

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

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

## **REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2002**

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## OFFICERS AND PROFESSIONAL ADVISERS

Chancellor	The Lord Holme of Cheltenham CBE
Pro Chancellor and Chairman	Mr C.R.H. Bull
Vice-Chancellor	Prof. R.H. Trainor
Secretary & Clerk to the Court	Mr J.M. Charles (retired 31.08.01) Mrs L. Cording (appointed 01.09.01)
External Auditors	RSM Robson Rhodes Chartered Accountants and Registered Auditors Bryanston Court, Selden Hill Hemel Hempstead HP2 4TN
Internal Auditors	Deloitte & Touche Hill House 1 Little New Street London EC4A 3TR
Bankers	Barclays Bank PLC Maidstone Corporate Banking Centre P.O. Box No 427 40/46 High Street Maidstone Kent ME14 1TW
Solicitors	Stephenson Harwood One St. Paul's Churchyard London EC4M 8SH

## MEMBERS OF THE COURT

The following persons served as Governors during the year ended 31 July 2002. In the case of those who became or ceased to be governors during the year, the appropriate dates are shown.

	Appointed	Resigned
<b>Article 7(1) – Vice-Chancellor</b>		
Prof R.H. Trainor (ex-officio)		
<b>Article 7(2)a – Independent Members</b>		
Mr S Atkinson	01.09.01	
Mr R J Baglin	01.09.01	
Mr T C Baker		31.08.01
Mr C R H Bull		
Ms F Crook		
Mrs G D duCharme		
Mr J R H Loudon	01.09.01	
Mrs A-M S Nelson		
Mr I R Price		
Dr D Quarmby		
Dr C St John-Brooks		
<b>Article 7(2)b – Academic Council Members</b>		
Dr D Chambers		
Prof M Everett	15.10.01	
Mr E P Stigant		31.08.01
<b>Article 7(2)c – Student Members</b>		
Miss C Phippen	01.08.01	
<b>Article 7(2)d – Co-opted Members</b>		
Dr L Garner		
Mr J C Gould		
Mrs M McKinlay		
Mr P E Oldham		
Mr D Pointer		

## REPORT OF THE GOVERNORS (AS DIRECTORS) FOR THE YEAR ENDED 31 JULY 2002

### INTRODUCTION

#### 1. Constitution and Activities

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

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

#### 2. Mission and Objectives

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

The institutional objectives are:

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

#### 3. Strategic Framework

During the year to July 2002 the University implemented its new academic structure as had been agreed in the previous year and began a review of the administrative organisation in order to ensure a framework which is customer focussed, effective and efficient. Appointments were made to the headships of new Schools and first steps in the Student Initiative Experience were taken to provide an enhanced academic experience and to improve the success rate of the students.

A new Corporate Plan for the period 2002-2007 was approved by the Court in July 2002.

In the development of the plan, a new mission statement and objectives were identified. The focus was on the issues raised in the strategy documents agreed in session 2000-01 and around the theme of nurturing excellence in all that we do. The University is now working towards fulfilling these objectives in the coming five years.

The relocation of staff from campuses at Dartford and the Woolwich Island Site was completed towards the end of the year. The Dartford Campus was sold to North West Kent College, although the Zethus Centre and the University's print room remain on that campus for the time being. The School of Architecture and Construction was successfully moved from Dartford to the Avery Hill Campus.

## REPORT OF THE GOVERNORS (AS DIRECTORS) FOR THE YEAR ENDED 31 JULY 2002

The University's Natural Resources Institute, after significant staff reductions in line with current levels of research and consultancy income, has established a new structure concentrating on areas of significant staff expertise. New financial controls have been put in place and there are early signs of improvement.

The University was pleased that once again we met our target home student numbers. Student recruitment and retention is a core function of the University and continuous improvement in this key area helps us to meet several of our objectives, as well as ensuring a sound financial base on which to build.

At the same time, we have greatly increased recruitment of overseas students. The numbers of countries from which we attract students adds a welcome international dimension to our student body and promotes contact with the University of Greenwich all round the world.

### 4. Academic Portfolio

The academic portfolio has continued to be revised to ensure that it responds to student aspirations and the needs of employers. Collaboration with the University of Kent to work together on the University's campus at Medway will allow further development of the academic programmes.

The University continues to place great emphasis on the Government's Widening Participation Agenda and to encourage students from communities and socio-economic groups who have traditionally not taken up the opportunities in higher education. The flexibility of the University's programmes allows students to move between full time and part time mode as the need arises, and this allows many students to maintain their places in higher education while also working to support themselves.

### 5. Research, Consultancy and Advanced Professional Practice.

Research continues to be an important part of the University's work and increasingly underwrites the academic venture through the links between curriculum development and research activity. Although the amount of HEFCE (Higher Education Funding Council for England) Research allocation for the coming year 2002/03 is disappointing because of the highly selective funding regime adopted by the HEFCE, a selective approach to the internal allocation of the funding available will be applied. The Vice-Chancellor conducted a review of research with the involvement of external assessors. The implementation of the recommendations will take place in the course of the coming year.

The School of Computing and Mathematical Sciences was delighted with the British Computer Society Award to Professor Galea and his team for their development of Exodus, a specifically written software application to support the design of evacuation routes and model people evacuation flows.

The University continued to work with businesses to assist in promoting economic regeneration within its regions. Links were forged with a number of regeneration areas and in particular those relating to the Thames Gateway and the Greenwich Peninsula Development. Links with businesses have been enhanced and the University is pleased to be able to assist local companies to improve their effectiveness.

### 6. Academic standards

During the 2001-02 academic year, the University implemented a new academic structure. The demise of the previous faculty structure and the establishment of ten new Schools and 42 departments is intended to create a stronger approach to quality and standards. A new Learning and Quality Office headed by a University Director of Learning and Quality was also established. The new structure emphasises the crucial role played by Schools and their staff in both the quality and quality assurance of what they do.

## REPORT OF THE GOVERNORS (AS DIRECTORS) FOR THE YEAR ENDED 31 JULY 2002

### 6. Academic standards (cont'd)

During the year two QAA Subject Review reports were published relating to the university's provision in Hospitality, Leisure, Recreation, Sports and Tourism and also Philosophy, Politics and Religious Studies. Both areas were successfully approved. The QAA also audited the University's links with Systematic College in Malaysia and declared it itself to be confident of the academic standards of the programme being delivered there.

### CURRENT AND FUTURE DEVELOPMENTS

7. The University completed its restoration of the buildings on its Maritime Greenwich Campus. At the year end the Dartford campus was sold to North West Kent College. These moves confirmed the University's position of three main campuses i.e. Greenwich Maritime, Medway and Avery Hill.

There are plans for future developments at Medway (in partnership with the University of Kent), as well as some development in facilities at Avery Hill campus over the summer of 2002.

### SCOPE OF THE FINANCIAL STATEMENTS

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

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

### 9. Results for the Year

The Group results for the year ended 31 July 2002 are summarised as follows:-

Historic cost surplus/(deficit)	2002 £000	2001 £000
University	5,716	(10,362)
UGMT Ltd	(84)	30
Greenwich Property Ltd	(2,081)	682
CCLR		0
Group historical cost deficit	<u>3,551</u>	<u>(9,650)</u>

As recorded elsewhere, during the year the University completed the sale of its Dartford campus. The profit on disposal is treated as an exceptional item.

## REPORT OF THE GOVERNORS (AS DIRECTORS) FOR THE YEAR ENDED 31 JULY 2002

The value of the HEFCE, TTA and Health contracts depend largely on the number of students for the year, and these are summarised as follows:-

	2001/2002		2000/2001	
	<u>Full-time</u>	<u>Part-time</u>	<u>Full-time</u>	<u>Part-time</u>
HEFCE funded	8,669	5,646	8,951	5,388
TTA funded	519	204	612	187
Health contract	731	771	691	846
Overseas (non EU)	1,658	269	1,218	231
Others	66	62	93	33
Eu Soc Fund	-	103	-	-
	<u>11,643</u>	<u>7,055</u>	<u>11,565</u>	<u>6,685</u>
Total		<u>18,698</u>		<u>18,250</u>

### 10. Financial Instruments

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

The powers of the University to raise funds, and enter into hedging arrangements, are controlled not only by the University's Memorandum of Association, but also by a Financial Memorandum with HEFCE, and the Charities Acts.

