

UNIVERSITY OF WESTMINSTER



Financial Statements

for the year ended 31 July 2003



educating for professional life

UNIVERSITY OF WESTMINSTER

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 July 2003

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UNIVERSITY OF WESTMINSTER

MISSION STATEMENT

The mission of the University of Westminster is to provide high quality education and research in both national and international contexts for the intellectual, social and professional development of the individual and for the economic and cultural enrichment of London and wider communities.

UNIVERSITY OF WESTMINSTER

(A Company Limited by Guarantee and an Exempt Charity)

Chairman of the Court of Governors

Sir Alan Thomas, BSc FCMA CEng FIEE CIMgt

Vice-Chancellor and Rector

Dr Geoffrey M. Copland, MA(Oxon) DPhil(Oxon) CPhys FInstP FRSA

Company Secretary

Carole Mainstone, MA MBA

Director of Finance

Philip Harding, MSc FCMA

Auditors

*KPMG LLP
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT*

Bankers

*National Westminster Bank plc
HSBC plc
Lloyds Bank plc
Societe Generale*

Registered Office

*309 Regent Street
London
W1B 2UW*

Registered Number

977818 England and Wales

UNIVERSITY OF WESTMINSTER

CHAIRMAN'S STATEMENT

On behalf of the Court of Governors and Board of Directors, I am pleased to report that the University has made further substantial progress during the past year. We have been successful in achieving our objectives in such important areas as attracting and retaining students, teaching quality and in developing our academic portfolio, all in demanding financial circumstances.

Income for the year ended 31 July 2003 was £114.3m (2002: £102.8m). The corresponding historical cost surplus was £2.96m (2002: £2.5m). Net assets as at 31 July 2003 were £72.0m (2002: £61.5m) and cash balances were strong. This is a considerable achievement in a sector characterised by underfunding, increased competition, pressure on costs and such uncertainty concerning student finance.

I should like to thank the Vice-Chancellor and every member of the University's staff for their contribution to this strong performance.

The University is now in the final phase of a ten year, £100 million programme which began with the building of a new campus at Harrow. Following the successful implementation of projects to upgrade the Regent and Marylebone campuses, we have now embarked upon a major capital programme to modernise and expand the Cavendish Campus. Planning permission has been obtained for the significant development of our sports grounds at Chiswick, designed to provide modern recreation and training facilities for our students, staff, and the local community. New halls of residence are also planned for our Harrow Campus to meet student needs for safe, affordable accommodation.

Looking forward, we intend to keep our academic courses distinctive, fresh and competitive; to enhance Westminster's innovative climate and expand research; and to develop and grow our successful subject areas. To reduce our dependence on government sources of income, we shall seek to expand our commercial income. And always we shall strive to improve the student experience.

The Governors and I look forward with confidence to the University's continuing success.

Sir Alan Thomas

November 2003

UNIVERSITY OF WESTMINSTER

COURT OF GOVERNORS

The following were Governors (Directors) of the University during the year ended 31 July 2003:

	Appointed	Resigned
Chairman	Sir Alan Thomas	
Deputy Chairmen	Mr D Lovett	
	Dr T Wright	24.02.03
Ms K Bahl,CBE		14.02.03
Mr G Cole		
Dr G M Copland (Vice-Chancellor and Rector)		
Mr M J Crosby		
Cllr M Davine		21.10.02
Ms C Fraser	07.07.03	
Ms M Grinfeld		
The Hon Dame Mary Hogg		
Cllr A Hooper		
Dr M Kimberley		
Dr D Lloyd		
Mr I Lotay		24.02.03
Ms I Macpherson		
Dr B M Minton		
Mr I Newton		
Professor K Phillips		
Ms M Salandy-Brown		
Ms H Scott		
Mr P J Snell		
Mr R Sockett		
Mr G Sutton		
Dr M Tyler (Deputy Vice-Chancellor and Rector)		

UNIVERSITY OF WESTMINSTER

COMMITTEE MEMBERSHIP

Finance and Property

Dr Barry Minton (Chairman)
Dr Geoffrey Copland
Ms Ishbel Macpherson
Ms Hilary Scott
Mr Graham Sutton
Sir Alan Thomas

Personnel

Mr John Crosby (Chairman)
Dr Marion Kimberley
Mrs Marina Salandy-Brown
Ms Hilary Scott
Mr Philip Snell
Dr Maud Tyler

Audit

Mr Ian Newton (Chairman)
Mr Godfrey Cole
Cllr Angela Hooper
Dr Donald Lloyd
Mr David Lovett

Nominations

Sir Alan Thomas (Chairman)
Mr Godfrey Cole
Dr Geoffrey Copland
Professor Keith Phillips
Mrs Marina Salandy-Brown
Mr Philip Snell

Remuneration

Sir Alan Thomas (Chairman)
Dr Geoffrey Copland
Mr John Crosby
Dr Marion Kimberley
Dr Donald Lloyd

UNIVERSITY OF WESTMINSTER

COURT OF GOVERNORS (continued)

Mr Godfrey Cole, LL.M, Barrister, is a district chairman in the Appeals Service. He was previously head of Law School at the University where he had been on the staff for many years.

Dr Geoffrey Copland, MA, DPhil, CPhys, FInstP, FRSA, is Vice-Chancellor and Rector of the University. He chairs the Universities and Colleges Employers Association and the England and Northern Ireland Council of Universities UK and is Vice-President of Universities UK.

Mr John Crosby, BA, MA, CIMgt, CCIPD, FIOD, FRSA, is a management consultant, a member of the Employment Appeal Tribunal and the Civil Service Arbitration Tribunal, a governor and a past chairman of Croydon College, a council member of the Centre for International Briefing (Farnham Castle) and a court member of the University of Sussex.

Ms Charlotte Fraser is the 2002/3 sabbatical general secretary of the University of Westminster Student's Union.

Ms Monica Grinfeld is a lecturer in the School of Architecture and the Built Environment at the University of Westminster.

The Hon Dame Mary Hogg DBE, FRSA, has an honorary LL.D from the University. A former QC, she is now a High Court Judge in the Family Division. Her great-grandfather, Quintin Hogg, founded the Polytechnic.

Councillor Mrs Angela Hooper is a Westminster City Councillor.

Dr Marion Kimberley, BSc, MSc, PhD, FIMA, CMath, recently retired as Director of Personnel at Imperial College of Science, Technology & Medicine.

Dr Donald Lloyd, MSc, PhD, CEng, is Risk Services Director of Amersham plc and External Risk Management Advisor to two Research Councils.

Mr David Lovett BA (Hons), FCA, is a Principal and UK head of Alix Partners Ltd, a corporate performance improvement and turnaround advisory Firm.

Ms Ishbel Macpherson, MA, is a Director of Dresdner Kleinwort Wasserstein, where she runs the Corporate Finance team responsible for supporting UK growth companies.

Dr Barry Minton, BSc, PhD, is a Chairman and Director of several venture-capital funded companies.

Mr Ian Newton, FCA, is a Director of Powerstrand Limited. He is chairman of the Audit Committee.

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COURT OF GOVERNORS (continued)

Professor Keith Phillips MA, PhD, AFBPS, is a Chartered Health Psychologist and Provost of the Harrow Campus at the University of Westminster. He is a staff representative as nominated by the Academic Council.

Ms Marina Salandy-Brown BA, PGDip, FRSA, is an Editor and Senior Manager in Radio and News and Current Affairs programmes with the BBC and a member of a number of public bodies.

Ms Hilary Scott MSc, FHM, is presently a senior civil servant at the Department of Health. She held the post of Deputy Health Service Ombudsman from 1999-2003, having worked as a senior health service manager for several years before that appointment.

Mr Philip Snell, BA, MA, FRSA, retired Headmaster of Kingsbury High School. He is an advisor to the London Borough of Brent's Education Department, a consultant to the Institute of Education, and vice-president of the British Association of Local History.

