in year | - | (231) | - | (231) |
| Transfer from reserves re depreciation | (89) | 89 | - | - |
| Actuarial loss on pension scheme | - | - | 4,797 | 4,797 |
| **At 31 July 2011** | **7,580** | **71,675** | **(53,243)** | **26,012** |
| ***(b) University*** | | | | |
| At 1 August 2010 | 7,669 | 58,398 | (56,229) | 9,838 |
| Surplus for year | - | 11,604 | - | 11,604 |
| Frs 17 - deficit for year | - | 1,811 | (1,811) | - |
| Equities - loss in market value in year | - | (231) | - | (231) |
| Transfer from reserves re depreciation | (89) | 89 | - | - |
| Actuarial loss on pension scheme | - | - | 4,797 | 4,797 |
| **At 31 July 2011** | **7,580** | **71,671** | **(53,243)** | **26,008** |

# NOTES TO THE FINANCIAL STATEMENTS

| | Group | | University | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **24. Lease obligations** | | | | |
| The finance lease obligations:- | | | | |
| Due within one year | **-** | - | **-** | - |
| Due between two and five years inclusive | **409** | - | **-** | - |
| Due after five years | **14,000** | 14,409 | **-** | - |
| | **14,409** | 14,409 | **-** | **-** |
| Operating lease payments falling due in the next year:- | | | | |
| **Equipment** | | | | |
| Expiring within one year | **88** | 74 | **88** | 74 |
| Expiring between two and five years inclusive | **204** | 197 | **204** | 197 |
| | **292** | 271 | **292** | 271 |
| **Land and buildings** | | | | |
| Expiring within one year | **72** | 46 | **72** | 46 |
| Expiring between two and five years inclusive | **5,022** | 4,953 | **5,022** | 4,953 |
| Expiring after five years | **1,327** | 1,323 | **1,327** | 1,323 |
| | **6,421** | 6,322 | **6,421** | 6,322 |

## 25. Capital commitments

| | Group 2011 £'000 | Group 2010 £'000 | University 2011 £'000 | University 2010 £'000 |
|---|---|---|---|---|
| Commitments contracted at 31 July 2011 | **1,782** | 141 | **1,782** | 141 |
| Authorised but not contracted at 31 July 2011 | **3,520** | - | **3,520** | - |
| | **5,302** | 141 | **5,302** | 141 |

UNIVERSITY of GREENWICH

# NOTES TO THE FINANCIAL STATEMENTS

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **£'000** | £'000 |

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

| | **2011 £'000** | 2010 £'000 |
|---|---|---|
| Surplus before tax | **11,359** | 10,641 |
| Depreciation *(Note 12)* | **6,310** | 6,109 |
| Deferred capital grants released to income *(Note 22)* | **(2,100)** | (2,103) |
| Release of lease capitalisation | **(430)** | (876) |
| Investment income | **(731)** | (1,310) |
| Interest payable | **2,726** | 2,895 |
| (Increase) / decrease of stocks | **(9)** | 3 |
| Increase in debtors | **(353)** | (234) |
| Increase / (decrease) in creditors | **(3,458)** | (748) |
| Increase / (decrease) in provisions | **1,778** | (66) |
| Share of profit of associated undertaking | **-** | (26) |
| FRS 17 pension adjustment | **1,811** | 2,085 |
| Net cash inflow from operating activities | **16,903** | 16,370 |

## 27. Returns on investments and servicing of finance

| | **2011 £'000** | 2010 £'000 |
|---|---|---|
| Income from endowments | **12** | 5 |
| Interest received | **719** | 1,305 |
| Interest paid - finance leases | **(1,351)** | (1,363) |
| - other | **(1,374)** | (1,532) |
| | **(1,994)** | (1,585) |

## 28. Capital expenditure and financial investment

| | **2011 £'000** | 2010 £'000 |
|---|---|---|
| Purchase of tangible fixed assets | **(5,999)** | (3,091) |
| Deferred capital grants received | **2,697** | 4,517 |
| Endowments received | **611** | 137 |
| | **(2,691)** | 1,563 |

# NOTES TO THE FINANCIAL STATEMENTS

| | Group 2011 £ | Group 2010 £ |
|---|---|---|

## 29. Management of liquid resources

| | 2011 £ | 2010 £ |
|---|---|---|
| Cash transferred to deposits | **4,874** | 10,516 |
| | **4,874** | 10,516 |

## 30. Financing

| | 2011 £ | 2010 £ |
|---|---|---|
| Bond repayment in the year | **674** | 4,592 |
| Loan received in year | **(205)** | - |
| Loan repayment in the year | **26** | - |
| | **495** | 4,592 |