Powers to invest surplus funds are restricted by the Trustee Investments Act 1961, and by regulations of the University's Finance & Estates Committee. Year-end cash and investments totalled £21m including £1.9m required to be retained in a separate charged account under the terms of the Bond. The University adopts a cautious investment policy for surplus funds, with deposits limited by amount and maturity across financial institutions with a minimum investment rating of AA. No funds are held with maturity 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.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

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

### 11. Liquidity risk

Under the terms of the Bond, the Group is required to maintain a ratio of current assets to current liabilities at not less than 1:1. It is also required to retain 12 months of Bond servicing cost, (currently £1.9m), in a charged account and to maintain a minimum cash balance of £4m up to 2002, increasing to £5m in 2003.

## REPORT OF THE GOVERNORS (AS DIRECTORS) FOR THE YEAR ENDED 31 JULY 2002

### 11. Liquidity risk (cont'd)

The Group's total debt at 31 July 2002 was £48.4m, of which £28.3m represents the Bond on which interest only is payable up to 2003; £15.2m represents a PFI debt repayable in 2026, and £4.9m is debt inherited from a Local Education Authority, the debt servicing of which is currently re-imbursable by HEFCE. At 31 July 2002, the maturity profile of borrowings (all of which were long term) shows an average maturity of 25 years. It is calculated that 2% is repayable in 1 to 2 years, 7% in 2 to 5 years and 91% in more than 5 years.

In addition to its known financial liabilities, the Group is in dispute with the Inland Revenue in respect of a withholding tax in respect of payments to a developer under a PFI scheme. The Group will appeal against any assessments.

### 12. Foreign Currency Risk

About 1.5% of the Group's business is research and consultancy contracts with the European Commission, World Bank and similar bodies. These contracts are fixed in terms of Euros or US\$, but expended in various currencies. The Group's policy is to minimise currency exposures on contracts by building a contingency into contract pricing and for any subcontracting to be priced in the currency of the contract. All other turnover is denominated in sterling.

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

### 13. Interest rate risk

10% of the Group's borrowings are at variable rates of interest, but relate to the debt inherited from a Local Education Authority, and therefore currently re-imbursable by HEFCE. The balance of 90% is at fixed interest rates, of which 59% relates to the 30 year bond with 31% being in respect of the PFI arrangement. The Group has limited powers to enter into interest rate swaps for its borrowings and does not propose to enter into any such arrangements at the present time.

## DIRECTORS

14. All the Governors of the University are Directors of the Company. Details of all Directors during 2001/02 are set out on page 3. No Director had any interest in any contract made by the University during the financial year, other than a contract of employment as a member of staff.

## EMPLOYMENT AND STAFF DEVELOPMENT POLICY

15. The University is committed to the promotion of equal opportunities for all staff and applicants and recognises the need for positive action to redress inequalities. Monitoring of staff by gender and ethnicity has continued to take place under the auspices of the Equal Opportunities Committee and a range of measures has been undertaken to address imbalances in particular areas.

## REPORT OF THE GOVERNORS (AS DIRECTORS) FOR THE YEAR ENDED 31 JULY 2002

### 15. (cont'd)

The University has made a formal commitment to achieve the "Investors in People" standard. It therefore aims to support and facilitate the development of all staff in order to achieve their full potential and to enhance the organisation's capacity to meet its mission and objectives. Each member of staff is responsible for his/her own staff development and the University sustains this process through annual staff appraisal, through locally arranged staff development at the level of each School or Department and through centrally facilitated programmes.

The University reviews training and staff development needs both centrally and locally as part of the corporate planning process. It annually assesses investment in training and development to ensure success and to seek continuous improvement.

### DISABILITY POLICY

16. The University operates in accordance with the requirements of the Disability Discrimination Act 1995, and practises the concept of "reasonable adjustment" enshrined in the Acts in considering applications for employment from people with a disability.

### EMPLOYEE INVOLVEMENT

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

Once again the Vice-Chancellor held meetings with staff at each campus during the course of the year to keep staff up to date with strategic issues, and also had regular meetings with representatives of campus trade unions.

### AUDITORS

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

On behalf of the Court

L Cording  
Secretary

## CORPORATE GOVERNANCE

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

The University Court comprises lay persons and staff and students appointed according to the Articles of Association. Other than the Vice-Chancellor all are non executive. The University is a company limited by guarantee and the Governors are legally Directors of the Company. The specific powers and responsibility of the Court are set out in the Articles of Association and in the Financial Memorandum with the Higher Education Council for England.

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

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

The Court appoints Independent and Co-opted Governors following recommendations by the Nominations Committee. There is a majority of Lay members in Court.

All terms of office, with the exception of that of the Vice-Chancellor and the student nominee, are for 3 years which can be renewed.

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

The Court meets at least 4 times a year and has formally constituted Committees including Finance and Estates, Staffing and General, Nominations, Remuneration and Audit. All of these Committees are formally constituted with terms of reference and membership approved by Court. Membership of these Committees is given on the following pages.

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

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

The Nominations Committee considers the appointment of Independent and Co-opted Governors and the Remuneration Committee determines the annual remuneration of the Vice-Chancellor, Pro Vice Chancellors and University Secretary. Remuneration of other staff is considered by the Staffing and General Committee.

The Audit Committee meets at least three times annually and receives reports from HEFCE's Audit Service as they affect the University's business and monitors adherence with the regulatory requirements. The Committee meets at least once a year with the External Auditors for their own independent discussions. The Committee also regularly meets independently with the Internal Auditors.

The Director of Finance, and the University Secretary, who acts as the Secretary to the Committee, attend meetings of the Audit Committee and have direct and independent access to the members of that Committee.

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

All Committees of the Court submit their minutes and recommendations to the Court. The Audit Committee also provides an annual report on its activities, which is sent to the HEFCE Chief Auditor. The Vice-Chancellor provides an oral report on the University's activities at each Court meeting and Senior Officers are present to expand on their reports and answer any other questions. The Court has an annual meeting in which strategy is reviewed and the Court formally approves the University's corporate plan and implementation plan. The Court maintains the Register of Interests of its members which is updated annually.

## CORPORATE GOVERNANCE

The Court has approved a Risk Management Policy and Risk Register during the course of session 2001-02. A fully developed Risk Management Strategy will be presented to the Court at its December 2002 meeting. The Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that financial statements are prepared in accordance with the HEFCE Accounts Direction and Statement of Recommended Practice (SORP) – Accounting for Further and Higher Education, and other relevant accounting standards. In accordance with the terms and conditions of the Financial Memorandum agreed with the Higher Education Funding Council for England, the University prepares financial statements for each financial year which will give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

### MEMBERSHIP OF COURT COMMITTEES 2001-2002

<b>Pro-Chancellor's Advisory Group</b>	Chris Bull	(Chairman)
	Trevor Baker	(resigned 31.08.01)
	Frances Crook	
	John Gould	(w.e.f. 01.09.01)
	Anne-Marie Nelson	
<b>Audit</b>	Trevor Baker	(Chairman : resigned 31.08.01)
	John Gould	(Chairman from 01.09.01)
	Simon Atkinson	(w.e.f. 20.03.02)
	Richard Baglin	(w.e.f. 01.09.01)
	Caroline St John-Brooks	
	Tim Kiddy	(not a member of the Court)
<b>Finance &amp; Estates</b>	Anne-Marie Nelson	(Chairman)
	James Loudon	
	Mary McKinlay	
	Paul Oldham	
	Roger Price	
	David Quarmby	
	Rick Trainor	
<b>Nominations</b>	Chris Bull	(Chairman)
	David Chambers	(w.e.f. 01.09.01)
	Frances Crook	
	Anne-Marie Nelson	
	Paul Stigant	(resigned 31.08.01)
	Rick Trainor	
<b>Remuneration</b>	Anne-Marie Nelson	(Chairman)
	Trevor Baker	(resigned 31.08.01)
	Chris Bull	
	Frances Crook	
	John Gould	(w.e.f. 01.09.01)
	Rick Trainor	
<b>Staffing &amp; General</b>	Frances Crook	(Chairman)
	Simon Atkinson	(w.e.f. 01.09.01)
	Richard Baglin	(w.e.f. 01.09.01)
	Trevor Baker	(resigned 31.08.01)
	Gillian duCharme	
	John Gould	
	Caroline St John-Brooks	
	Rick Trainor	