Mr Richard Sockett, BSocSci, MSc, is a member of AUA. He is the undergraduate office manager at the Cavendish Campus.

Mr Graham C Sutton FRICS, IRRV, is a Partner in Freeth Melhuish Chartered Surveyors and a director of two property companies.

Sir Alan Thomas, BSc, FCMA, CEng, FIEE, CIMgt, is Chairman of the Court of Governors. He is chairman of Hyder Consulting plc, Three Valleys Water plc and Chelverton Asset Management Ltd. He was formerly President and CEO of Raytheon Europe International, a member of the Engineering Council and a director of Powergen plc.

Dr Maud Tyler, BA, Cert Ed, PhD, FIL, FRSA, is Deputy Vice-Chancellor of the University and Provost of the Cavendish Campus.

Dr Terence Wright, MA DPhil CChem FRSC, is a non-executive Director of Pixology Ltd, a former Director of Kodak Limited and of New Business Development and Venture Relations, Eastman Kodak Company.

UNIVERSITY OF WESTMINSTER

REPORT OF THE COURT OF GOVERNORS

FINANCIAL STATEMENTS

For the year ended 31 July 2003

1. ACTIVITIES

The University of Westminster provides industrial, commercial, professional and scientific education, training and research for students at all levels of higher education. The mission statement also highlights the international dimension of the University and its role in supporting the London region. There has been no significant change in the activities of the University during the year.

2. OPERATING AND FINANCIAL REVIEW

In the year to 31 July 2003 the University's total income rose by 11.2% to £114.3m. This increase reflects our performance in attracting and retaining students at all levels and securing income from external sources. The University has also successfully directed staff and resources towards generating commercial income as a means of sustaining our primary activities and providing cash for reinvestment.

Our historical cost surplus for the year was £2.96m, which is close to our model surplus of 3% of operating turnover. It was clear, when we formulated the model, that the consistent annual achievement of a 3% surplus would be a challenging aim and this has proved to be so. We have had to respond to a tight public funding settlement for higher education, increasing competition in all our markets, cost pressures at levels substantially and consistently greater than the funded rate of inflation, and the need to generate funds for reinvestment in support of our strategic aims.

At 3%, the target level of surplus represents our considered judgment about what is the minimum needed to accumulate and maintain an adequate level of reserves, together with the requirement to generate cash to invest in the University's infrastructure. Such investment is essential in order for us to remain competitive.

The total value of our revenue reserves now stands at £27.9m, compared to £25.5m in 2001-02. In addition, there is £2.2m of specific reserves (£1.7m 2001-02) set aside to support research and international activities. Discretionary reserves in total represent 26% (2001-2 26%) of total annual income, equivalent to 98 days of the University's operating expenditure. We believe these reserves are too low in what is an increasingly turbulent operating environment and we shall sustain our efforts to achieve a more satisfactory level.

UNIVERSITY OF WESTMINSTER

Our income derives from a range of sources. The proportion of our total income deriving from Funding Council grants (excluding capital grants) in 2002-03 was 45% (2001-02 48%), reflecting our aim to reduce dependence on government sources of funding in order to provide greater resilience. Total research income rose from £6.7m to £7.4m, despite a sharp cut in research funding from the Funding Council.

In 2002-2003 expenditure on staffing rose by £6.3m, and this remains the greatest area of continuing expenditure, accounting for 55% of the University's total revenue expense. Permanent staff numbers grew by 2.5%, accounting for a proportion of the increase in staff costs. The cost of national insurance and employer's pension contributions also rose significantly.

The University invested £9.9m of capital expenditure in 2002-03, a significant increase over the £5.3m spent in 2001-02. This investment was undertaken in order to complete the achievement of the estate strategy and to ensure we have a modern and effective network and IT communications infrastructure. A significant proportion of this has been invested at the University's Marylebone and Cavendish campuses for a programme of works that have substantially upgraded both Central London sites, including the provision of new modern teaching facilities. The first phase of the Cavendish project will be completed early in 2004-5. Other projects have included a package of works aimed at ensuring all University buildings are compliant with the Disability Discrimination Act. Despite these high levels of capital investment the University was able to redeem a loan amounting to £2.9m in May 2003.

3. FUTURE DEVELOPMENTS

The University is continuing with the estates investment programme, completing the Marylebone Road project and progressing the redevelopment of the site at New Cavendish Street. This latter project is the last major component of the University's estate strategy, set in 1993, which sought to consolidate activity on the four primary campus sites, realise their development potential and permit the disposal of a number of peripheral properties. The Cavendish redevelopment project is of a significant scale, £24m for the first phase and £10m for the second phase. It will very substantially modernise and expand the facilities for staff and students.

The future holds a number of challenges for higher education. The impact of changes to the system of student support and tuition fees is difficult to gauge but may be profound. Competition from other universities and the private sector intensifies each year. The University, however, is looking ahead to the opportunities and challenges with confidence. Its financial performance has been strong in difficult circumstances. It is our intention to strengthen the balance sheet further and to generate the resources to invest as necessary in the staff and the physical infrastructure of the University in order to build a successful future.

UNIVERSITY OF WESTMINSTER

4. GOVERNORS

All Governors of the University are Directors of the Company. A list of Governors who served during the year to 31 July 2003 appears on page 5. None of the Governors had an interest in any contract which subsisted during the period of this report, other than those who are full-time members of staff and those associated with the transactions disclosed in note 32 (related party transactions) to the accounts.

5. EMPLOYEE PARTICIPATION

The University's committee structure ensures staff participation in the decision-making processes of the University. Meetings of the Joint Consultative and Negotiating Committees (with representation from management and trade unions) are held at frequent intervals. The Vice-Chancellor issues a regular briefing to all staff, providing information on the University's performance and plans, and a magazine is distributed to all employees.

6. DIVERSITY POLICY

The University of Westminster is committed to promoting diversity in all its dealings with employees and job applicants. The Equal Opportunities Policy is binding on all appointments, irrespective of category. The policy seeks to ensure that no employee or applicant receives less favourable treatment on the grounds of race or colour, nationality, ethnic or national origins, gender, marital status, sexual orientation, disability, age, family responsibility, trade union activity, political or religious belief.

7. HEALTH AND SAFETY

The Court of Governors, in compliance with the Health and Safety at Work Act 1974, recognises and accepts the responsibility as far as reasonably practicable as an employer to provide a safe and healthy workplace for all its employees. It also accepts the responsibility to conduct its undertaking in such a way as to ensure that, so far as is reasonably practicable, persons not in the University's employ, that is students, visitors and members of the general public, are not exposed to risks to their health, safety or welfare.

8. AUDITORS

A resolution to reappoint KPMG as auditors for the year ending 31 July 2004 will be proposed at the forthcoming Annual General Meeting.

Approved by the Court of Governors and signed on behalf of the Court.

Sir Alan Thomas

Chairman

16 December 2003

UNIVERSITY OF WESTMINSTER

CORPORATE GOVERNANCE STATEMENT

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the accounts understand how the principles have been applied.

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

The Court of Governors, with advice from the Audit Committee, approved in October 2002 a Risk Management Policy. The policy required the University to identify and assess the main risks which present opportunities or threats to meeting the University's objectives; to assign an agreed order of priority to the risks; to focus attention and effort in accordance with that order of priority; and to put in place control systems to cover the risks. The Vice Chancellor's Executive Group took responsibility for implementing the policy during the year ending 31 July 2003 and established a Risk Management Group to assist it in this work. A Register of Strategic Risks was developed by the Group and approved by the Vice Chancellor's Executive Group and by the Court of Governors. The Vice Chancellor's Executive Group assigned a member of the senior management team to take responsibility for the development of an action plan in relation to each of the risks in the Register. This responsibility has been built into the University's annual planning and budget setting process with effect from October 2003. The work on risk management undertaken during the year was the subject of an audit review by the University's internal auditors and a further review is planned during the year ending 31 July 2004.

