

UNIVERSITY OF EAST LONDON

REPORT

AND

FINANCIAL STATEMENTS

**FOR THE
YEAR ENDED
31 JULY 2003**

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2003**

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GOVERNORS, EXECUTIVES AND ADVISORS

Board of Governors

Mr R Corkill
Ms S Crouch
Ms J Edwards
Ms H Folorunso
Mr T Grainger
Ms C Harding
Mr F Heddell
Mr A Holman
Mr J Jacobs
Mr J Mckenna
Professor N Miller
Mr S O'Brien (Chair)
Mr M Oliver
Dr P Smith
Ms A Stevens
Dr M Stewart
Mr J Swan
Professor M Thorne
Dr A White

Senior post-holders

Professor M Thorne Phd FIMA FBCS FRSA
Mr R Allanach BA CPFA
Mr A Ingle BA Cert Mgt
Professor S Price BSc MBA PhD MCIM MIMgt
Professor A Sibbald BSc MSc PhD CEng

Vice-Chancellor
Director of Financial Services
Secretary and Registrar
Pro-Vice-Chancellor
Pro-Vice-Chancellor

Auditors

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
St Albans

Bankers

Barclays Bank PLC
P O Box 1006
Barking
IG11 8AT

REPORT OF THE GOVERNORS**Purpose of the report**

This report is intended to provide the reader with an account of the board's stewardship of the charity which is the university during the financial year 2002/03. It sets out the vision the board has provided and the steps which the university has taken towards fulfilling that vision.

Constitution

The University of East London is a higher education corporation as defined under the Education Reform Act 1988. The powers of higher education corporations are defined by that act and include the power to provide higher and further education and to carry out research. The university is an exempt charity by virtue of the Charities Act 1993. Information about the university's governance is given in the corporate governance statement.

Scope of the financial statements

The financial statements comprise the consolidated results of the university and its subsidiary undertakings. Details of the subsidiary undertakings are given in note 12 to the financial statements.

Vision

In March 2003 the board adopted a new vision for the University of East London. This vision is:

To achieve recognition, both nationally and internationally, as a successful and inclusive regional university, proud of our diversity, committed to new modes of learning which focus on students and enhance their employability, and renowned for our contribution to social, cultural and economic development, especially through our research and scholarship.

Governors during the course of the year

Mr R Corkill
Ms S Crouch
Ms J Edwards
Ms E Filkin (retired July 2003)
Ms H Folorunso
Mr T Grainger
Ms C Harding (appointed December 2002)
Mr F Heddell
Mr A Holman
Mr J Jacobs (appointed October 2002)
Mr J Mckenna
Professor N Miller
Mr S O'Brien (Chair)
Mr M Oliver
Dr P Smith (appointed December 2002)
Ms A Stevens (appointed October 2002)
Dr M Stewart
Mr J Swan (appointed October 2002)
Professor M Thorne
Dr A White

REPORT OF THE GOVERNORS (CONTINUED)**Innovation and Renewal**

This year was the first year when we were striving to implement our strategic plan *Innovation and Renewal*.

During the year we hit our highest ever level of enrolled students with some 15,700 students studying on our courses. A particular feature of this growth was the number of students coming from abroad to study on our campuses. At the end of July 2003 we had 1,560 full-time overseas students enrolled on programmes delivered on our UK campuses (the corresponding figure for July 2002 was 1,150 overseas students.)

During the year we started a number of new courses – amongst the most significant of these were:

MSc	Computer Systems Engineering
LLM	Human Rights
BSc	Forensic Science
BA	Playwork and Youth Studies (in association with Thurrock and Basildon College)

We also invested a significant amount of staff time in developing for validation new programmes to run from September 2003 onwards. Among these courses some of the most significant are:

	Master of Research
PGCE	Post Compulsory Education and Training
PGCE	Physical Education (Secondary)
BSc	Computer Games
BSc	Sports Coaching
BA	Business Studies & Law (in association with NEWVIC college)
BA	Media & Creative Industries (in association with NEWVIC college)
Fd	Manufacturing Engineering (in association with Loughborough University, Ford, Barking College and Havering College of Further and Higher Education)

Growth in these areas was balanced by a selective programme of voluntary redundancy in areas where student demand has not been buoyant.