## INTERIM STATEMENT ON INTERNAL CONTROL

1. As the Governing Body of the University of Greenwich, the Court has the responsibility for maintaining a sound system of internal control which supports the achievement of the University's agreed policies, aims, and objectives, while safeguarding the public and other funds and assets for which the Court is responsible.
2. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve objectives.
3. The system of internal control is based on a continual process designed to identify the principal risks facing the University, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. The University has procedures in place, which we believe are necessary to provide a full statement on internal control for the financial year 2002-03. We recognise however that it will take some time to embed the process which has been approved. It is our intention to review the process on a continuing basis in order to improve its implementation.
4. We have undertaken the following actions to initiate our Risk Management Strategy:
  - (a) established a Court approved risk management policy
  - (b) initiated the development of risk management strategy
  - (c) agreed that the principal management responsibility for risk management rests with the Vice-Chancellor's Group
  - (d) established a Risk Management Working Party which identified the University's strategic risks and is in the process of determining a control strategy for the significant risks
  - (e) agreed that the Risk Management Working Group, which is chaired by the University Secretary, will monitor the implementation of the policy on behalf of the Vice-Chancellor's Group
  - (f) agreed that the Audit Committee will provide advice on the effectiveness of the establishment and implementation of risk management
  - (g) confirmed that internal audit which is responsible for some aspects of the effectiveness of the internal control systems will continue to conduct its audit planning arrangements in a risk based manner.
5. Regular meetings of the various groups involved will allow internal control to be considered on a regular basis during the year 2002-03 so that there will be a full risk and control assessment before reporting on the year ending 31<sup>st</sup> July 2003. Risk Management will be incorporated more fully into the corporate planning and decision making processes of the University during the year.
6. The Court receives regular reports from the Chairman of the Audit Committee concerning internal control and will receive regular reports from managers on the steps being taken to manage risks in their areas of responsibility.
7. Following initial publication of the University's Risk Management Policy further work is being undertaken to widen the basis of the framework and to bring about more consistency in the way in which the University treats risks.
8. In addition the University plans to:
  - (a) arrange a programme of workshops as part of the Human Resources strategy
  - (b) identify and keep up to date a risk register
  - (c) establish key performance and risk indicators to enable the University to ensure that it is meeting its objectives
  - (d) continue to develop an organisation wide risk register
  - (e) receive reports from budget holders on internal control activities.

## **INTERIM STATEMENT ON INTERNAL CONTROL (Cont'd)**

9. The University employs Deloitte & Touche as Internal Auditors. The Internal Auditors operate within the standards defined in the HEFCE Audit Code of Practice which was last reviewed for effectiveness by the HEFCE in April 2002. The Internal Auditors submit to the Audit Committee, regular reports which include their independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.
10. The recommendations are maintained in a database and the implementation of the recommendations is regularly reported to the Audit Committee.
11. The Court's review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors, the senior managers who are responsible for the development and maintenance of the internal control framework and by comments and opinions of both Internal and External Auditors.

## RESPONSIBILITIES OF THE COURT OF THE UNIVERSITY OF GREENWICH

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

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

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Court is satisfied that the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Court has also taken reasonable steps to:

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

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic schools and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;

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

- 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 and Estates Committee and Court;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

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

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

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

We have audited the financial statements of The University of Greenwich for the year ended 31 July 2002, which comprise the income and expenditure account, the balance sheet, the cashflow statement, the statement of total recognised gains and losses and the related notes.

These financial statements were prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out therein.

### **Respective responsibilities of Members of the Court and auditors**

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

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

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you whether, in our opinion monies expended out of funds from whatever source administered by the University for specific purposes were properly applied for those purposes and where relevant managed in accordance with appropriate legislation and whether monies expended out of funds provided by the Higher Education Funding Council or the Teachers Training Agency were applied in accordance with the financial memorandum and any other terms and conditions attached to them.

We also report to you if, in our opinion, the Report of the Governors (as Directors) is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

### **Basis of audit opinion**

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

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the University of Greenwich and the group at 31 July 2002 and of the group's deficit for the year then ended.

In our opinion, in all material respects, funds from whatever source administered by the University for specific purposes were properly applied for the intended purposes and, where relevant, managed in accordance with appropriate legislation for the year ended 31 July 2002.

In our opinion, in all material respects, funds provided by the Higher Education Funding Council for England and the Teacher Training Agency were applied in accordance with the financial memorandum and any other terms and conditions attached to them for the year ended 31 July 2002.

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

9 December 2002

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### 1. Basis of Preparation and Accounting

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

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

### 2. Basis of Consolidation

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

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

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

### 3. Recognition of Income

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

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

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

### 4. 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.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 5. Fixed Assets

#### a. Land and Buildings

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

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

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

#### b. Equipment

Equipment costing less than £6,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

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

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

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

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 6. 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.

### 7. Education Reform Act 1988

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

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

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

### 8. Investments

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

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

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

### 9. Stocks and Work in Progress

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

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 10. Private Finance Initiative

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

### 11. 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.

### 12. 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.

### 13. 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.

### 14. Taxation

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

### 15. Pensions

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

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT YEAR ENDED 31 JULY 2002

	Note	2002 £000	2001 £'000
<b>Income</b>			
Funding Council Grants	1	46,540	44,537
Tuition Fees and Education Contracts	2	30,845	27,520
Research Grants and Contracts	3	9,118	7,560
Other Income	4	19,152	17,311
Total Income		<u>105,655</u>	<u>96,928</u>
<b>Expenditure</b>			
Staff Costs	5	53,414	55,293
Reorganisation Costs	7	2,555	6,753
Depreciation	14(a)	3,664	3,520
Other Operating Expenses	8	47,200	45,680
Total Expenditure		<u>106,833</u>	<u>111,246</u>
<b>Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before tax</b>		(1,178)	(14,318)
Exceptional items	9	658	1,383
Profit on disposal of assets	10	2,965	2,073
<b>Surplus\deficit) on continuing operations after depreciation of tangible fixed Assets at valuation and disposal of assets and before interest and tax</b>		2,445	(10,862)
Share of profits of associated undertaking		25	10
Interest Receivable	11	575	1,084
Interest Payable	12	(3,635)	(3,652)
<b>Deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets and interest but before tax</b>		(590)	(13,420)
Taxation		-	-
<b>Deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets, interest and tax</b>		<u>(590)</u>	<u>(13,420)</u>

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

**NOTE OF HISTORICAL COST SURPLUS  
YEAR ENDED 31 JULY 2002**

	<b>2002 £'000</b>	<b>2001 £'000</b>
Deficit after Depreciation of Assets at Valuation on continuing operations and before tax	(590)	(13,420)
Difference between historical cost depreciation and the actual Charge for the period calculated on the re-valued amount	349	349
Realisation of property revaluation gains of previous years	3,792	3,421
<b>Historical cost surplus\deficit) before tax</b>	<u>3,551</u>	<u>(9,650)</u>
Taxation	0	0
<b>Historical cost surplus\deficit) after tax</b>	<u><u>3,551</u></u>	<u><u>(9,650)</u></u>

**STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 JULY 2002**

	Note	2002 £'000	2001 £'000
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets, and tax		(590)	(13,420)
Investments – movements on endowment funds		63	153
Capital reserve created in respect of loan repayments Reimbursed by HEFCE		136	127
Disposal – subsidiary company		-	85
<b>Total recognised gains\losses) relating to the period</b>		<u>(391)</u>	<u>(13,055)</u>
<b>Reconciliation:-</b>			
Opening reserves and endowments		21,613	34,668
Total recognised gains\losses) for the year		(391)	(13,055)
Closing reserves and endowments		<u>21,222</u>	<u>21,613</u>

**BALANCE SHEET  
AS AT 31 JULY 2002**

	Note	Group		University	
		2002 £'000	2001 £'000	2002 £'000	2001 £'000
<b>Fixed Assets</b>					
Tangible Assets	14	77,927	73,083	77,912	73,032
Investments	15	207	182	207	182
		<u>78,134</u>	<u>73,265</u>	<u>78,119</u>	<u>73,214</u>
<b>Endowment Asset Investments</b>	16\17	<u>497</u>	<u>434</u>	<u>497</u>	<u>434</u>
<b>Current Assets</b>					
Properties in the course of disposal		355	7,050	355	7,050
Stocks	18	21	44	21	34
Debtors	19	7,463	9,165	30,783	31,541
Investments	20	19,478	8,119	19,440	8,075
Cash at Bank and in Hand		1,583	3,461	1,380	2,994
		<u>28,900</u>	<u>27,839</u>	<u>51,979</u>	<u>49,694</u>
<b>Creditors: Amounts falling due within one year</b>	21	(23,781)	(20,783)	(20,940)	(20,237)
<b>Net Current Assets</b>		<u>5,119</u>	<u>7,056</u>	<u>31,039</u>	<u>29,457</u>
<b>Total Assets less Current Liabilities</b>		83,750	80,755	109,655	103,105
<b>Creditors: Amounts falling due after more than one year</b>	22	(49,094)	(49,618)	(72,325)	(71,459)
<b>Provision for Liabilities &amp; Charges</b>	23	(4,194)	(4,019)	(4,194)	(4,019)
<b>Net Assets</b>		<u>30,462</u>	<u>27,118</u>	<u>33,136</u>	<u>27,627</u>
<b>Deferred Capital Grants</b>	24	<u>9,240</u>	<u>5,505</u>	<u>9,240</u>	<u>5,505</u>
<b>Endowments</b>					
General	16\17	159	159	159	159
Specific		338	275	338	275
		<u>497</u>	<u>434</u>	<u>497</u>	<u>434</u>
<b>Reserves</b>					
Revaluation Reserve	25	10,409	14,550	10,409	14,550
Income & Expenditure Account		10,316	6,629	12,990	7,138
		<u>20,725</u>	<u>21,179</u>	<u>23,399</u>	<u>21,688</u>
<b>Total Funds</b>		<u>30,462</u>	<u>27,118</u>	<u>33,136</u>	<u>27,627</u>