The policy and its implementation will be regularly reviewed by the Court of Governors in order to ensure that it continues to meet the internal control guidance for directors on the Combined Code as applied to Higher Education. The University expects full compliance to be achieved during the course of the year ending 31 July 2004.

THE COURT OF GOVERNORS AND THE VICE-CHANCELLOR'S EXECUTIVE GROUP

The Court of Governors, which meets formally five times a year, currently comprises three executive and nineteen non-executive Governors with a clear separation of the roles of the non-executive chairman, Sir Alan Thomas and the chief executive, Dr Geoffrey Copland (Vice-Chancellor and Rector). The Court has both staff and student members. The Court approves the University's long-term objectives and strategies and provides overall financial and organisational control. It delegates responsibility for the University's operations to the Vice-Chancellor who, supported by his Executive Group, implements the Court's policy and develops and manages the University's business to meet its financial objectives and standards of quality and service on education and research.

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AUDIT COMMITTEE

This Committee is chaired by Mr Ian Newton and comprises four other non-executive Governor members. The Audit Committee meets at least four times a year and reviews the work of the external and internal auditors of the University. The Committee considers detailed reports, together with recommendations for the improvement of the University's systems of internal control and management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England (HEFCE) and how they affect the University's business and monitors adherence with the regulatory requirements. It reviews the University's annual financial statements, together with the accounting policies. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee and the Committee does meet with the external auditors on their own for independent discussion.

FINANCE AND PROPERTY COMMITTEE

This Committee is chaired by Dr Barry Minton and comprises four other non-executive Governors and the Vice-Chancellor and meets at least four times a year. The Committee recommends to the Court of Governors the University's annual revenue and capital budgets (including the estates strategy) and monitors performance in relation to approved budgets. Furthermore, it also recommends to the Court the annual financial statements, having been satisfied that management is properly discharging its responsibilities to control and account for the income, expenditure and assets of the University in compliance with the guidelines of HEFCE and the applicable laws.

PERSONNEL COMMITTEE

This Committee, chaired by Mr John Crosby and comprising four other non-executive Governors and the Deputy Vice-Chancellor, meets at least three to four times a year to review the University personnel policies.

REMUNERATION COMMITTEE

This Committee, chaired by Sir Alan Thomas and comprising three non-executive Governors and the Vice-Chancellor, meets when appropriate to review the salaries, terms and conditions of employment of senior staff. The Vice-Chancellor withdraws from the Committee when his own remuneration is under review and this is formally recorded.

NOMINATIONS COMMITTEE

This Committee, chaired by Sir Alan Thomas and comprising three non-executive Governors and the Vice-Chancellor and an academic staff Governor, meets at least twice a year to make recommendations on the appointment of new Governors in accordance with procedures devised by the Committee and approved by the Court. It is responsible for the procedures for nominating individuals for the award of Honorary Degrees and Fellowships of the University, for considering nominations and making recommendations to the Court.

Sir Alan Thomas

Chairman

16 December 2003

UNIVERSITY OF WESTMINSTER

STATEMENT OF GOVERNORS' RESPONSIBILITIES

The governors, who are the directors and members of the Company, are required by the Companies Act to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the University and its subsidiaries as at the end of the financial year and of the surplus or deficit for that period. It is also the governors' responsibility to maintain adequate accounting records, safeguard the assets of the University and its subsidiaries, prevent and detect fraud and other irregularities and to apply the going concern basis unless it is not appropriate to presume that the University will continue in business.

The governors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates have been used in the preparation of the consolidated financial statements and that applicable accounting standards have been followed.

The governors have 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 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 prevent and detect fraud;
- secure the economical, efficient and effective management of the University's 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 and administrative departments;
- a comprehensive medium and short term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;

UNIVERSITY OF WESTMINSTER

- 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 by the Court of Governors, and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

During the year, the Audit Committee, on behalf of the Court of Governors, received reports on the effectiveness of the University's system of internal control.

REPORT OF THE INDEPENDENT AUDITORS TO THE COURT OF GOVERNORS OF UNIVERSITY OF WESTMINSTER

We have audited the financial statements on pages 18 to 54.

This report is made solely to the Court of Governors, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Court of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Court of Governors, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the University's Court of Governors and the auditors

The University's Court of Governors, who are also the directors of the University of Westminster for the purpose of company law, are responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions and Companies Act 1985. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

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

We read the other information contained in the Court of Governors' Report (including the corporate governance statement), and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England.

UNIVERSITY OF WESTMINSTER

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 University's Court of Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the institution'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 us 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.

Opinion

- the financial statements give a true and fair view of the state of affairs of the University and the group as at 31 July 2003 and of the Group's surplus of income over expenditure, recognised gains and losses and cashflows for the year then ended, and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and Companies Act 1985;
- in all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2003 have been applied for the purposes for which they were received;
- in all material respects, income during the year ended 31 July 2003 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England.

KPMG LLP
Chartered Accountants
Registered Auditor

1 Forest Gate
Brighton Road
Crawley
Sussex
RH11 9PT

UNIVERSITY OF WESTMINSTER

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT For the year ended 31 July 2003

		2003	2002
	Note	£'000	£'000
INCOME FROM CONTINUING ACTIVITIES			
Funding council grants	5	51,027	48,964
Academic fees and support grants	6	41,268	35,372
Research grants and contracts	7	5,496	4,175
Other operating income	8	15,372	13,167
Interest receivable		1,166	1,147
Total income		114,329	102,825
EXPENDITURE ON CONTINUING ACTIVITIES			
Staff costs	9,12	61,262	54,933
Depreciation	11	3,057	2,624
Other operating expenses	9	45,309	40,927
Interest payable	10	2,310	2,418
Total expenditure		111,938	100,902
Surplus for the financial year	15	2,391	1,923

All activities relate to continuing operations.

UNIVERSITY OF WESTMINSTER

NOTE OF CONSOLIDATED HISTORICAL COST SURPLUSES AND DEFICITS
For the year ended 31 July 2003

	2003	2002
	£'000	£'000
Surplus for the financial year	2,391	1,923
Difference between historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount	569	569
Historical cost surplus	<u>2,960</u>	<u>2,492</u>

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2003

	2003	2002
	£'000	£'000
Surplus for the financial year	2,391	1,923
Total recognised gains for the year	<u>2,391</u>	<u>1,923</u>

UNIVERSITY OF WESTMINSTER

CONSOLIDATED BALANCE SHEET

As at 31 July 2003

		2003		2002	
	Note	£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	17	88,896		82,036	
Investments	18	<u>147</u>		<u>37</u>	
			89,043		82,073
Current Assets					
Stocks	19	3		64	
Debtors due within one year	20	7,299		5,734	
Investments	21	20,528		28,143	
Cash at bank and in hand		<u>1,470</u>		<u>833</u>	
		29,300		34,774	
Creditors					
Amounts falling due within one year	22	<u>(21,141)</u>		<u>(27,134)</u>	
Net Current Assets			<u>8,159</u>		<u>7,640</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			97,202		89,713
Creditors					
Amounts falling due after more than one year	22		<u>(25,221)</u>		<u>(28,166)</u>
TOTAL NET ASSETS			<u>71,981</u>		<u>61,547</u>
Represented by:					
Deferred capital grants	24		19,365		11,531
Reserves					
Revaluation reserve	26	22,496		22,856	
Specific reserve	26	2,183		1,661	
Revenue reserve	26	<u>27,937</u>		<u>25,499</u>	
			52,616		50,016
TOTAL FUNDS			<u>71,981</u>		<u>61,547</u>

Approved by the Court of Governors on 16 December 2003 and signed on its behalf by:

Sir Alan Thomas
Chairman

Dr Geoffrey M Copland
Vice-Chancellor and Rector

UNIVERSITY OF WESTMINSTER

UNIVERSITY BALANCE SHEET

As at 31 July 2003

		2003		2002	
	Note	£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	17	57,045		49,427	
Investments	18	<u>20,319</u>		<u>20,209</u>	
			77,364		69,636
Current Assets					
Debtors due within one year	20	7,673		6,227	
Debtors due after more than one year	20	2,018		1,984	
Investments	21	20,191		28,143	
Cash at hand and in bank		<u>1,389</u>		<u>768</u>	
		31,271		37,122	
Creditors					
Amounts falling due within one year	22	<u>(21,320)</u>		<u>(27,071)</u>	
Net Current Assets			<u>9,951</u>		<u>10,051</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			87,315		79,687
Creditors					
Amounts falling due after more than one year	22		<u>(25,858)</u>		<u>(28,407)</u>
TOTAL NET ASSETS			<u>61,457</u>		<u>51,280</u>
Represented by:					
Deferred capital grants	24		17,084		9,196
Reserves					
Revaluation reserve	26	18,019		18,258	
Specific reserve	26	962		785	
Revenue reserve	26	<u>25,392</u>		<u>23,041</u>	
			44,373		42,084
TOTAL FUNDS			<u>61,457</u>		<u>51,280</u>

Approved by the Court of Governors on 16 December 2003 and signed on its behalf by:

Sir Alan Thomas
ChairmanDr Geoffrey M Copland
Vice-Chancellor and Rector

UNIVERSITY OF WESTMINSTER

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 July 2003

		2003	2002
	Note	£'000	£'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	29	(1,094)	16,415
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,166	1,147
Interest paid		(2,310)	(2,413)
Interest element of finance lease payments		-	(5)
Net cash outflow from returns on investments and servicing of finance		(1,144)	(1,271)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(9,917)	(5,342)
Purchase of fixed asset investments		(110)	-
Receipts from sale of assets		-	920
Deferred capital grants received		8,252	391
Net cash outflow from capital expenditure and financial investment		(1,775)	(4,031)
CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(4,013)	11,113
MANAGEMENT OF LIQUID RESOURCES			
Cash transferred from/(to) short term deposits		7,615	(12,509)
FINANCING			
Capital element of loan repayments		(3,052)	(210)
Loans acquired		87	126
Net cash outflow from financing		(2,965)	(84)
INCREASE/(DECREASE) IN CASH	30	637	(1,480)

UNIVERSITY OF WESTMINSTER

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	2003		2002	
		£'000	£'000	£'000	£'000
Increase/(decrease) in cash in period		637		(1,480)	
Cash (outflow)/inflow from movement in liquid resources		(7,615)		12,509	
Cash outflow from decrease in debt and lease financing		<u>2,965</u>		<u>84</u>	
Change in net debt resulting from cash flows			<u>(4,013)</u>		<u>11,113</u>
Movement in net debt in the period			(4,013)		11,113
Net debt at 1 August			<u>3,298</u>		<u>(7,815)</u>
Net (debt)/cash at 31 July	30		<u>(715)</u>		<u>3,298</u>

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2003

1. COMPANY STATUS

The University of Westminster is incorporated under the Companies Act as a charity and company limited by guarantee and not having a share capital. The University is also an exempt charity.

Each of the twenty two members of the University has undertaken to contribute to the assets of the University in the event of its being wound up while he/she is a member, or within one year after he/she ceases to be a member, an amount not exceeding one pound.

2. BASIS OF ACCOUNTING

- i) 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.
- ii) The financial statements are intended to meet, as appropriate, the requirements of the Companies Act 1985.
- iii) The financial statements have been prepared under the historical cost basis as modified by the valuation of land and buildings and of assets transferred from the former Inner London Education Authority (ILEA) on 1 April 1989 and the London Borough of Harrow on 1 April 1990.

3. BASIS OF CONSOLIDATION

The consolidated financial statements consolidate the financial statements of the University and its subsidiary undertakings for the financial year ended 31 July 2003.

The consolidated financial statements do not include those of the University of Westminster Students Union because the University does not control its activities.

4. ACCOUNTING POLICIES

a. HEFCE Grants

Revenue grants are accounted for in the year in which they are receivable in accordance with advice given by HEFCE.

Revenue grants attributable to a subsequent financial year are included in creditors under the classification of deferred income.

UNIVERSITY OF WESTMINSTER

Non-recurrent grants from HEFCE or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

b. Tangible Assets

i) Land and Buildings

The Group has adopted FRS 15 "Tangible Fixed Assets" and has followed the transitional provisions to retain the book value of land and buildings. The freehold property in which the group has a beneficial interest was revalued at 31 July 1995. The basis of valuation was depreciated replacement cost for those properties intended for continuing use and open market value for those intended to be sold.

The group enjoys the occupation and facilities of certain land and buildings which are the property of a separate charitable trust. With the exception of rent payments and other running costs associated with these properties and leasehold improvements made to the properties at 309 Regent Street and 4-12 Little Titchfield Street, these assets are not reflected in the accounts.

ii) Plant and Machinery; Computers; Furniture, Fittings and Equipment

Individual assets costing over £10,000 are capitalised.

iii) Depreciation

Depreciation has been provided on all tangible fixed assets on cost or revalued amounts in equal instalments over the estimated lives of the assets:

Freehold buildings	fifty years
Leasehold buildings and leasehold improvements	amortised over the remaining term of the lease by equal instalments
Motor vehicles	four years
Furniture, fittings and equipment	five years
Plant and machinery	five years
Computers	three years

Freehold land and assets in the course of construction are not depreciated.

UNIVERSITY OF WESTMINSTER

c. Taxation Status

The University is an exempt 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) Income and Corporation Taxes Act (ICTA) 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 ICTA 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 on the same basis as any commercial organisation.

d. Deferred Taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

e. Pension Costs

The Group operates four pension schemes, the London Pensions Fund Authority (Local Government) Superannuation Scheme, the Teachers' Pension Scheme, the Universities Superannuation Scheme and the Superannuation Arrangements of the University of London. The Teachers' Pension Scheme is an unfunded, defined benefit scheme, the other three are all funded, defined benefit schemes and are contracted out of the State Earnings Related Pension Scheme. The financial position and income and expenditure of these funds are disclosed in their annual audited financial statements. The rate of employers' contributions is reviewed periodically on the basis of advice from independent actuaries, and contributions to the schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is at a substantially constant percentage of present and future pensionable payroll.

f. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. Exchange differences are dealt with in the income and expenditure account for the financial year.

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g. Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rentals are charged to the income and expenditure account in equal amounts over the lease term.

h. Stocks

Stocks are stated at the lower of cost and net realisable value.

i. Current Asset Investments

Current asset investments are included in the balance sheet at market value at the balance sheet date.

j. Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities, and listed equity investments held as part of the University's treasury management activities.

k. Revaluation Reserve

The University is reimbursed by the HEFCE for payments of loan liabilities inherited from the local authorities. The reimbursement of the principal element is credited to the revaluation reserve.

l. Specific Reserve

The University recognises the accumulated profits or losses arising on its research grants and contracts and international activity in a separate specific reserve.

m. Interest Capitalisation

Interest is not capitalised in respect of assets in the course of construction.

UNIVERSITY OF WESTMINSTER

5. FUNDING COUNCIL GRANTS

	Note	2003 £'000	2002 £'000
a) Recurrent grant from HEFCE			
Main allocation		44,181	42,630
Research		1,877	2,508
Select initiatives		2,591	1,399
Pension liabilities		417	417
Inherited liabilities (capital related):			
Premises rents		589	442
Debt charges		552	598
Capital project grants		402	648
		<u>50,609</u>	<u>48,642</u>
 (b) Release of HEFCE capital grants	 24	 418	 322
		<u><u>51,027</u></u>	<u><u>48,964</u></u>
 (c) HEFCE reimbursement of debt charges			

Payments made during the year to the Royal Borough of Kensington and Chelsea and the London Borough of Harrow in respect of leases outstanding on assets transferred to the University were fully reimbursed by HEFCE during the year.