## 31. Analysis of changes in net debt

| | 1 August 2010 £'000 | Cash Flows £'000 | Other Changes £'000 | 31 July 2011 £'000 |
|---|---|---|---|---|
| Cash at bank & deposits repayable | 534 | 6,849 | - | **7,383** |
| Current asset investments | 95,423 | 4,874 | - | **100,297** |
| Debt due within 1 year | (675) | 675 | (768) | **(768)** |
| Debt due after 1 year | (21,117) | 588 | - | **(20,529)** |
| Finance leases | (14,409) | - | - | **(14,409)** |
| Total | 59,756 | 12,986 | (768) | **71,974** |

# 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 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 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 £598,256 (2010: £599,823) payable to the London Pensions Fund Authority in respect of the University's pension contributions on July 2011 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 2011** | 31 July 2010 | 31 July 2009 |
|---|---|---|---|
| | **Nominal % pa** | Nominal % pa | Nominal % pa |
| RPI increases | **3.5%** | 3.2% | 3.6% |
| CPI increases | **2.7%** | 2.7% | n/a |
| Salary increases | **4.5%** | 4.7% | 5.1% |
| Pension increases | **2.7%** | 2.7% | 3.6% |
| Discount rate | **5.3%** | 5.4% | 6.0% |

**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.

| | Males | Females |
|---|---|---|
| Current Pensioners | 20.9 years | 23.9 years |
| Future Pensioners | 22.9 years | 25.8 years |

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

| Asset Class | Expected Return at 31 July 2011 | **Fair Value at 31 July 2011 £'000** | Expected Return at 31 July 2010 | Fair Value at 31 July 2010 £'000 |
|---|---|---|---|---|
| Equities | **6.8%** | **71,222** | 7.3% | 62,762 |
| Target return portfolio | **4.5%** | **11,354** | 4.5% | 10,915 |
| Alternative assets | **5.8%** | **14,451** | 6.3% | 13,644 |
| Cash | **3.0%** | **4,129** | 3.0% | 1,819 |
| Other Bonds | **5.3%** | **2,064** | 5.4% | 1,819 |
| Total | | **103,220** | | 90,959 |

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** | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Present value of scheme liabilities | **(156,463)** | (147,188) |
| Fair Value of Employer Assets | **103,220** | 90,959 |
| Deficit in scheme- Net Pension Liability | **(53,243)** | (56,229) |

| **Analysis of the amount charged to staff costs within operating surplus** | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Current Service Cost | **(5,413)** | (4,799) |
| Employer Contributions | **5,559** | 5,481 |
| Contributions re unfunded benefits | **43** | 42 |
| Losses/(Gains) on Curtailments and Settlements | **(109)** | (71) |
| **Total** | **80** | 653 |

| **Analysis of the amount that is credited to Endowment and Investment Income** | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Interest cost | **8,046** | 8,322 |
| Expected return on Employer assets | **(6,155)** | (5,584) |
| **Net cost** | **1,891** | 2,738 |

| **Analysis of the amount recognised in the statement of Total Recognised Gains and Losses (STRGL)** | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Actual return less expected return on pension scheme deficits | **3,493** | 2,501 |
| Experience gain / (loss) | **14,347** | 374 |
| Changes in assumptions underlying the present value of the scheme liabilities | **(13,043)** | (5,882) |
| FRS 17 Retirement Benefits - change to CPI (from RPI) | **-** | 6,989 |
| **Actuarial gain / (loss) recognised in STRGL** | **4,797** | 3,982 |

# NOTES TO THE FINANCIAL STATEMENTS

## 32. Contributions to Pension Funds (continued)

*London Pension Fund Authority (LPFA) - continued*

| | 2011 | 2010 |
|---|---|---|
| | £'000 | £'000 |
| **Movement in deficit during the year** | | |
| **Deficit at beginning of the year** | **(56,229)** | (58,126) |
| Current service cost | **(5,413)** | (4,799) |
| Employer contributions | **5,559** | 5,481 |
| Contributions in respect of unfunded benefits | **43** | 42 |
| Impact of settlements and curtailments | **(109)** | (71) |
| Net return on assets | **(1,891)** | (2,738) |
| Actuarial gain / (loss) | **4,797** | 3,982 |
| **Deficit at end of year** | **(53,243)** | (56,229) |