*The Financial Statements on pages 18 to 56 were approved by the Court on 9 December 2002 and signed on its behalf by:-*

C.R.H. Bull  
Pro Chancellor

R.H. Trainor  
Vice-Chancellor

**CONSOLIDATED CASH FLOW STATEMENT  
YEAR ENDED 31 JULY 2002**

	Note	2002 £'000	2001 £'000
<b>Net Cash Inflow From Operating Activities</b>	28	<u>8,300</u>	<u>(3,198)</u>
<b>Returns on investments and servicing of finance</b>			
Income from Endowments		9	9
Interest received		575	1,082
Interest paid		<u>(3,573)</u>	<u>(3,596)</u>
<b>Net cash outflow from returns on investments and Servicing of finance</b>		<u>(2,989)</u>	<u>(2,505)</u>
<b>Capital expenditure and financial investment</b>			
Purchase of Tangible Assets		(8,088)	(5,975)
Sale of Tangible Assets		10,000	6,466
Sale/(Purchase) of Endowment asset Investments		0	0
Deferred Capital Grants Received		4,327	5,318
HEFCE Grant received for debt repayment		127	119
Endowments received/(withdrawn)		<u>67</u>	<u>144</u>
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>6,433</u>	<u>6,072</u>
<b>Acquisitions and disposals</b>			
Purchase of Shares in associated company		<u>0</u>	<u>0</u>
<b>Net cash outflow before use of liquid Resources and financing</b>		<u>11,744</u>	<u>369</u>
<b>Management of liquid resources</b>			
Fixed term and notice bank deposits		<u>(11,359)</u>	<u>(44)</u>
<b>Financing</b>			
Finance Lease		(214)	(198)
Ex ILEA debt repayment		(127)	(119)
Other		0	0
<b>Net cash inflow/(outflow) from financing</b>		<u>(341)</u>	<u>(317)</u>
<b>Increase/(decrease) in net cash</b>		<u><u>44</u></u>	<u><u>8</u></u>

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
<b>1. Funding Council Grants</b>		
<b>HEFCE:-</b>		
Recurrent Grant – general	39,774	38,837
Specific Grants	1,852	1,096
Inherited liabilities	1,806	1,797
Deferred Capital Grants Released in Year	550	320
Release of HEFCE capitalised rent	218	218
<b>Teacher Training Agency:-</b>		
Recurrent Grant	2,181	2,125
Other	159	144
	<u>46,540</u>	<u>44,537</u>
<b>2. Tuition Fees and Education Contracts</b>		
Full-time home and EU students	10,107	10,228
Full-time students charged overseas fees	9,171	6,612
Part-time fees	4,078	3,656
Health Authority Contract	7,489	7,024
	<u>30,845</u>	<u>27,520</u>
<b>3. Research Grants and Contracts</b>		
Grants and Contracts	9,118	7,560
	<u>9,118</u>	<u>7,560</u>
<b>4. Other Income</b>		
Residences, Catering and Conferences	8,155	7,400
Other Income Generating Activities	2,186	1,463
Other Grant Income	6,864	7,276
Other Income	1,947	1,172
	<u>19,152</u>	<u>17,311</u>

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

5. **Staff**

	<b>Group</b>	
	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
<b>(i) Staff costs</b>		
Salaries and wages	46,148	48,116
Social Security Costs	3,869	3,873
Other Pension Costs	3,397	3,304
	<u>53,414</u>	<u>55,293</u>
	<b>No.</b>	<b>No.</b>
Average Staff Numbers by Major Category:-		
Academic Staff	779	858
Administrative, Professional & Technical support Staff	898	916
Premises and Ground Staff	211	228
Refectory/Hostel Staff	37	43
Other Staff – including staff seconded to N.R. International Ltd.	109	97
	<u>2,034</u>	<u>2,142</u>

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

	<b>2002</b>	<b>2001</b>
	<b>No.</b>	<b>No.</b>
£50,000 - £60,000	31	42
£60,001 - £70,000	12	13
£70,001 - £80,000	1	2
£80,001 - £90,000	3	1
£120,001 - £130,000	-	1
£140,001 - £150,000	1	-

**(ii) Compulsory Severance**

The reorganisation of the Natural Resources Institute, was completed during the year, with an additional 28 compulsory redundancies at a cost of £1.315m. The University has also started a reorganisation of its academic and administrative functions, giving rise in the current year to 80 compulsory redundancies at a cost of £1.240m.

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2002

### 5. Staff (Continued)

#### (iii) Directors' Emoluments

The aggregate amount of Directors' emoluments was £330,598 (2001: £309,917). 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).

6 Directors (2001: 5) are accruing benefits under defined pension schemes, as set out in note 31.

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

	2002 £	2001 £ (11 Months)
Salary	130,419	114,964
FURBS	9,350	8,059
Taxable car benefit	4,554	2,426
	<u>144,323</u>	<u>125,449</u>

University Superannuation Payments:-

Universities Superannuation Scheme	13,440	11,949
FURBS (see above) – included in emoluments	9,350	8,059

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

Total emoluments for the year to 31 July 2002 are for a full twelve months, while the comparative figures are only for eleven months because the Vice-Chancellor only joined the University on 1 September 2000.

The Vice-Chancellor's accrued benefits on service to 31 July 2002 were: USS accrued annual pension £15,113 and lump sum £45,338. FURBS transfer value was £9,630.

#### (iv) Directors' Loans

The University operates an interest-free loan scheme for the purchase of travel season tickets and computers, which is available to all employees. No Governor (2001: one), in his capacity as an employee, was advanced a loan under this scheme.

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2002

### 6. Directors

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

### 7. Reorganisation Costs

In the previous financial year, the University incurred a cost of £6.753m in respect of the reorganisation of the Natural Resources Institute. This reorganisation was completed in the financial year ended 31 July 2002, with additional costs of £1.315m.

The University has also undertaken a reorganisation of its academic and administrative functions, and this has resulted in a current year reorganisation charge of £1.240m.

### 8. Other Operating Expenses

	Group	
	2002	2001
	£'000	£'000
Fees to Other Colleges	4,393	5,210
Books and Periodicals	810	954
Consumables and Laboratory Expenditure	1,881	1,829
Printing, Postage and Stationery	2,473	2,797
Residence, Catering and Conference	4,557	4,327
Rents, rates and Insurance	6,602	5,754
Electricity, Gas and Water	980	1,168
Building Maintenance and Repair	2,522	1,828
Students Union Subvention Grant	825	807
Publicity and Advertising	826	960
Computers, Software and IT Maintenance Contracts	2,169	1,883
Research and Consultancy – reimbursable costs	2,316	3,768
Provision for losses on long term contracts	(462)	1,815
Other Expenses	17,308	12,580
	47,200	45,680

Other Operating Expenses are stated after charging:-

Auditors' Remuneration	- external audit	57	68
	- other services	7	49
Rentals under Operating Leases – equipment and vehicles		1	3
	- other assets	6,000	5,268

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

**9. Exceptional Items**

£2.65m was received in settlement of a legal claim relating to the affairs of the Natural Resources Institute. The prior year figure of £1.38m related to a release of two provisions of which £848k related to a VAT assessment in which the University was successful at a judicial review and £535k related to a potential corporation tax liability which did not materialise.

An accrual in the sum of £1.992m has been included in these accounts in respect of a disputed liability with the Inland Revenue.