During the year we also rationalised and reduced our borrowing. Total borrowings of £21,002,000 at July 2002 were reduced to £14,595,000 at July 2003. Of this borrowing £14,000,000 is secured on part of our Docklands campus and is to be repaid in equal quarterly instalments between February 2006 and February 2028. We have fixed the interest rate we pay on this loan at 5.15% until 2028.

Changes in our estate

During the year we sold our Maryland House building and transferred our main Stratford learning resource centre to refurbished accommodation in University House.

We also completed the renovation of the Passmore Edwards museum as a base for our students' union at Stratford.

Work started on a new home for the School of Architecture and the Visual Arts on our Docklands campus. The building was designed by Mr Steven Rich, a faculty member with this school.

REPORT OF THE GOVERNORS (CONTINUED)**Financial performance**

For the last two years we have included a table with our report which makes certain standard adjustments to the reported figures for surplus and turnover as we believe this better represents our underlying financial position. This year these adjustments have a minimal effect on our reported position. However we have continued to include the table:

- a) To provide a meaningful historical series of information on our financial performance
- b) We believe that these standard adjustments are likely to be important for the 2003/04 financial statements when we anticipate having a further significant property disposal

	2002/03 £'000	2001/02 £'000	2000/01 £'000	1999/00 £'000
Headline surplus/(loss)	2,770	518	1,500	(161)
Adjustments				
Gain on sale of assets	(1,928)	(2,317)	(1,083)	(88)
HEFCE income	-	-	(1,591)	1,453
Restructuring costs	1,881	2,378	520	434
Relocation costs	7	287	1,026	-
Underlying surplus	2,730	866	372	1,638
Headline turnover	71,380	66,525	65,137	60,728
HEFCE income adjustments	-	-	(1,591)	1,453
Adjusted turnover	71,380	66,525	63,546	62,181
Year on year growth in turnover	7.3%	4.7%	2.2%	-
Underlying surplus as a percentage of adjusted turnover	3.8%	1.3%	0.6%	2.6%

The key numbers and ratios which we would draw out of the table and the financial statements are as follows:

- 1) Our annual turnover was £71.4 million, an increase of 7.3% or £4.9 million on the previous year. Of this increase £3.0 million came from increased income from overseas students.
- 2) The cash we generated from operations was £7.0 million. This is a significant increase on the £4.6 million generated in the previous year
- 3) We invested £6.6 million on fixed assets – mainly on work at University House, Stratford and the new Architecture and the Visual Arts School in Docklands
- 4) We made a net repayment of £6.0 million of our outstanding loans
- 5) We again made a surplus on our operations – this year the figure was £2.7 million or 3.8% of turnover. Making surpluses of this nature enables us to support our capital investment programme
- 6) At the end of the year we had £7.5 million of cash and short term deposits in the banking sector and a current ratio of 0.86:1. The current ratio is below our long term goal but the figures for cash and current ratio comfortably meet our banking covenants for July 2003.

Taken together we consider this to be a satisfactory financial performance.

Post balance sheet events

In August we came to an agreement with the NHS that led to us taking over from University College London a contract for the supply of podiatrists.

In October it was agreed that we would market our Park Village student residences. It is anticipated that the proceeds of any sale would at least meet the carrying value of these assets in our balance sheet.

CORPORATE GOVERNANCE STATEMENT

The following statement is provided to enable readers of the financial statements to obtain a better understanding of the governance and legal structure of the institution. The statement complies with the combined code as required by the HEFCE Accounts direction for the year.

The institution endeavors to conduct its business in accordance with the seven Principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to institutions of higher education which has been provided by the Committee of University Chairmen in its *Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland*.

The institution is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in its Instrument and Articles of Government. Its Instrument of Government was approved by the Privy Council on 5 March 1993. The current version of the Articles came into operation on 1 December 1996.

The Articles require the University to have a Board of Governors and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Board of Governors is the executive governing body, responsible for the finance, property and staffing of the institution. It is specifically required to determine the educational character and mission of the institution and to set its general strategic direction.