However, as a body funded by central government, the policy of HEFCE reimbursing the principal and interest element of debt charges can never be guaranteed beyond one financial year. The outstanding amount of the loan debt is included in creditors.

6. ACADEMIC FEES AND SUPPORT GRANTS

	2003 £'000	2002 £'000
Tuition fees for full, part-time and sandwich courses	28,416	25,469
Full cost courses	10,401	7,389
Short courses	2,451	2,514
	<u><u>41,268</u></u>	<u><u>35,372</u></u>

Full cost courses includes an amount of £990K which is derived from International collaborations in Asia.

UNIVERSITY OF WESTMINSTER

7. RESEARCH GRANTS AND CONTRACTS

	2003 £'000	2002 £'000
Income		
Government departments	2,651	1,974
Research councils	638	382
UK based charities	571	520
European Commission	1,084	768
Other bodies	552	531
	<u>5,496</u>	<u>4,175</u>
Expenditure		
Staff costs	2,304	1,766
Other operating expenses	2,377	2,026
	<u>4,681</u>	<u>3,792</u>
Surplus	<u>815</u>	<u>383</u>

8. OTHER OPERATING INCOME

	2003 £'000	2002 £'000
Residences and catering	6,925	6,583
Recreation	376	334
Rents and lettings	2,331	2,329
Photocopier income	180	222
Sundry sales	453	381
Teaching companies	59	90
Miscellaneous	4,078	2,387
Donations	970	841
	<u>15,372</u>	<u>13,167</u>

Miscellaneous income includes an amount of £1,203K which is derived from activities in Africa.

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9. EXPENDITURE BY ACTIVITY

	2003			2002		
	Staff Costs	Other Operating Expenses	Total	Staff Costs	Other Operating Expenses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	44,490	9,757	54,247	40,227	8,698	48,925
Academic support services	2,515	2,962	5,477	2,422	3,644	6,066
Research	2,304	2,377	4,681	1,766	2,026	3,792
Administration and central services	9,004	8,731	17,735	8,110	8,157	16,267
Premises	1,780	15,459	17,239	1,721	12,568	14,289
Residences and catering	706	5,816	6,522	627	5,803	6,430
Other expenditure	463	207	670	60	31	91
	<u>61,262</u>	<u>45,309</u>	<u>106,571</u>	<u>54,933</u>	<u>40,927</u>	<u>95,860</u>

10. INTEREST PAYABLE

	2003	2002
	£'000	£'000
Finance Leases	—	5
Bank and other loans repayable after more than five years	222	292
Inherited debt	552	598
Promissory note	1,533	1,523
Other interest payable	3	—
	<u>2,310</u>	<u>2,418</u>

UNIVERSITY OF WESTMINSTER

11. DEPRECIATION

	2003 £'000	2002 £'000
The depreciation charge has been funded by:		
Release of deferred capital grants	418	322
Release of revaluation reserve	569	569
General income	2,070	1,733
	<u>3,057</u>	<u>2,624</u>

12. INFORMATION REGARDING EMPLOYEES

	2003 £'000	2002 £'000
(a) Employee costs		
Wages and salaries	51,409	46,998
Social security costs	3,939	3,554
Other pension costs	4,222	3,196
Other staff related costs	1,692	1,185
	<u>61,262</u>	<u>54,933</u>
(b) Average number of people employed by the group in the year	No.	No.
Teaching and support staff	1,275	1,194
Part-time teachers	432	447
Premises and grounds staff	81	88
Administrative staff	325	332
	<u>2,113</u>	<u>2,061</u>
(c) Remuneration of higher paid staff (excluding Governors)	No.	No.
The following staff received remuneration of £70,000 or over		
£70,000 - £79,999	2	5
£80,000 - £89,999	3	1
£90,000 - £99,999	2	–
	<u>7</u>	<u>6</u>

UNIVERSITY OF WESTMINSTER

13. EMOLUMENTS OF GOVERNORS

	2003 £'000	2002 £'000
(a) The emoluments of the governors of the University are:		
In respect of service as governors	–	–
Other emoluments (including pension contributions on behalf of executive governors)	405	374
(b) The emoluments of the chairman and executive governors are:		
Chairman: Sir Alan Thomas	–	–
Highest paid governor: Dr G M Copland as Vice-Chancellor and Rector	143	133

The emoluments of the Vice-Chancellor and Rector are shown on the same basis as for higher paid staff, and include performance-related pay. The University's pension contributions to Teachers' Pension Agency are paid at the same rates as for other academic staff and amounted to £13,675 (2002: £9,816)

Four governors (2002: four) are members of the University's defined benefit pension scheme and accrued benefits during the year under that scheme.

14. TAXATION

Factors affecting tax charge for the current period

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 30% (last period 30%). The differences are explained below:

	2003 £	2002 £
Consolidated Profit	<u>2,391</u>	<u>1,923</u>
Tax at 30% thereon:	(718)	(577)
Effects of:		
- Expenses not deductible for tax purposes	(73)	(100)
- Capital allowances in excess of depreciation	10	146
- Utilisation of tax losses	–	2
- Movement in short timing differences	(4)	26
- Non-taxable profit	<u>785</u>	<u>503</u>
Current tax charge for the year	<u>–</u>	<u>–</u>

UNIVERSITY OF WESTMINSTER

14. TAXATION (continued)

Factors that may affect future tax charge

A deferred tax liability has not been recognised in respect of accelerated capital allowances as the liability is not expected to crystallise in the future. The amount of the liability not recognised is £963,542 (2002: £857,725).

15. SURPLUS FOR THE FINANCIAL YEAR BEFORE TRANSFERS FROM RESERVES

The surplus before transfers from reserves for the financial year is disclosed after charging:

	2003	2002
	£'000	£'000
Auditors remuneration:		
audit fee University	13	27
Subsidiary Companies	17	17
other services	36	14
 Operating lease rentals:		
property rents	6,978	6,345
 Depreciation:		
owned assets	2,750	2,317
leased assets	307	307
 Profit on disposal of fixed assets	–	–

16. SURPLUS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the income and expenditure account of the parent company is not presented as part of these accounts. The parent company's surplus for the financial year amounted to £2.080m (2002: £1.883m).

UNIVERSITY OF WESTMINSTER

17. TANGIBLE ASSETS

(a) The Group

Cost or valuation	Freehold land and buildings £'000	Leasehold improvements £'000	Assets in course of construction £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Computers £'000	Motor vehicles £'000	Total £'000
At 1 August 2002	80,536	9,455	2,868	19,046	1,116	3,062	96	116,179
Additions	23	-	8,373	191	-	1,330	-	9,917
Transfers	3,225	-	(3,225)	-	-	-	-	-
Disposals	(268)	-	-	-	-	-	-	(268)
At 31 July 2003	83,516	9,455	8,016	19,237	1,116	4,392	96	36,932
Accumulated depreciation								
At 1 August 2002	10,468	1,556	-	18,389	1,064	2,573	93	34,143
Charge for the year	1,689	307	-	296	27	735	3	3,057
Disposals	(268)	-	-	-	-	-	-	(268)
At 31 July 2003	11,889	1,863	-	18,685	1,091	3,308	96	36,932
Net book value at 31 July 2003	71,627	7,592	8,016	552	25	1,084	-	88,896
Net book value at 31 July 2002	70,068	7,899	2,868	657	52	489	3	82,036