**10. Profit on Disposal of Assets**

As part of its campus rationalisation strategy, the University disposed of its Dartford campus during the financial year. The surplus arising from this disposal was £2.965 million.

**11. Interest Receivable**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Bank deposits	208	1,037
Other	358	37
Transferred from Specific Endowment	9	10
	<u>575</u>	<u>1,084</u>

**12. Interest Payable**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Bond Interest	1,969	1,965
Greenwich Property Ltd. – PFI	1,211	1,227
Loan Interest – Royal Borough of Kensington & Chelsea (inherited debt)	455	460
	<u>3,635</u>	<u>3,652</u>

**13. Deficit of Parent Company**

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

The surplus after depreciation of assets at valuation of the parent company (University of Greenwich) was £1.575 million (2001 - deficit of £14.1 million).

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

**14. Tangible Fixed Assets**

**(a) Group**

	Land and Buildings				Equip- ment	Vehicles	Total
	Freehold	Long Leases	Short Leases	Assets in Course of Construc- tion			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1 August 2001	49,609	28,593	153	4,217	10,445	223	93,240
Additions at cost	-	2,926	-	3,910	1,661	11	8,508
Disposals	(1,206)	-	-	-	-	-	(1,206)
Transfers	-	4,217	-	(4,217)	-	-	-
At 31 July 2002	<u>48,403</u>	<u>35,736</u>	<u>153</u>	<u>3,910</u>	<u>12,106</u>	<u>234</u>	<u>100,542</u>
<b>Depreciation</b>							
At 1 August 2001	(9,373)	(2,178)	(108)	-	(8,340)	(158)	(20,157)
Disposals	1,206	-	-	-	-	-	1,206
Charge for year	(1,591)	(1,145)	(3)	-	(896)	(29)	(3,664)
At 31 July 2002	<u>(9,758)</u>	<u>(3,323)</u>	<u>(111)</u>	<u>-</u>	<u>(9,236)</u>	<u>(187)</u>	<u>(22,615)</u>
<b>Net Book Value</b>							
At 31 July 2002	<u>38,645</u>	<u>32,413</u>	<u>42</u>	<u>3,910</u>	<u>2,870</u>	<u>47</u>	<u>77,927</u>
At 31 July 2001	<u>40,236</u>	<u>26,415</u>	<u>45</u>	<u>4,217</u>	<u>2,105</u>	<u>65</u>	<u>73,083</u>
Inherited	12,600	1,727	42	-	-	-	14,369
Financed by capital grants	-	7,323	-	-	1,917	-	9,240
Other	26,045	23,363	-	3,910	953	47	54,318
<b>Net book value at 31 July 2002</b>	<u><u>38,645</u></u>	<u><u>32,413</u></u>	<u><u>42</u></u>	<u><u>3,910</u></u>	<u><u>2,870</u></u>	<u><u>47</u></u>	<u><u>77,927</u></u>

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

**14. Tangible Fixed Assets (Continued)**

**(b) University**

	Land and Buildings				Equip- ment	Vehicles	Total
	Freehold	Long Leases	Short Leases	Assets in Course of Construc- tion			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1 August 2001	49,609	28,593	153	4,217	10,198	223	92,993
Additions at cost	-	2,926	-	3,910	1,661	11	8,508
Disposals	(1,206)	-	-	-	-	-	(1,206)
Transfers	-	4,217	-	(4,217)	-	-	-
At 31 July 2002	<u>48,403</u>	<u>35,736</u>	<u>153</u>	<u>3,910</u>	<u>11,859</u>	<u>234</u>	<u>100,295</u>
<b>Depreciation</b>							
At 1 August 2001	(9,373)	(2,178)	(108)	-	(8,144)	(158)	(19,961)
Disposals	1,206	-	-	-	-	-	1,206
Charge for year	(1,591)	(1,145)	(3)	-	(860)	(29)	(3,628)
At 31 July 2002	<u>(9,758)</u>	<u>(3,323)</u>	<u>(111)</u>	<u>-</u>	<u>(9,004)</u>	<u>(187)</u>	<u>(22,383)</u>
<b>Net Book Value</b>							
At 31 <sup>st</sup> July 2002	<u>38,645</u>	<u>32,413</u>	<u>42</u>	<u>3,910</u>	<u>2,855</u>	<u>47</u>	<u>77,912</u>
At 31 <sup>st</sup> July 2001	<u>40,236</u>	<u>26,415</u>	<u>45</u>	<u>4,217</u>	<u>2,054</u>	<u>65</u>	<u>73,032</u>
Inherited	12,600	1,727	42	-	-	-	14,369
Financed by capital grants	-	7,323	-	-	1,917	-	9,240
Other	26,045	23,363	-	3,910	938	47	54,303
<b>Net book value at 31 July 2002</b>	<u>38,645</u>	<u>32,413</u>	<u>42</u>	<u>3,910</u>	<u>2,855</u>	<u>47</u>	<u>77,912</u>

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2002

### 14. Tangible Fixed Assets – continued

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

The basis of the revaluation is set out in Note 5 of the Statement of Principal Accounting Policies.

Freehold land with a book value of £8.528m (Group and University) and assets in the course of construction are not depreciated.

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

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

#### **Group and University:-**

Depreciation of finance leases was £330,433 (2001: £330,433). The net book value of assets held under finance leases was £15,339,071 (2001: £15,669,504).

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

**15. Investments – at cost**

	<b>Group &amp; University</b>	
	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Shares in CVCP Properties Plc	38	38
Shares and retained profit in associate company	169	144
	<u>207</u>	<u>182</u>

CVCP Properties Plc was formed in order to fund the acquisition and refurbishment of new offices for Universities UK (UUK). All Universities agreed to subscribe for ordinary shares in this company in proportion to the subscription formula applying as at June 1995. The University of Greenwich holds 37,714 (0.9%) of the shares.

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
<b>Investment in subsidiaries at cost:-</b>		
UGMT Ltd	-	-
Greenwich Property Ltd	-	-
Uniqueraise Ltd	-	-
London Science Park Ltd	-	-
CCLR	-	-

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2002

### 15. Investments (Continued)

#### Investment in Subsidiary and Associated Companies:-

##### Subsidiary companies:

##### UGMT Ltd

The University holds 100% of the issued share capital (£1 ordinary shares) of UGMT Ltd which is incorporated in the UK and whose principal activity is the provision of consultancy, management development programmes, and hotel and conference activities. The results for the year ended 31 July 2002 have been consolidated in these financial statements with those of the University. The company holds 43 shares (3.85%) in Smart Chemical Co. Ltd.

##### Greenwich Property Ltd

The University holds 100% of the issued share capital (£1 Ordinary Shares) of Greenwich Property Limited, a company registered in England and operating in the UK and whose principal activity is to facilitate the provision of student accommodation for the benefit of the University's students. The results for the year ended 31 July 2002 have been consolidated in these financial statements with those of the University.

##### Uniqueraise Ltd

The University holds 100% of the issued share capital of Uniqueraise Limited, a company registered in England to carry on business as a general commercial company. The company was dormant throughout the financial year to 31 July 2002 and was dissolved on 2 October 2002.

##### London Science Park Ltd

The University holds outright 100% of the issued share capital (£1 Ordinary Shares) in London Science Park Limited, which is incorporated in the UK to carry on business as a general commercial company. Up to 27<sup>th</sup> February 2002, 50% of the ordinary share capital was held jointly by the University and Mr. J. Charles (previous Secretary of the University). The company has not traded since incorporation.

##### Centre for Contaminated Land Remediation Ltd

On 26 March 1999, the University formed the Centre for Contaminated Land Remediation Ltd, a company limited by guarantee with the University as the sole member, and incorporated in the UK. The principle business of the company is to procure the remediation of contaminated land, and to undertake research and education on waste management. The company is not able to distribute any profits. The results for the year ended 31 July 2002 have been consolidated in these financial statements with those of the University.

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2002

### 15. Investments (Continued)

#### Investment in Subsidiary and Associated Companies:-

#### Associated Companies:

##### Natural Resources International Ltd

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

The company, which is incorporated in the UK, commenced trading on 1 August 1996 as part of the acquisition of the former Natural Resources Institute from the Overseas Development Administration (ODA). The principal activity of the company is to supply the Department for International Development (formerly ODA) and other potential clients with expertise on conservation management and sustainable development of natural resources. It delivers this work largely through sub contracts to members of the consortium, and to external organisations. The company reported a profit of £101,698 (2001: £41,625).