The Board has a majority of independent members, chosen in line with its instrument of government. The board includes in its membership, the vice-chancellor, one teaching member of staff nominated by academic board, two co-opted students and three co-opted members of staff of whom two are teaching members of staff. No members of the Board receive any reimbursement for the work they do for the Board.

Subject to the overall responsibility of the Board of Governors, the **Academic Board** has oversight of the academic affairs of the institution and draws its membership entirely from the staff and the students of the institution. It is particularly concerned with general issues relating to the teaching and research work of the institution.

The vice-chancellor is the head of the institution who has a general responsibility to the Board of Governors for the organisation, direction and management of the institution. Under the terms of the formal Financial Memorandum between the institution and the Higher Education Funding Council, the vice-chancellor is the designated officer of the institution and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

Although the Board of Governors meets at least five times each academic year, much of its detailed work is initially handled by committees, in particular the Finance & General Purposes Committee, the Remuneration Committee, the Audit Committee and the Capital Projects Steering Group.

A significant proportion of the membership of these committees consists of independent and co-opted members of the Board, other than co-opted student and staff members, who are not eligible to serve on these committees.

The vice-chancellor, as head of the institution exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. Other members of the corporate management team, who include a number of members of staff directly appointed by governors, all contribute in various ways to this aspect of the work, but the ultimate responsibility for what is done rests with the vice-chancellor.

The institution maintains a Register of Interests of members of the Board which may be consulted by arrangement with the secretary and registrar.

In accordance with the Articles of Government of the institution, Alan Ingle the secretary and registrar of the institution has been appointed as Clerk to the Board, and in that capacity, provides independent advice on matters of governance to all Board members.

STATEMENT OF GOVERNORS' RESPONSIBILITIES

In accordance with the Education Reform Act 1988, the Board of Governors of the university is responsible for the administration and management of the affairs of the university, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Governors 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 the financial statements are prepared in accordance with the university's instruments and articles, 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 Board of Governors of the university, the Board of Governors, through its designated office holder, 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 flow for that year.

In causing the financial statements to be prepared, the Board of Governors 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, and
- financial statements are prepared on a going concern basis unless it is inappropriate to presume that the university will continue in operation. The Board of Governors is satisfied that it 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 Board of Governors has 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 terms and conditions of the Agency
- 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, and
- secure the economical, efficient and effective management of the university's resources and expenditure.

STATEMENT OF GOVERNORS' RESPONSIBILITIES (CONTINUED)

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of schools and services
- a medium and short-term planning process, supplemented by detailed annual income, expenditure and capital budgets and cash flow forecasts
- regular reviews of key performance indicators, business risks and financial results involving variance reporting and updates of forecast out turns
- clearly defined and formalised requirements for the approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to appropriate levels of appraisal and review as approved by the Board of Governors
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Board of Governors, and
- a professional internal audit team whose annual programme is approved by the Audit Committee and whose head provides an annual report to the Board of Governors on internal audit activity within the University and an opinion on the adequacy and effectiveness of the university's system of internal control, including internal financial control.