UNIVERSITY OF WESTMINSTER

17. TANGIBLE ASSETS (continued)

(b) The University

Cost or valuation	Freehold land and buildings £'000	Leasehold improvements £'000	Assets in course of construction £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Computers £'000	Motor vehicles £'000	Total £'000
At 1 August 2002	41,877	9,455	2,868	19,046	1,116	3,062	96	77,520
Additions	23	-	8,373	191	-	1,330	-	9,917
Transfers	3,225	-	(3,225)	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At 31 July 2003	45,125	9,455	8,016	19,237	1,116	4,392	96	87,437
Accumulated depreciation								
At 1 August 2002	4,418	1,556	-	18,389	1,064	2,573	93	28,093
Charge for the year	931	307	-	296	27	735	3	2,299
Disposals	-	-	-	-	-	-	-	-
At 31 July 2003	5,349	1,863	-	18,685	1,091	3,308	96	30,392
Net book value at 31 July 2003	39,776	7,592	8,016	552	25	1,084	-	57,045
Net book value at 31 July 2002	37,459	7,899	2,868	657	52	489	3	49,427

UNIVERSITY OF WESTMINSTER

17. TANGIBLE ASSETS (continued)

(c) The Group and the University

	The Group		The University	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
(i) Analysis of land and buildings at cost or valuation:				
At cost	57,308	54,328	25,689	22,441
Revaluation increase	26,208	26,208	19,436	19,436
At valuation: 31 July 1995	<u>83,516</u>	<u>80,536</u>	<u>45,125</u>	<u>41,877</u>

Freehold properties were revalued at 31 July 1995 by Messrs Drivers Jonas & Co., Chartered Surveyors.

The transitional rules set out in FRS 15, Tangible Fixed Assets, have been applied on implementing FRS 15. Accordingly the book values at implementation have been retained.

	The Group		The University	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
(ii) If freehold land and buildings had not been revalued, they would have been included at the following amounts:				
Cost	57,308	54,328	25,689	22,441
Aggregate depreciation	(7,540)	(6,619)	(2,049)	(1,548)
Net book value	<u>49,768</u>	<u>47,709</u>	<u>23,640</u>	<u>20,893</u>

(iii) The value of freehold land and buildings includes £5.704 million in respect of land that is not depreciated (2002: £5.704 million).

UNIVERSITY OF WESTMINSTER

18. FIXED ASSET INVESTMENTS

	The Group		The University	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Share in subsidiary undertakings:				
At 1 August & 31 July	–	–	20,172	20,172
Other shareholdings:				
At 1 August	37	37	37	37
Additions	110	–	110	–
At 31 July	147	37	147	37
Total fixed asset investments	147	37	20,319	20,209

(i) The University and group has a holding in CVCP Properties plc which represents an investment of 37,111 fully paid Ordinary £1 shares. It is an unquoted company.

(ii) The University and group holds one fully paid Ordinary £1 share in Klenzyme Ltd. It is an unquoted company.

(iii) The University and group holds 10,000 fully paid Ordinary £1 A shares and 50,000 Ordinary £1 B shares in Angelsey Natural Foods Ltd. It is an unquoted company.

(iv) The following companies were all held as investments by the University of Westminster on 31 July 2003. They are all subsidiary undertakings of the University and all companies operate in the UK.

	Voting rights %	Nature of Business
Uniwest (Finance) Ltd	100	Issue of Promissory Note
Uniwest (Investments) Ltd	100	Investment in Uniwest (Finance) Ltd
Uniwest (Property) Ltd	100	Leasing of properties
University of Westminster (Trading) Ltd	100	Research, vacation letting of halls of residence
Westminster Business Consultants Ltd	100	Business consultancy services
Polytechnic of Central London Ltd	100	Leasing of a property
Uniwest (Developments) Ltd	100	Property refurbishment
University of Westminster (International)	100	Education, research and training overseas
Policy Studies Institute	100	Research relating to political, economic and social science

With the exception of Uniwest (Finance) Ltd, all shareholdings are in the name of the University of Westminster. The University holds 100% of the issued ordinary share capital and 100% of the voting rights in these companies, all of which are registered in England and Wales and operate in the UK.

Uniwest (Investments) Ltd owns 100% of the issued ordinary share capital of Uniwest (Finance) Ltd and holds 100% of the voting rights in that company.

UNIVERSITY OF WESTMINSTER

19. STOCKS

The Group only

	2003 £'000	2002 £'000
Goods for resale	<u>3</u>	<u>64</u>

20. DEBTORS

	The Group		The University	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
HEFCE	427	434	427	434
Trade and sundry debtors	2,429	1,518	1,774	1,048
Amounts owed by subsidiary companies	–	–	63	96
Other debtors	1,489	1,189	1,486	1,168
Prepayments and accrued income	2,954	2,593	3,923	3,481
	<u>7,299</u>	<u>5,734</u>	<u>7,673</u>	<u>6,227</u>
Amounts falling after more than one year:				
Amounts owed by subsidiary companies	–	–	2,018	1,984
	<u>–</u>	<u>–</u>	<u>2,018</u>	<u>1,984</u>
Total debtors	<u><u>7,299</u></u>	<u><u>5,734</u></u>	<u><u>9,691</u></u>	<u><u>8,211</u></u>

UNIVERSITY OF WESTMINSTER

21. INVESTMENTS HELD AS CURRENT ASSETS

	The Group		The University	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Short term deposits	20,526	28,141	20,189	28,141
Equities at valuation at 31 July	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
	<u>20,528</u>	<u>28,143</u>	<u>20,191</u>	<u>28,143</u>

Equities consist of the following:

As at 31 July 2002 the University held 189 shares in HBOS plc. The market value was £1,361. The University receives shares in lieu of dividends and as at 31 July 2003 held 198 shares in HBOS plc with a market value of £1,534.

The group also holds £494 of 12% Exchequer stock, the market value of which was £795 at 31 July 2003 (2002: £797).

UNIVERSITY OF WESTMINSTER

22. CREDITORS

	The Group		The University	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Amounts falling due within one year:				
Trade creditors	4,265	4,135	4,153	4,117
Bank and other borrowings (see note 23)	393	400	393	400
Access funds (see note 25)	236	209	236	209
Taxation and social security	2,101	1,774	2,072	1,724
Provision for enhanced future pensions	211	185	211	185
Other creditors	1,695	10,716	1,615	10,619
Amounts due to subsidiary undertakings	–	–	817	1,727
Accruals and deferred income	12,240	9,715	11,823	8,090
	<u>21,141</u>	<u>27,134</u>	<u>21,320</u>	<u>27,071</u>
Amounts falling due between one and two years:				
Bank and other borrowings (see note 23)	229	239	229	239
Provision for enhanced future pensions	211	185	211	185
	<u>440</u>	<u>424</u>	<u>440</u>	<u>424</u>
Amounts falling due between two and five years:				
Bank and other borrowings (see note 23)	1,098	887	713	691
Provision for enhanced future pensions	633	556	633	556
	<u>1,731</u>	<u>1,443</u>	<u>1,346</u>	<u>1,247</u>
Amounts falling due over five years:				
Bank and other borrowings (see note 23)	20,993	24,152	5,251	8,308
Provision for enhanced future pensions	2,057	2,147	2,057	2,148
Amounts due to subsidiary undertakings	–	–	16,764	16,280
	<u>23,050</u>	<u>26,299</u>	<u>24,072</u>	<u>26,736</u>
Total due after more than one year	<u>25,221</u>	<u>28,166</u>	<u>25,858</u>	<u>28,407</u>
Total creditors	<u><u>46,362</u></u>	<u><u>55,300</u></u>	<u><u>47,178</u></u>	<u><u>55,478</u></u>

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23. BANK AND OTHER BORROWINGS

	The Group		The University	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank and other borrowings due within one year or on demand:				
Other unsecured loans	393	400	393	400
	<u>393</u>	<u>400</u>	<u>393</u>	<u>400</u>
Other borrowings due between one and two years:				
Other unsecured loans	229	239	229	239
	<u>229</u>	<u>239</u>	<u>229</u>	<u>239</u>
Other borrowings due between two and five years:				
Other unsecured loans	713	691	713	691
Promissory note	385	196	–	–
	<u>1,098</u>	<u>887</u>	<u>713</u>	<u>691</u>
Bank and other borrowings due after more than five years:				
Bank loans - secured	–	2,835	2,835	2,835
	–	2,835	–	2,835
Other unsecured loans	5,251	5,473	5,251	5,473
Promissory note	15,742	15,844	–	–
	<u>20,993</u>	<u>24,152</u>	<u>5,251</u>	<u>8,308</u>

All Local Authority loans are unsecured and are repayable by instalments over various periods up to a maximum of 30 years. Interest is charged on the preceding 31 March outstanding balance at the average external cost of borrowing in the financial year ended 31 March.