##### Medway Campus Ltd.

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

#### Other arrangements:

##### Kent Thameside

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

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2002

### 15. Investments (Continued)

#### Investment in Subsidiary and Associated Companies:-

#### Summary:

	Turnover	Operating Profit/ (loss)	Net Assets
	£'000	£'000	£'000
NR International Ltd	22,887	101	678
NR International Ltd – trade with the University	7,533	-	-
NR International Ltd – other than with the University	15,354	-	-

### 16. Endowment Asset Investment

#### Group and University

	2002 £	2001 £
<b>General</b>		
Balance at 1 August	434,146	280,706
Additions	78,281	168,320
Disposals	(8,565)	(10,278)
Increase/(Decrease) in value of investments	(6,978)	(4,602)
Balance at 31 July	<u>496,884</u>	<u>434,146</u>
Represented by:		
COIF Income Shares	22,508	29,486
Managed Funds	468,030	365,814
Debtors	6,346	38,846
	<u>496,884</u>	<u>434,146</u>
Market value of COIF Income Shares	22,508	29,486

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

**17. Endowments**

**Group and University**

	<b>Balance 31 July 2001 £</b>	<b>Additions £</b>	<b>Withdrawals £</b>	<b>Investment Income £</b>	<b>Balance 31 July 2002 £</b>
<b>General</b>					
Governors' General Reserve	159,045				159,045
<b>Specific</b>					
Walter Busbridge Fund	4,415			164	4,579
D.C. Stapley Prize Fund	5,581			207	5,788
Osborn Howe Prize Fund	3,614			134	3,748
Penfold Memorial Trust Fund	733			28	761
Pidgen Prize Fund	316			12	328
Foundation Prize Fund	12,315			457	12,772
Lord Marks Fund	4,146			154	4,300
Blanche Lemon Prize Fund	972			36	1,008
Else Haydon Carrier Prize Fund	2,412			90	2,502
Grace McNicol Prize Fund	674			25	699
Phillips Fund	1,140			42	1,182
Old Students Association Prize Fund	7,589		(1,253)	259	6,595
Freda Jarvis Memorial Fund	34,738		(5,725)	1,183	30,196
Dennis Frank Todd Memorial Prize Fund	515			19	534
Kittson Prize Fund	768			29	797
Spalding Memorial Prize Fund	576			21	597
School of Land & Construction Prize Fund	34			1	35
Woolwich Polytechnic Trust	0				0
Broughton Trade Lad Prize Fund	2,626			97	2,723
E.de Barry Barnett Memorial Trust Fund	5,449		(100)	202	5,551
Garnett Prize Fund	17,385			645	18,030
Humanities Prize Fund	9,406			349	9,755
Coker Prize Fund	659			25	684
DP Connect – Business School Prize Fund	1,128			42	1,170
D. Fussey Memorial Choral Exhibition	157,678	67,308	(8,415)	6,744	223,315
John-Hood Williams Prize Fund	232		(50)	8	190
	<u>275,101</u>	<u>67,308</u>	<u>(15,543)</u>	<u>10,973</u>	<u>337,839</u>
<b>Total</b>	<u>434,146</u>	<u>67,308</u>	<u>(15,543)</u>	<u>10,973</u>	<u>496,884</u>

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

**18. Stocks**

	Group		University	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Raw materials and consumables	21	44	21	34
Work in progress	-	-	-	-
Finished goods and goods for resale	-	-	-	-
	<u>21</u>	<u>44</u>	<u>21</u>	<u>34</u>

**19. Debtors**

	2002 £'000	2001 £'000	2002 £'000	2001 £'000
<i>Due within one year:-</i>				
Trade Debtors	3,598	1,761	3,017	1,761
Amounts owed by subsidiaries	-	-	570	681
Amounts owed by associated company	1,161	2,999	1,161	2,999
Amounts recoverable under long term contracts	337	578	337	578
Other Debtors	761	2,100	622	1,509
Prepayments & accrued income	1,271	1,270	1,236	1,270
Amounts due from HEFCE:-				
Principal and Interest on capital debt	284	279	284	279
Other	51	178	51	178
	<u>7,463</u>	<u>9,165</u>	<u>7,278</u>	<u>9,255</u>
<i>Due in more than one year:-</i>				
Amounts owed by subsidiaries	-	-	23,505	22,286
Other	-	-	-	-
	<u>7,463</u>	<u>9,165</u>	<u>30,783</u>	<u>31,541</u>

**20. Investments (Current Assets)**

	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Debt service reserve	1,908	1,908	1,908	1,908
Fixed term and notice bank deposits	17,548	6,182	17,532	6,167
Quoted investments – COIF Income Shares	22	29	-	-
	<u>19,478</u>	<u>8,119</u>	<u>19,440</u>	<u>8,075</u>

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

**21. Creditors: Amounts falling due within one year**

	GROUP		UNIVERSITY	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank overdraft	1,314	3,236	1,286	3,236
Finance leases	231	214	-	-
Loan debt payable to Royal Borough of Kensington and Chelsea	136	127	136	127
Interest on loan debt payable to Royal Borough of Kensington and Chelsea	148	152	148	152
Trade Creditors	4,387	2,059	4,387	2,059
Amounts owed by subsidiaries	-	-	1,766	1,890
Prepaid long term contract income	4,801	3,992	4,502	3,992
PAYE and Other Taxation Payable	1,500	1,225	1,500	1,225
Other Creditors	3,459	2,010	1,571	1,541
Accruals - reorganisation costs	520	2,416	520	2,416
- losses on long term contracts	418	653	418	653
- others	4,924	3,585	2,763	1,832
Deferred Income	1,943	1,114	1,943	1,114
	<u>23,781</u>	<u>20,783</u>	<u>20,940</u>	<u>20,237</u>

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

	GROUP		UNIVERSITY	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bond	28,301	28,239	28,301	28,239
Finance lease	15,220	15,452	-	-
Loan – Greenwich Property Limited	-	-	38,451	37,293
Loan – Royal Borough of Kensington and Chelsea	4,856	4,992	4,856	4,992
	<u>48,377</u>	<u>48,683</u>	<u>71,608</u>	<u>70,524</u>
Others – Deferred Lease Capitalisations	717	935	717	935
	<u>49,094</u>	<u>49,618</u>	<u>72,325</u>	<u>71,459</u>

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

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

**Analysis of Loan Repayments:-**

	GROUP		UNIVERSITY	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Repayable Between One and Two Years				
Bond	512	-	512	-
Finance Lease	250	231	-	-
Loan - Greenwich Properties Limited	-	-	-	-
Loan - Royal Borough of Kensington & Chelsea	145	137	145	137
	<u>907</u>	<u>368</u>	<u>657</u>	<u>137</u>
Repayable Between Two and Five Years				
Bond	1,744	1,638	1,744	1,638
Finance Lease	876	811	-	-
Loan - Greenwich Properties Limited	-	-	-	-
Loan - Royal Borough of Kensington & Chelsea	498	466	498	466
	<u>3,118</u>	<u>2,915</u>	<u>2,242</u>	<u>2,104</u>
Repayable After Five Years				
Bond	26,045	26,601	26,045	26,601
Finance Lease	14,094	14,410	-	-
Loan - Greenwich Properties Limited	-	-	38,451	37,293
Loan - Royal Borough of Kensington & Chelsea	4,213	4,389	4,213	4,389
	<u>44,352</u>	<u>45,400</u>	<u>68,709</u>	<u>68,283</u>
	<u>48,377</u>	<u>48,683</u>	<u>71,608</u>	<u>70,524</u>

**Bond**

On 14 October 1998, the University issued £30m Guaranteed Secured Bonds due 2028 at an interest coupon of 6.36% on the Luxembourg Stock Exchange. In the period to 31 July 2003, interest only is payable, and from that date the Bond will be redeemed on an annuity basis up to 31 July 2028. Payments of interest and principal are guaranteed by AMBAC Insurance UK Ltd, for which guarantee the University paid a premium covering the 30 year period. Payments are semi-annual on 31 January and 31 July.

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

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

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2002

### 22. Creditors: Amounts Falling Due after more than one year (Continued)

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

Loans associated with tangible fixed assets transferred from ILEA to the University under the Education Reform Act 1988. The loans are unsecured and are repayable by instalments over various years up to 2021, at an average rate of interest of 8.957% (2001: 8.938%).

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

### 23. Provisions for Liabilities and Charges

#### Group and University

	Enhanced Pensions £'000	Decontam- ination £'000	Total £'000
At 1 August 2001	3,043	976	4,019
Reorganisation costs (Note 7)	397	-	397
Transfer (to)/from Income and Expenditure Account	(222)	-	(222)
At 31 July 2002	<u>3,218</u>	<u>976</u>	<u>4,194</u>

The increase in the provision for enhanced pensions of £0.397m is in respect of staff severances at the Natural Resources Institute (note 7).