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

STATEMENT BY THE BOARD OF GOVERNORS OF INTERNAL CONTROL AND RISK MANAGEMENT

1. As the governing body of the University of East London, we have responsibility for maintaining a sound system of internal control in support of our policies, aims and objectives as detailed in our Strategic Plan 2002/2007, *Innovation and Renewal*. In so doing we have a responsibility to safeguard the public and other funds for which we are responsible, in accordance with the duties assigned to the Board of Governors in our Articles of Government and our Financial Memorandum with the HEFCE.
2. The system of internal control is designed to manage rather than eliminate the risk of failure to deliver our policies, aims and objectives. Accordingly, it can provide only a reasonable and not an absolute assurance of effectiveness.
3. The system of internal control is informed by an ongoing process which identifies the principal risks to the delivery of our policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2003 and up to the date of approval of the financial statements, and accords with the HEFCE guidance.
4. As the governing body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:
 - a) We consider the mission and educational character of the University of East London at our main board meetings regularly throughout the year, and in addition we hold three more informal evening events each year to discuss its strategic direction.
 - b) We receive a report from the Chair of the Audit Committee after each meeting of that Committee concerning the system of internal control, and we require the management reports which come to our meetings – for example on the progress of the estates strategy – to draw attention to the attendant risks and how they are being managed. We expect the reports which the Vice-Chancellor makes to each of our meetings to update us on the key risks we are facing.
 - c) We have agreed that the Corporate Management Team chaired by the Vice-Chancellor and comprising all senior staff will act as our risk committee.
 - d) The Audit Committee receives a suite of reports from the head of internal audit at each of its meetings which provide an independent opinion on the adequacy and effectiveness of the internal control system, together with recommendations for improvement.
 - e) The Vice-Chancellor's Group and the Corporate Management Team hold workshop sessions during the year to identify and keep up to date the corporate risk register.
 - f) A programme of risk awareness training has taken place.
 - g) The corporate risk register includes key performance results and risk indicators.
 - h) Risks are prioritised by likelihood and impact and ranked accordingly. Managers balance the cost of acting to mitigate risks against the risk of not doing so and the benefits to be derived from the investment.
 - i) Risk registers are being developed within schools and services.
 - j) Reports are received from budget holders and project managers on internal control activities.
 - k) We have a public interest disclosure policy in place.
5. Our review of the effectiveness of the system of internal control is informed by the internal audit service, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in March 2003. The internal auditors submit regular reports which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, with recommendations for improvement.
6. Our review of the effectiveness of the system of internal control is also informed by the work of the senior staff, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

INDEPENDENT AUDITORS' REPORT TO THE GOVERNORS

We have audited the financial statements of the University of East London for the period ended 31 July 2003 which comprise the consolidated income and expenditure account, the statement of consolidated total recognised gains and losses, the consolidated balance sheet, the university balance sheet, the consolidated cash flow statement, the reconciliation of net cash flow to movement in net debt, the statement of principal accounting policies and the related notes 1 to 27.

This report is made solely to the Board of Governors of the university, as a body, in accordance with the Financial Memorandum dated 1 August 2000. Our audit work has been undertaken so that we might state to the governors those matters we are required to state to them in an auditors' 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 Board of Governors for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Governors and independent auditors

As described in the Statement of Governors' Responsibilities the Board of Governors is responsible for preparing the financial statements which are required to comply with United Kingdom law and accounting standards. Our responsibilities as independent auditors are established by statute, the Audit Practices Board, the Higher Education Funding Council for England and by 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 for Further and Higher Education. We also report to you whether, in all material respects, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the university have been applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the University's Articles 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 Report of the Governors 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 Report of the Governors, the Corporate Governance Statement, the Statement of Governors' Responsibilities and the Statement by the Board of Governors of Internal Control and Risk Management and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of our 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 Board of Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the university's and the group'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.

INDEPENDENT AUDITORS' REPORT TO THE GOVERNORS (CONTINUED)

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the university and of the group at 31 July 2003 and of the surplus of income over expenditure and cash flows of the group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education;
- in all material respects, funds from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the university have been applied only for the purposes for which they were received; and
- in all material respects, income has been applied in accordance with the University's Articles and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England dated 1 August 2000.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
St Albans

17 December 2003

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2003**

	Notes	2003 £'000	2003 £'000	2002 £'000	2002 £'000
INCOME					
Funding Council grants	2		35,002		34,083
Tuition fees and education contracts	3		23,439		19,973
Research grants and contracts	4		1,518		1,377
Other income	5		11,100		10,778
Investment income			321		314
Total income			71,380		66,525
EXPENDITURE					
Staff costs	6	39,561		38,244	
Depreciation	11	2,478		2,321	
Other operating expenses	8	27,606		26,390	
Interest payable	9	893		1,369	
Total expenditure			70,538		68,324
SURPLUS/(DEFICIT) AFTER DEPRECIATION OF TANGIBLE FIXED ASSETS AT VALUATION			842		(1,799)
Gain on disposal of fixed assets	11		1,928		2,317
SURPLUS AFTER DEPRECIATION OF FIXED ASSETS AT VALUATION AND DISPOSAL OF FIXED ASSETS BOTH BEFORE AND AFTER TAX			2,770		518

The income and expenditure account is in respect of continuing activities.