Bank loans are secured over University land and buildings and are under various facilities expiring between 2018 and 2020, interest rates vary between 7.54% to 10.28%.

The interest rate on the promissory note is 9.54%. The loan is secured on University land and buildings, and is due to be repaid by 2021.

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24. DEFERRED CAPITAL GRANTS

(a) The Group

	The Group			
	Buildings HEFCE	Equip HEFCE	Buildings Other grants	Total £'000
Balance at 1 August 2002	11,531	–	–	11,531
Grants received	7,390	262	600	8,252
	<u>18,921</u>	<u>262</u>	<u>600</u>	<u>19,783</u>
Release to income and expenditure account	(322)	(96)	–	(418)
Balance at 31 July 2003	<u>18,599</u>	<u>166</u>	<u>600</u>	<u>19,365</u>

(b) The University

	The University			
	Buildings HEFCE	Equip HEFCE	Buildings Other grants	Total £'000
Balance at 1 August 2002	9,196	–	–	9,196
Grants received	7,390	262	600	8,252
	<u>16,586</u>	<u>262</u>	<u>600</u>	<u>17,448</u>
Release to income and expenditure accounts	(268)	(96)	–	(364)
Balance at 31 July 2003	<u>16,318</u>	<u>166</u>	<u>600</u>	<u>17,084</u>

25. ACCESS FUNDS FOR STUDENTS

The University received and distributed HEFCE access funds as follows:

	2003 £'000	2002 £'000
At 1 August	209	160
Received	1,222	1,188
Interest accrued	18	18
Distributed	<u>(1,213)</u>	<u>(1,157)</u>
At 31 July	<u>236</u>	<u>209</u>

The University acts only as a paying agent. The grants and related disbursements are, therefore, excluded from the income and expenditure account. The outstanding balance at the year end is included in creditors (see note 22).

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26. RECONCILIATION OF MOVEMENTS ON RESERVES

(a) The Group

	Revaluation Reserve £'000	Specific Reserve £'000	Revenue Reserve £'000	Total Reserves £'000
Balance at 1 August 2002	22,856	1,661	25,499	50,016
Surplus for the year	–	–	2,391	2,391
Reimbursement of capital element of debt inherited from local authority	209	–	–	209
Transfer (from)/to reserves	(569)	522	47	–
Balance at 31 July 2003	22,496	2,183	27,937	52,616

(b) The University

	Revaluation Reserve £'000	Specific Reserve £'000	Revenue Reserve £'000	Total Reserves £'000
Balance at 1 August 2002	18,258	785	23,041	42,084
Surplus for the year	–	–	2,080	2,080
Reimbursement of capital element of debt inherited from local authority	209	–	–	209
Transfer (from)/to reserves	(448)	177	271	–
Balance at 31 July 2003	18,019	962	25,392	44,373

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27. FINANCIAL COMMITMENTS

Operating leases

At 31 July the Group had commitments during the next financial year in respect of operating leases:

	Land and Buildings 2003 £'000	Land and Buildings 2002 £'000
Leases which expire:		
Between 2 and 5 years	450	450
After 5 years	6,086	6,130
	<u>6,536</u>	<u>6,580</u>

28. CAPITAL AND OTHER FINANCIAL COMMITMENTS

Capital expenditure authorised and contracted for but not provided in the accounts amounts to £10.921 million for the Group and University (2002: £1.714 million).

Contracts placed for future expenditure not provided in the accounts in respect of maintenance projects amount to £0.804 million for the Group and University (2002: nil).

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29. CASHFLOW FROM OPERATING ACTIVITIES

	2003 £'000	2002 £'000
Surplus from Operating Activities	2,391	1,923
Depreciation	3,057	2,624
Deferred capital grants released to income	(418)	(322)
Investment income	(1,166)	(1,147)
Interest payable	2,310	2,418
(Increase)/decrease in debtors	(1,565)	3,064
(Decrease)/increase in creditors	(5,973)	7,638
Decrease in stocks	61	13
Capital reimbursement transferred to reserves	209	204
Net Cash (Outflow)/Inflow from Operating Activities	(1,094)	16,415

30. ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2002 £'000	Cash Flows £'000	Other Changes £'000	At 31 July 2003 £'000
Cash at bank and in hand	833	637	–	1,470
	<u>833</u>	<u>637</u>	<u>–</u>	<u>1,470</u>
Liquid Resources:				
Current asset investment	2	–	–	2
Short term deposits	28,141	(7,615)	–	20,526
	<u>28,143</u>	<u>(7,615)</u>	<u>–</u>	<u>20,528</u>
Debt:				
Loans due within one year	(400)	400	(393)	(393)
Loans due after more than one year	(25,278)	2,565	393	(22,320)
	<u>(25,678)</u>	<u>2,965</u>	<u>–</u>	<u>(22,713)</u>
Net cash/(debt)	3,298	(4,013)	–	(715)

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31. PENSION COSTS

The Group operates four pension schemes of the defined benefit type. Three of which are funded and one, the Teachers' Pension Scheme, which is unfunded. The assets of the schemes are held separately from the assets of the Group, in independently administered funds. Details of the four Group pension schemes are as follows:

Teachers' Pension Scheme (England and Wales)

Pension costs in respect of the University's employees are charged to the Income and Expenditure Account as they become payable.

The fund is administered by the Teacher's Pension Agency. The scheme is subject to an actuarial review not less than every five years. The last published actuarial valuation on the Teachers' Pension Scheme (England and Wales) was performed by the Government Actuary on 31 March 2003 and covered the period 1 April 1996 to 31 March 2001.

Subsequent to the valuation of the fund by the Government Actuary as at 31 March 2001 it was determined that the employer's contribution would be increased to 13.5% of salary from 1 April 2003. The following actuarial assumptions were applied.

Gross rate of return	7.0% per annum
Real rate of return in excess of:	
Prices	3.5% per annum
Earnings	2.0% per annum
Rate of real earnings growth*	1.5% per annum

* in addition to increases arising from salary progression, promotion etc.

In the year ending 31 July 2003 contributions by the Group to the scheme were £2,466,392. (31 July 2002: £1,752,039)

London Pensions Fund Authority

This defined benefit scheme is subject to a triennial valuation by independent actuaries. The last full actuarial valuation was carried out on the 31 March 2001 using the projected unit credit method, in which the actuarial liability makes allowance for projected earnings.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 31 March 2001 and updated by Hymans Robertson to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme as at 31 July 2003. The next formal valuation is due as at 31 March 2004.