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

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002

24. Deferred Capital Grants

Group and University

	Hefce		Other		Total £'000
	Equip- ment £'000	Build- ings £'000	Equip- ment £'000	Build- ings £'000	
At 1 August 2001	735	4,443	151	176	5,505
Received in the year	1,299	2,995	33	-	4,327
Released to Income & Expenditure A/c	(271)	(279)	(31)	(11)	(592)
	<u>1,763</u>	<u>7,159</u>	<u>153</u>	<u>165</u>	<u>9,240</u>

25. Reserves

(a) Group

	Revaluation Reserve £'000	Income & Expenditure A/C £'000	Total Reserves £'000
At 1 August 2001	14,550	6,629	21,179
Deficit for year	-	(590)	(590)
Transfer from reserves re depreciation	(349)	349	-
Realisation of property revaluation gains of previous years	(3,792)	3,792	-
Transfer re current year reserves	-	136	136
At 31 July 2002	<u>10,409</u>	<u>10,316</u>	<u>20,725</u>

(b) University

	Revaluation Reserve £'000	Income & Expenditure A/C £'000	Total Reserves £'000
At 1 August 2001	14,550	7,138	21,688
Surplus for year	-	1,575	1,575
Transfer from reserves re depreciation	(349)	349	-
Realisation of property revaluation gains of previous years	(3,792)	3,792	-
Transfer re current year reserves	-	136	136
At 31 July 2002	<u>10,409</u>	<u>12,990</u>	<u>23,399</u>

Transfer re: current reserves relates to the past practice of crediting reimbursement by HEFCE of the principal on loans transferred from ex-ILEA to a separate reserve. A separate reserve is no longer maintained.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

**26. Lease Obligations**

	Group		University	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
<i>Obligations under finance leases:-</i>				
Within one year	231	214	-	-
Between two and five years	1,466	1,358	-	-
Over five years	13,754	14,094	-	-
	<u>15,451</u>	<u>15,666</u>	<u>-</u>	<u>-</u>
 <i>Operating lease commitment in respect of equipment on leases expiring:-</i>				
Within one year	-	1	-	1
Between two and five years	-	-	-	-
	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>

**27. Capital Commitments**

	Group		University	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Commitments contracted at 31 July 2002	<u>2,078</u>	<u>4,983</u>	<u>2,078</u>	<u>4,983</u>

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

**28. Reconciliation of Consolidated Operating Deficit to Net Cash from Operating Activities**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Surplus/(Deficit) before tax	(590)	(13,420)
Depreciation (Note 14)	3,664	3,520
Profit on sale of properties	(2,965)	(2,073)
Deferred Capital Grants released to Income (Note 24)	(592)	(387)
Release of Lease Capitalisation	(217)	(217)
Investment Income	(575)	(1,084)
Interest Payable	3,635	3,652
(Increase)/Decrease of Stocks	23	439
(Increase)/Decrease in Debtors	1,754	1,266
Increase/(Decrease) in Creditors	4,013	2,953
Increase/(Decrease) in Provisions	175	2,163
Share of (profit) of associated undertaking	(25)	(10)
Net Cash Inflow from Operating Activities	<u>8,300</u>	<u>(3,198)</u>

**29. Analysis of Changes in Consolidated Financing During the Year**

	<b>Finance Leases £'000</b>	<b>Loan Debt £'000</b>
Balances at 1 August 2000	-	5,119
Capital Repayments	-	(127)
Balances at 31 July 2001	<u>-</u>	<u>4,992</u>
Capital Repayments	-	(136)
Balances at 31 July 2002	<u>-</u>	<u>4,856</u>

**30. Reconciliation of Net Cash Flow to Movement in Net Debt**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Increase in cash in the period	44	8
Cash outflow re increase in liquid resources	11,359	(44)
Cash outflow re decrease in debt and lease financing	341	317
	<u>11,744</u>	<u>281</u>
Net debt at 1 August	<u>(40,680)</u>	<u>(40,961)</u>
Net debt at 31 July	<u>(28,936)</u>	<u>(40,680)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

**30. Reconciliation of Net Cash Flow to Movement in Net Debt (Continued)**

**Analysis of Changes in Net Debt**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Cash in hand, at bank & deposits repayable on demand	1,583	3,461
Overdraft	(1,314)	(3,236)
	<u>269</u>	<u>225</u>
Liquid resources	19,478	8,119
Debt due within 1 year	(136)	(127)
Debt due after 1 year	(33,096)	(33,231)
Finance leases	(15,451)	(15,666)
Total	<u>(28,936)</u>	<u>(40,680)</u>

**31. Contributions to Pension Funds**

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

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

***Teacher's Superannuation Scheme: -***

A review of the Teachers Superannuation Scheme by the Government in February 1997 set the employers contribution rate at 7.2% from 1st July 1997, and made individual employers responsible for the costs of early retirements as from 1st September 1997. Following the 1996 actuarial valuation, the rate increased to 7.4% from 1st April 2000, and 8.35% from 1st April 2002. This rate will increase from 1st April 2003 to a minimum of 13.1%.

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

The next formal actuarial valuation was due as at 31 March 2002.

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

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 July 2002**

**31. Contributions to Pension Funds (Continued)**

**London Pension Fund Authority (LPFA) :-**

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

The main actuarial assumptions used in the 2001 valuation were:

Rate of return on investments :-

- equities	6.75%
- bonds	5.75%

Rate of pay increases

4.3%

Rate of pension increases

2.8%

Valuation of assets

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

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

Pension contributions are charged to the Income and Expenditure Account in the year to which the salaries on which they are payable relate. Other creditors include £240,618 (2001 £203,189) payable to the London Pensions Fund Authority in respect of the University's contributions on salaries for July 2002.

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

<b>Assumptions as at year end</b>	<b>2002 % pa</b>	<b>2001 % pa</b>
Price increases	2.4%	2.5%
Salary increases	3.9%	4.0%
Pension increases	2.4%	2.5%
Discount rate	6.0%	5.7%

<b>Assets in the whole LPFA Fund and expected rate of return</b>	<b>Assumed long term return % pa at July 2002</b>	<b>Value at 31 July 2002 £m</b>	<b>Assumed long term return % pa at July 2001</b>	<b>Value at 31 July 2001 £m</b>
Equities	8.0%	983	7.0%	1,129
Bonds	5.5%	183	5.5%	226
Property	6.0%	-	6.0%	-
Cash	4.0%	17	4.0%	23
Total	7.6%	1,183	6.7%	1,378
% of Fund attributed to University Value (£m)		4.1% £48.4m		4.0% £55.5m

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 July 2002**

**31. Contributions to Pension Funds (Continued)**

<b>Net Pension Asset</b>	<b>2002</b>	<b>2001</b>
<b>(University's share of LPFA Active Sub Fund)</b>	<b>£000</b>	<b>£000</b>
Estimated Employer Assets (A)	48,382	55,526
Present Value of Scheme Liabilities (B)	62,635	58,748
Present Value of Unfunded Liabilities (C)	444	460
<b>Net Pension Assets / Liabilities (A – B - C)</b>	<b>(14,697)</b>	<b>(3,682)</b>
<b>If the above amounts had been recognised in the financial statements</b>	<b>2002</b>	<b>2001</b>
<b>the Group's net assets and general reserve (I&amp;E account) would be:</b>	<b>£000</b>	<b>£000</b>
Net assets excluding pension liability	30,462	27,118
Pension liability	(14,697)	(3,682)
<b>Net assets including pension liability</b>	<b>15,765</b>	<b>23,436</b>
General reserve/ I&E account excluding pension liability	10,316	6,629
Pension liability	(14,697)	(3,682)
<b>General reserve/ I&amp;E account including pension liability</b>	<b>(4,381)</b>	<b>2,947</b>
<b>Analysis of amount that would be charged to operating</b>	<b>2002</b>	<b>% of</b>
<b>Surplus in Income and Expenditure Account</b>	<b>£000</b>	<b>pay costs</b>
Service Cost	2,416	14.4%
Past Service Costs	422	2.5%
Curtailments and Settlements	75	0.4%
<b>Total Operating Charge (A)</b>	<b>2,913</b>	<b>17.4%</b>
<b>Projected amount credited to other finance income</b>	<b>2002</b>	<b>% of</b>
	<b>£000</b>	<b>pay costs</b>
Expected Return on Employer Assets	3,174	18.9%
Interest on Pension Scheme Liabilities	(3,400)	(20.3%)
<b>Net return (B)</b>	<b>(226)</b>	<b>(1.3%)</b>
<b>Net Income &amp; Expenditure Account Cost would be (A – B)</b>	<b>3,139</b>	<b>18.7%</b>
<b>Analysis of Amount that would be recognised in</b>	<b>2002</b>	
<b>Statement of Total Recognised Gains and Losses (STRGL)</b>	<b>£000</b>	
Actual return less expected return on pension scheme assets	(10,628)	
Experience gains and losses arising on the scheme liabilities	(4,702)	
Changes in assumptions underlying present value of scheme liabilities	6,047	
Actuarial gain/ (loss) in pension plan	(9,283)	
<b>Actuarial gain/ (loss) recognised in STRGL</b>	<b>(9,283)</b>	