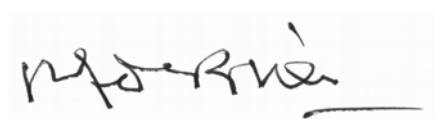
**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2003**

	2003	2002
	£'000	£'000
Surplus after depreciation of tangible fixed assets at valuation and disposal of assets before and after tax	2,770	518
Release of deferred capital land grant to reserves	-	2,901
Unrealised deficit on impairment of properties	-	(14,420)
TOTAL RECOGNISED GAINS/(LOSSES) RELATING TO THE YEAR	<u>2,770</u>	<u>(11,001)</u>
 Reconciliation		
Opening reserves	31,909	42,910
Total recognised gains/(losses) relating to the year	2,770	(11,001)
Closing reserves	<u>34,679</u>	<u>31,909</u>

BALANCE SHEETS AS AT 31 JULY 2003

	Notes	Group 2003 £'000	University 2003 £'000	Group 2002 £'000	University 2002 £'000
FIXED ASSETS					
Tangible assets	11	76,292	76,256	72,981	72,937
Investments	12	34	34	40	34
		<u>76,326</u>	<u>76,290</u>	<u>73,021</u>	<u>72,971</u>
CURRENT ASSETS					
Stocks		45	45	46	46
Debtors - receivable within one year	13	7,530	7,672	9,393	9,780
- receivable after more than one year	13	153	309	206	320
Investments - deposits at bank	1(i)	6,830	6,830	262	262
Cash at bank and in hand		683	515	5,777	5,540
		<u>15,241</u>	<u>15,371</u>	<u>15,684</u>	<u>15,948</u>
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	14	17,803	17,678	15,151	15,167
NET CURRENT (LIABILITIES)/ASSETS		(2,562)	(2,307)	533	781
TOTAL ASSETS LESS CURRENT LIABILITIES		73,764	73,983	73,554	73,752
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	14,219	14,219	18,986	18,935
PROVISIONS FOR LIABILITIES AND CHARGES	17	9,295	9,295	8,366	8,366
NET ASSETS		50,250	50,469	46,202	46,451
DEFERRED CAPITAL GRANTS	18	15,571	15,571	14,293	14,293
RESERVES					
Revaluation reserve	19	15,595	15,595	16,758	16,758
General reserve	19	19,084	19,303	15,151	15,400
TOTAL FUNDS		50,250	50,469	46,202	46,451

The financial statements on pages 12 to 36 were approved by the Board of Governors on 16 December 2003 and signed on its behalf by:



Mr S O'Brien
Chair of Governors



Professor M Thorne
Governor and Vice-Chancellor

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2003

	Notes	2003 £'000	2003 £'000	2002 £'000	2002 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	20		6,980		4,647
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		407		311	
Interest paid		(875)		(1,264)	
Interest element of finance lease rental payment		(86)		(131)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(554)		(1,084)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of tangible fixed assets and investments		(6,766)		(850)	
Sale of tangible fixed assets	11	6,200		185	
Deferred capital grant received		2,021		92	
NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			1,455		(573)
NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING			7,881		2,990
MANAGEMENT OF LIQUID RESOURCES					
Net cash placed on bank deposit		(6,568)		(10)	
NET CASH OUTFLOW FROM MANAGEMENT OF LIQUID RESOURCES			(6,568)		(10)
FINANCING					
New loans		14,000		-	
Loan principal payment		(19,978)		(1,403)	
Capital element of finance lease rental payments		(429)		(378)	
NET CASH OUTFLOW FROM FINANCING			(6,407)		(1,781)
(DECREASE)/INCREASE IN CASH IN THE YEAR			(5,094)		1,199
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT					
(Decrease)/increase in cash in the year	21		(5,094)		1,199
Cash outflow from decrease in debt			6,407		1,781
Cash outflow from increase in liquid resources			6,568		10
Movement in net debt in the year			7,881		2,990
Net debt at 1 August			(14,963)		(17,953)
Net debt at 31 July			(7,082)		(14,963)

NOTES TO THE ACCOUNTS**1 ACCOUNTING POLICIES****(a) Accounting convention**

The accounts have been prepared under the historical cost convention, modified by the inclusion of certain properties at valuation, and in accordance with Statement of Recommended Practice on Accounting for Further and Higher Education and applicable accounting standards.