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

| | 2011 | 2010 |
|---|---|---|
| | £'000 | £'000 |
| **Opening defined benefit obligation** | **147,188** | 137,172 |
| Current service cost | **5,413** | 4,799 |
| Interest cost | **8,046** | 8,322 |
| Contributions by members | **1,722** | 1,704 |
| Actuarial losses | **(1,787)** | 5,508 |
| Past service (gains) / costs | **-** | (6,989) |
| Losses on curtailments | **109** | 71 |
| Estimated unfunded benefits paid | **(43)** | (42) |
| Estimated benefits paid | **(4,185)** | (3,357) |
| **Closing defined benefit obligation** | **156,463** | 147,188 |

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

| | 2011 | 2010 |
|---|---|---|
| **Opening fair value of employer assets** | **90,959** | 79,046 |
| Expected return on assets | **6,155** | 5,584 |
| Contributions by members | **1,722** | 1,704 |
| Contributions by the employer | **5,602** | 5,523 |
| Contributions in respect of unfunded benefits | **43** | 42 |
| Actuarial gains / (losses) | **3,010** | 2,501 |
| Estimated unfunded benefits paid | **(43)** | (42) |
| Estimated benefits paid | **(4,228)** | (3,399) |
| **Closing fair value of employer assets** | **103,220** | 90,959 |

UNIVERSITY of GREENWICH

# NOTES TO THE FINANCIAL STATEMENTS

## 32. Contributions to Pension Funds (continued)

*London Pension Fund Authority (LPFA) - continued*

| History of Experience Gains and Loss | 2011 £'000 | 2010 £'000 | 2009 £'000 | 2008 £'000 | 2007 £'000 |
|---|---|---|---|---|---|
| **Difference between the expected and actual return on assets** | **4,797** | 3,982 | (24,146) | (10,143) | 3,602 |
| Value of assets | **103,220** | 90,959 | 79,046 | 81,410 | 82,930 |
| Percentage of assets | **(4.6% )** | (4.4%) | 30.5% | 12.5% | (4.3%) |
| **Experience gains on liabilities** | **14,347** | 374 | - | 1,222 | 127 |
| Present value of liabilities | **156,463** | 147,188 | 137,172 | 114,939 | 106,291 |
| Percentage of the present value of liabilities | **9.2%** | 0.3% | - % | 1.1% | 0.1% |
| **Actuarial gain / (loss) recognised in STRGL** | **4,797** | 3,982 | (24,146) | (10,143) | 12,114 |
| Present value of liabilities | **156,463** | 147,188 | 137,172 | 114,939 | 106,291 |
| Percentage of the present value of liabilities | **3.1%** | 2.7% | (17.6%) | (8.8%) | 11.4% |

**Analysis of projected amount to be charged to operating profit for the year to 31 July 2012:-**

| | Year to 2012 £'000 | |
|---|---|---|
| **Estimated current service cost & total operating charge** *(A)* | **5,260** | |
| Expected return on employer assets | **6,520** | |
| Interest on pension scheme liabilities | **(8,366)** | |
| **Net return** *(B)* | **(1,846)** | |
| **Expected net I&E account cost** *(A – B)* | **7,106** | * |

* Includes employer contributions of £5,762k.

# 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 2011 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 £4.673m (2010: £2.895m) 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:-

| | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Contributions to TPS | **5,106** | 4,834 |
| Contributions to USS | **78** | 67 |
| Contributions to LPFA | **5,468** | 5,394 |
| Total pension costs **(note 6)** | **10,652** | 10,295 |

# NOTES TO THE FINANCIAL STATEMENTS

## 33. Taxation

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| **UK corporation tax on the profits of** | | |
| Greenwich University Enterprises Ltd | **11** | 15 |
| Greenwich Property Ltd. | **-** | - |
| | **11** | 15 |

## 34. Contingent liabilities

The University is a member of U.M. Association (Special risks) Ltd, a mutual association of 109 higher education institution for insuring against terrorism risk. The association has a reserve fund of £15m, an internal loan facility of £15m from member institutions, and a £1bn aggregate layer of "excess" cover obtained through the Lloyds Market. Institutions pay advance contributions based on the value of their property and geographical location. No claims from the University of Greenwich have been made on UMSR since it was formed in 1993.

## 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 an specific exemption allowed by FRS 8 (Related Party Disclosures).

*(ii) Associated companies*

In the course of the financial year the University traded with Natural Resources International Ltd, 25% of whose share capital was owned by the University up to the disposal of its interest on 26 January 2011. The value of work performed by the University for the company was £0.251m (2010: £0.400m). The University sold no services to the company but seconded one member of its staff (2010: one) to it at a cost of £0.043m (2010: £0.065m).