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 July 2002**

**31. Contributions to Pension Funds (Continued)**

**Movement in Surplus/Deficit During the Year**

	<b>2002</b>
	<b>£000</b>
<b>Surplus/(deficit) at beginning of the year</b>	<b>(3,682)</b>
Current Service Cost	(2,416)
Employer contributions	1,409
Past service costs	(422)
Impact of settlements and curtailments	(75)
Net return on assets	(227)
Actuarial gains/(losses)	(9,283)
<b>Surplus/(deficit) at end of year</b>	<b>(14,697)</b>

**History of Experience Gains and Losses**

	<b>2002</b>
	<b>£000</b>
<b>Difference between the expected and actual return on assets</b>	<b>(10,628)</b>
Value of assets	48,382
Percentage of assets	(22.0%)
<b>Experience gains/(losses) on liabilities</b>	<b>(4,702)</b>
Present value of liabilities	62,635
Percentage of the present value of liabilities	(7.5%)
<b>Actuarial gains/(losses) recognised in STRGL</b>	<b>(9,283)</b>
Present value of liabilities	62,635
Percentage of the present value of liabilities	(14.8%)

**Analysis of projected amount to be charged to operating profit for the year to 31 July 2003**

	<b>Year to 2003 £000</b>	<b>% of pay costs</b>
Estimated Current Service Cost & <b>Total Operating Charge (A)</b>	<b>2,192</b>	<b>12.6%</b>
Expected return on employer assets	3,671	21.0%
Interest on pension scheme liabilities	(3,791)	(21.7%)
<b>Net return (B)</b>	<b>(120)</b>	<b>(0.7%)</b>
<b>Expected net I&amp;E account cost (A – B)</b>	<b>2,312</b>	<b>13.3%</b>

**Information relevant to 2002/03 Roll forward as at July 2002**

	<b>£000</b>
Present value of expected future employee contributions	6,918
Present value of 1% of future earnings of active members	1,148

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 July 2002**

**31. Contributions to Pension Funds (Continued)**

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

An amount of £3.128 m (2001: £3.043m) is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the University of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

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

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Contributions to TSS	1,814	1,884
Contributions to USS	22	12
Contributions to LPFA	1,561	1,408
Total pension costs (note 5)	<u>3,397</u>	<u>3,304</u>

**32. Education Contract**

The University has a contract with South East Workforce Development Confederation (SELWDC) to provide education and training for student nurses and midwives.

Bursary payments to students were £220,428 and the corresponding funding from SELWDC are not shown in the accounts because the University is acting as agent on behalf of SELWDC for this purpose.

**33. Taxation**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
<i>U.K. Corporation Tax on the profits of, and by:-</i>		
UGMT Ltd	-	-
Greenwich Property Ltd.	-	-

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2002

### 34. Contingent liabilities

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

The capital works for the King William building on the Greenwich Maritime campus were completed during the financial year, and the building was brought into use in the autumn of 2001. The University was however unable to agree the final account for those capital works with the contractor. This disagreement is the subject of an adjudication, the outcome of which should be known by the end of November 2002. If the adjudicator finds in favour of the contractor the University may be liable for additional capital costs to a maximum of £2.4m.

### 35. Related party transactions

During the year the University traded with an associated company – Natural Resources International Ltd, in which it holds 25% of the share capital. The value of work performed for the company was £7.5 m (2001: £9.9 m). The University bought services from N R International Ltd to the value of £195,970 (2001: £275,297). The company has called-up share capital of £136,001 and reserves of £541,852.

The University seconded approximately 6 of its staff (2001: 7) to the company at a cost of £0.3m (2001: £0.3m), and charged the company £66k for premises and related costs (2001: £200k).

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

At the year end the total amount owed to the University by N R International Ltd was £1.14m (2001: £2.99m).

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

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

### 36. Post Balance Sheet Events

There are no post balance sheet events to report.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

**37. HEFCE - Student Support Funding**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Funding Council Grants	1,195	1,169
Interest earned	10	9
	<u>1,205</u>	<u>1,178</u>
Disbursed to students	(1,123)	(1,162)
Balance at year end	<u>82</u>	<u>16</u>

HEFCE Student Support Funding (Mature Student Bursaries, Opportunity Bursaries, Fee Waiver Fund and Hardship Fund) is available solely for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income & Expenditure Account.

**38. Bursary payments**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
TTA grant	863	689
Disbursed to students	(763)	(689)
Balance at year end	<u>100</u>	<u>-</u>

TTA bursary funds are available solely for students: the University acts only as paying agent.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

**39. Financial instruments - Group**

**a. Short-term debtors and creditors**

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

**b. Interest rate profile of financial liabilities of the Group**

The interest rate profile of the financial liabilities of the group as at 31 July was:-

Currency	As at 31 <sup>st</sup> July 2002			As at 31 <sup>st</sup> July 2001		
	Total	Floating Rate	Fixed rate	Total	Floating rate	Fixed Rate
	£'000	£'000	£'000	£'000	£'000	£'000
Sterling	48,744	4,992	43,752	49,024	5,119	43,905

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

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

**Fixed rate financial liabilities**

Currency	As at 31 <sup>st</sup> July 2002		As at 31 <sup>st</sup> July 2001	
	Weighted Average Interest rate	Period for which rate is fixed	Weighted Average Interest rate	Period for which rate is fixed
Sterling	7.33%	25 years	7.33%	26 years

**c. Interest rate risk of financial assets**

The Group had the following financial assets as at 31<sup>st</sup> July:-

Currency	As at 31 July 2002			As at 31 July 2001		
	Total	Floating Rate	Fixed Rate	Total	Floating Rate	Fixed Rate
	£'000	£'000	£'000	£'000	£'000	£'000
Sterling	20,301	861	19,440	10,960	2,885	8,075
EURO	579	579	-	373	373	-
US Dollar	181	181	-	247	247	-
	<u>21,061</u>	<u>1,621</u>	<u>19,440</u>	<u>11,580</u>	<u>3,505</u>	<u>8,075</u>

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

**39. Financial instruments – Group Continued**

**d. Currency exposures**

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

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

	Debtors		Creditors	
	2002	2001	2002	2001
	£	£	£	£
DM	-	37,413	-	-
EURO	423,820	767,192	-	-
US \$	406,937	308,273	-	-
S.A. Rand	16,848	-	-	-
	<u>847,605</u>	<u>1,112,878</u>	<u>-</u>	<u>-</u>

**e. Maturity of financial liabilities**

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

	As At 31 July 2002			As At 31 July 2001		
	Total £'000	Floating Rate £'000	Fixed Rate £'000	Total £'000	Floating Rate £'000	Fixed Rate £'000
In one year or less, or on demand	367	136	231	341	127	214
In more than one year, but not more than two years	907	145	762	368	137	231
In more than two years, but not more than five years	3,118	498	2,620	2,915	466	2,449
In more than five years	44,352	4,213	40,139	45,400	4,389	41,011
	<u>48,744</u>	<u>4,992</u>	<u>43,752</u>	<u>49,024</u>	<u>5,119</u>	<u>43,905</u>

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

**f. Borrowing facilities**

The Group has no undrawn borrowing facilities.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2002**

**39. Financial instruments – Group (continued)**

**g. Fair values of financial assets and liabilities**

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

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

	As at 31 <sup>st</sup> July 2002		As at 31 <sup>st</sup> July 2001	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Current portion of long term borrowings	367	367	341	341
Long term borrowings	48,377	49,823	48,683	49,363
Cash deposits and current asset investments	21,061	21,061	11,580	11,580
Shares in CVCP Properties Plc	38	38	38	38

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

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

**h. Gains and losses on currency hedges**

The Group has no forward currency contracts.