(b) Grants and other income

Recurrent grants, tuition fees, research grants and other income are accounted for on an accruals basis.

Capital grants to acquire tangible fixed assets are credited to the income and expenditure account over the estimated useful life of the individual assets concerned. The portion of such grants that has not yet been amortised is included in deferred capital grants.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the university and its subsidiary undertakings. The consolidated financial statements do not include those of the University of East London Students' Union as the university has no significant influence over its policies.

(d) Stocks

Stocks primarily comprise various consumables and are valued at the lower of cost and net realisable value.

(e) Fixed assets and depreciation

Depreciation is provided on all tangible fixed assets except land at rates calculated to write off the cost or valuation of each asset evenly over its estimated useful life as follows:

	Years
Buildings	10 - 50
Equipment and furniture	5 - 10

Assets costing more than £5,000 are capitalised.

Assets in the course of construction are not depreciated. On completion they are transferred to other fixed asset categories and depreciated accordingly.

Interest paid on loans to acquire tangible fixed assets is capitalised during the period of construction and written off over the life of the asset acquired.

The university has adopted the transitional provisions of Financial Reporting Standard (FRS) 15. Accordingly the book values at the implementation of FRS 15 have been retained and the valuations of those assets held at valuation have not been updated.

(f) Pension scheme arrangements

Retirement benefits for employees of the university are provided by defined benefit schemes that are funded by contributions from the university and employees. Payments are made to the Teachers' Pensions Agency, in accordance with the Teachers' Superannuation Scheme, for teaching staff and to the London Borough of Barking and Dagenham Pension Scheme for non-teaching staff. These are both independently administered schemes. Where an institution closes and there is no successor establishment, the Secretary of State becomes the compensating authority. Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of the pensions over the employees' working lives with the university.

NOTES TO THE ACCOUNTS (CONTINUED)**1 ACCOUNTING POLICIES (CONTINUED)****(g) Revaluation reserve**

The revaluation reserve arises from the revaluation of the transferred assets and from the revaluation of other fixed assets. An amount equal to the depreciation charge on these assets is transferred to the income and expenditure account each year.

(h) Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the income and expenditure account in the year the costs are incurred.

(i) Investments

Fixed asset investments are stated at cost less provision for any impairment in value. Current asset investments are stated at the lower of cost and net realisable value.

(j) Taxation

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) of the 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 in the same way as any commercial organisation.

(k) Provisions

Provisions are recognised when the university has a present legal or constructive obligation as a result of a past event, 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 amount of the obligation.

NOTES TO THE ACCOUNTS (CONTINUED)**2 FUNDING COUNCIL GRANTS**

	2003 £'000	2002 £'000
Higher Education Funding Council for England		
Recurrent grant		
Teaching	29,739	28,915
Research	1,368	1,548
Specific grants	2,198	1,927
Reimbursement of inherited rentals	490	490
Release of deferred capital grants		
Buildings	121	90
Equipment	285	336
Teacher Training Agency		
Teaching grant	871	846
Adjustment to funding relating to prior years	(137)	(110)
Contribution to administration costs	20	22
Specific grants	23	19
Learning and Skills Council		
Main allocation	24	27
Adjustment to funding relating to prior years	-	(27)
	<u>35,002</u>	<u>34,083</u>

The Teacher Training Agency income excludes training bursaries paid on the Agency's behalf to trainee teachers. This income has been transferred to the Balance Sheet to be offset against the associated expenditure (see note 26).