*(iii) Other matters*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 36. HEFCE – Student support funding

| | Rec'd In Year £'000 | Interest Earned £'000 | Disbursed £'000 | 31 July 2011 £'000 | 31 July 2010 £'000 |
|---|---|---|---|---|---|
| Access to learning fund | 717 | 1 | (552) | 166 | 101 |
| PGCE TT Bursaries | 378 | - | (357) | 21 | 28 |
| | 1,095 | 1 | (909) | 187 | 129 |

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. Training and development agency for schools

| | Rec'd In Year £'000 | Disbursed £'000 | 31 July 2011 £'000 | 31 July 2010 £'000 |
|---|---|---|---|---|
| ***ITT trainee funding*** | | | | |
| Training bursaries | 1,803 | (1,981) | (178) | 44 |
| Student associate scheme | 248 | (63) | 185 | 204 |
| | 2,051 | (2,044) | 7 | 248 |

TDA student support funding is available solely for students with 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 | |
|---|---|---|---|---|
| | | Restated | | Restated |
| | **2011** | 2010 | **2011** | 2010 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Financial assets | | | | |
| Available for sale financial assets | **11,119** | 1,192 | **11,119** | 1,023 |
| Loans and receivables | | | | |
| Receivables (excludes prepayments) | **6,021** | 6,126 | **5,255** | 5,654 |
| Amounts owed by subsidiaries | **-** | - | **31,398** | 30,989 |
| Cash and cash equivalents | **97,925** | 95,957 | **97,819** | 95,838 |
| | **115,065** | 103,275 | **145,591** | 133,504 |
| Financial liabilities at amortised cost | | | | |
| Trade & other payables (excludes deferred income) | **22,233** | 22,128 | **32,165** | 30,579 |
| Loan - Salix Ltd | **181** | - | **181** | - |
| Bond | **21,119** | 21,794 | **21,119** | 21,794 |
| Loan - Greenwich Properties Ltd | **-** | - | **36,600** | 37,822 |
| | **43,533** | 43,922 | **90,065** | 90,195 |

UNIVERSITY of GREENWICH

# 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 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** |
| As at 31st July 2010 | | | | |
| In one year or less or on demand | - | 22,128 | 2,050 | 1,569 |
| In more than one year but not more than two years | - | - | 2,050 | 1,616 |
| In more than two years but not more than five years | - | - | 6,151 | 5,354 |
| In more than five years | - | - | 26,657 | 23,088 |
| | - | 22,128 | 36,908 | 31,627 |

***(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 2011 | | | | |
| Accommodation | 250 | 250 | - | - |
| Commercial | 4,266 | 4,255 | 11 | - |
| Tuition | 300 | 300 | - | - |
| | **4,816** | **4,805** | **11** | **-** |
| As at 31st July 2010 | | | | |
| Accommodation | 300 | 300 | - | - |
| Commercial | 2,879 | 2,546 | 333 | - |
| Tuition | 1,319 | 1,319 | - | - |
| | 4,498 | 4,165 | 333 | - |

Commercial debtors not past due, net of bad debt provision, are £1,484k (2010: £1,698k).

# 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 2011** | | | As at 31 July 2010 Restated | | |
|---|---|---|---|---|---|---|
| | **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 | **59** | **-** | **-** | 56 | - | - |
| Managed Funds | **1,267** | **Floating** | 0.40% | 795 | Floating | 0.40% |
| Equity | **9,755** | **-** | **-** | - | - | - |
| **Cash and equivalents** | | | | | | |
| Debt service reserve | **2,412** | **Fixed** | **1.71%** | 2,412 | Fixed | 1.71% |
| Fixed term & notice bank deposits | | | | | | |
| Sterling | **88,130** | **Floating** | - | 93,011 | Floating | - |
| US Dollar | **-** | **-** | - | - | - | - |
| Cash at bank | **7,383** | **-** | - | 534 | - | - |
| | **109,006** | | | 96,808 | | |
| **Financial liabilities** | | | | | | |
| Loan - Salix Ltd | **181** | **-** | **-** | - | - | - |
| Bond | **21,119** | **Fixed** | **6.97%** | 21,794 | Fixed | 6.97% |
| Finance lease | **14,409** | **Fixed** | **8.00%** | 14,409 | Fixed | 8.00% |
| | **35,709** | | | 36,203 | | |

# 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 2.9% 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 | |
|---|---|---|---|---|
| | | Restated | | Restated |
| | **2011** | 2010 | **2011** | 2010 |
| **Currency** | **£'000** | £'000 | **£'000** | £'000 |
| Sterling | **107,186** | 99,053 | **57,942** | 58,331 |
| EURO | **4,058** | 2,099 | - | - |
| US $ | **3,774** | 2,117 | - | - |
| Other | **47** | 6 | - | - |
| | **115,065** | 103,275 | **57,942** | 58,331 |

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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2008

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D6090-11 December 11