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31. PENSION COSTS (continued)

The financial assumptions used by the actuary for the funding valuation under FRS 17 as at 31 July 2003 were:

Assumptions as at:	31 July 03 % per annum	31 July 02 % per annum
Price increases	2.6	2.4
Salary increases	4.1	3.9
Pension increases	2.6	2.4
Discount rate	5.5	6.0

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

Assets (Active fund)	Long term return % per annum	Fund value at 31 July 2003 £'000
Equities	8.0	1,052,900
Bonds	5.0	169,800
Property	6.0	65,800
Cash	3.5	–
Total	7.5	1,288,500

The University's net pension assets were as follows:

Net pension assets as at	31 July 2003 £'000	31 July 2002 £'000
Estimated asset share (a)	38,050	36,160
Present value of scheme liabilities	(58,370)	(46,680)
Present value of unfunded liabilities	(1,660)	(1,560)
Total value of liabilities (b)	(60,030)	(48,240)
Deficit in the scheme - net pension liability (a) – (b)	(21,980)	(12,080)

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If the above had been recognised in the financial statements, the University's net assets and profit and loss reserves at 31 July 2003 would be as follows:

	31 July 2003 £'000	31 July 2002 £'000
Net assets excluding pension liability	71,981	61,547
Pension liability	(21,980)	(12,080)
Net assets including pension liability	50,001	49,467
Profit and loss reserve excluding pension liability	27,937	25,499
Pension reserve	(21,980)	(12,080)
Profit and loss reserve including pension liability	5,957	13,419

Additionally, if pension costs had been recognised in accordance with FRS17, the following components of the pension charge would have been recognised in the income and expenditure accounts and statement of recognised gains and losses for the year ended 31 July 2003:

Analysis of amounts charged to income and expenditure account:	2003 £'000
Current service cost	1,840
Past service cost	60
Curtailment and settlements	30
Financing:	
- expected return on pension assets	2,790
- interest on pension scheme liabilities	(2,890)
Net return	(100)

Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL):	2003 £'000
Actual return less expected return on pension scheme assets	(2,290)
Experience gains and losses arising on the scheme liabilities	(510)
Changes in assumptions underlying the present value of the scheme liabilities	(6,640)
Total actuarial loss recognised	(9,440)

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31. PENSION COSTS (continued)

The total movement in the University's share of the scheme's deficit during the year is made up as follows:

Movement in deficit during the year:

	2003 £'000
Deficit at beginning of the year	(12,080)
Current service cost	(1,840)
University contributions	1,570
Past service cost	(60)
Impact of settlements and curtailments	(30)
Net return on assets	(100)
Actuarial losses	(9,440)
Deficit on the scheme at 31 July 2003	(21,980)

The Group pays contributions to the Fund at rates determined by the Fund's actuaries based on regular actuarial reviews of the financial position of the Fund. Prior to 1 April 1990, the Fund was liable only for non-increasing pensions with increases to these pensions being recharged separately to the participating employers on an annual basis.

Subsequent amending regulations have transferred to the Fund liability for pension increase payments falling after 1 April 1990 but only 75% of the overall liabilities were to be funded. From 1 April 1993, 100% of the liabilities have to be funded. Employer's contribution rates will in future reflect this new liability and funding requirement.

In accordance with the Local Government Superannuation Regulations, an actuarial valuation was carried out on 31 March 2001 with the employer's contribution increased from 9.00% to 9.90% with effect from 1 April 2002. The next formal valuation is due as at 31 March 2004.

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31. PENSION COSTS (continued)

The experience gains and losses for the year ended 31 July 2003 were as follows:

	2003
	£'000
Difference between the expected and actual return on scheme assets	(2,290)
Value of assets	38,050
Percentage of assets	(6.0%)
Experience losses on liabilities	(510)
Present value of liabilities	(60.030)
Percentage of the present value of liabilities	(0.8%)
Actuarial loss recognised in the STRGL	(9,440)
Percentage of the present value of liabilities	(15.7%)

In the year ending 31 July 2003, contributions by the Group to the scheme were £1,582,634 (2002: £1,319,436).

Superannuation Arrangements of the University of London

The University of Westminster participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The University has now adopted FRS17 for accounting for pension costs. It is not possible to identify the University's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8-12 of FRS17. In the year ending 31 July 2003, contributions by the Group to the scheme were £3,309 (2002: £3,991).

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31. PENSION COSTS (continued)

The scheme is subject to triennial valuation by professionally qualified and independent actuaries. The last available valuation was carried out on 31 March 2002 using the projected unit credit method, in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities:

Valuation method	Projected unit	
	Past Service % per annum	Future Service % per annum
Investment return on liabilities		
- before retirement	6.0	7.0
- after retirement	5.0	5.0
Salary growth*	4.2	4.2
Pension increases	2.7	2.7

*excluding an allowance for promotional increases

The actuarial valuation applies to the scheme as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of the scheme's assets was £941 million representing 121% of the liability for benefits after allowing for expected future increases in salaries.

The contribution rate required for future service benefits alone at the date of the valuation was 17.4% of salaries per annum.

Employers who have recently joined SAUL ("New Employers") and certain employee groups (as agreed by the Trustee of SAUL), pay 17.4% of salaries per annum until the second actuarial valuation after entry (or some other period as agreed with the Trustee). The past service surplus allows all other employers to pay contributions at the rate of 10.5% of pensionable salaries per annum, subject to review at future valuations. The surplus also supports the continuation of the Employee contribution rate of 5% of salaries per annum, again subject to review.

The next formal actuarial valuation is due at 31 March 2005 when the above rates will be reviewed.

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31. PENSION COSTS (continued)

Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 2002. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 5.0% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.0% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £19,938 million and the value of the past service liabilities was £19,776 million leaving a surplus of assets of £162 million. The assets therefore were sufficient to cover 101% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 million of the surplus. This left a past service surplus of £79.5 million (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2005 when the above rates will be reviewed.

The total pension cost for the institution was £200,317 (2002: £139,332). The contribution rate payable by the institution was 14% of pensionable salaries.

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32. RELATED PARTY TRANSACTIONS

Four separate charitable trusts are established for the benefit of the students of the University of Westminster. Two of the six Trustees of these trusts are also governors of the University.

The Trusts are: Quintin Hogg Trust, The Regent Street Polytechnic Trust, The Quintin Hogg Memorial Fund and the University of Westminster Prize and Scholarship Fund. The Trusts are individually registered charities.

The material transactions that have taken place during the financial year and the balances at the year end are as follows:

	2003 £'000	2002 £'000
Quintin Hogg Trust		
Rent payable to Trust – academic buildings	(2,569)	(2,558)
Rent payable to Trust – halls of residence	(1,615)	(1,506)
Donations received by University	825	798
Amounts owed to related party:		
– short term deposits invested on behalf of Trust	–	(6,492)
– other amounts	30	567
Disclosed as other debtors/(creditors) in the accounts	<u>30</u>	<u>(5,925)</u>
The Regent Street Polytechnic Trust		
Scholarships paid by Trust to University students	–	12
Interest paid to University on loan	–	308
Donations received by University	600	–
Amounts owed to related party:		
– short term deposits invested on behalf of Trust	–	(3,492)
– other amounts	–	1,154
Disclosed as other creditors in the accounts	<u>–</u>	<u>(2,338)</u>

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32. RELATED PARTY TRANSACTIONS (continued)

	2003 £'000	2002 £'000
The Quintin Hogg Memorial Fund		
Purchase of Chiswick development from University, at cost	–	1,595
Rent payable to Trust	73	–
Amounts owed by related party:		
- balance of disposal proceeds	446	675
- other amounts	29	7
Disclosed as other debtors in the accounts	<u>475</u>	<u>682</u>
The University of Westminster Prize and Scholarship Fund		
Amounts owed to related party:		
- short term deposits invested on behalf of Fund	–	(1,152)
- other amounts	5	(8)
Disclosed as other debtors/(creditors) in the accounts	<u>5</u>	<u>(1,160)</u>

Due to the nature of the University's operations and the composition of the Court of Governors (being drawn from both public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Court of Governors may have an interest. All transactions involving organisations in which a member of the Court of Governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. There were no material transactions in the year.



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