NOTES TO THE ACCOUNTS (CONTINUED)**3 TUITION FEES AND EDUCATION CONTRACTS**

	2003	2002
	£'000	£'000
UK Higher Education students	11,486	11,203
UK Further Education students	50	50
European Union (excluding UK students)	873	715
Non European Union students	8,495	5,467
Total fees paid by or on behalf of individual students	<u>20,904</u>	<u>17,435</u>
Education contracts	2,535	2,538
	<u>23,439</u>	<u>19,973</u>

4 RESEARCH GRANTS AND CONTRACTS

	2003	2002
	£'000	£'000
Research councils	148	160
UK based charities	320	274
European commission	65	51
Other grants and contracts	985	892
	<u>1,518</u>	<u>1,377</u>

5 OTHER INCOME

	2003	2002
	£'000	£'000
Residences & catering	4,600	4,479
Other income-generating activities	1,016	925
Release of non-HEFCE capital grants	260	165
Other income	5,224	5,209
	<u>11,100</u>	<u>10,778</u>

NOTES TO THE ACCOUNTS (CONTINUED)**6 STAFF COSTS AND NUMBERS**

The average weekly number of persons employed by the University during the year, expressed as full time equivalents, was:	2003	2002
	Number	Number
Senior management staff	5	4
Teaching and research staff	577	585
Professional, administrative, technical and other support staff	603	613
	1,185	1,202
Staff costs for the above persons:	2003	2002
	£'000	£'000
Wages and salaries	34,600	33,833
Social security costs	2,693	2,614
Other pension costs	2,268	1,797
	39,561	38,244
Analysis of staff costs by activity	2003	2002
	£'000	£'000
Academic departments	25,250	25,149
Research grants and contracts	896	964
Other contracts	1,223	1,262
Academic support services	1,637	1,235
Other support services	519	584
Information services	1,749	1,671
Administration and central services	5,951	5,289
Premises	1,293	937
Other income-generating activities	28	174
Residences, catering and conferences	898	953
Miscellaneous	117	26
	39,561	38,244

Included in the staff costs above are salaries totalling £1,374,000 (2001/02: £1,364,000) paid to 368 (2001/02: 695) hourly paid and specialist lecturers. The number of staff paid cannot be readily converted into full time equivalents so has not been included in the staff number table above.

NOTES TO THE ACCOUNTS (CONTINUED)**6 STAFF COSTS AND NUMBERS (CONTINUED)****Emoluments of the Vice-Chancellor**

	2003 £'000	2002 £'000
Salary	135	97
Pension contributions	13	8
	<u>148</u>	<u>105</u>

The emoluments, including taxable benefits, of the Vice-Chancellor are shown on the same basis as for higher paid staff and exclude employer's national insurance contributions. The 2002 figure relates to the emoluments of the new Vice Chancellor who commenced office in November 2001. During 2002 the annualised emoluments of the Vice-Chancellor would have been £130,000 and this figure can be compared to the £135,000 reported for 2003.

The university's pension contributions to the Teachers' Pension Scheme in respect of the Vice-Chancellor are paid at the same rates as for other academic staff. This represents employer's pension contributions of 8.35% up to 31 March 2003 and 13.5% thereafter (2001/02: 7.4% to 31 March 2002).

The table below shows the number of higher paid staff, excluding the Vice-Chancellor, whose remuneration, including taxable benefits but excluding employer's national insurance contributions, falls within the following bands:

	2003 Number	2002 Number
£70,001 - £80,000	-	2
£80,001 - £90,000	4	2

There have been no payments of compensation for loss of office paid to former higher paid employees:

7 PENSION SCHEMES

Retirement benefits for employees of the university are provided by defined benefit schemes that are funded by contributions from the university and employees. Payments are made to the Teachers' Pensions Agency, in accordance with the Teachers' Pension Scheme, for teaching staff and to the London Borough of Barking and Dagenham Pension Scheme for non-teaching staff. These are both independently administered schemes. Where an institution closes and there is no successor establishment, the Secretary of State becomes the compensating authority.

Teachers' Pension Scheme (England and Wales)

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2001
Actuarial method	Prospective benefits
Investment returns per annum	7.0% per annum
Salary scale increases per annum	5.0% per annum
Notional value of assets at date of last valuation	£142,880 million
Proportion of members' accrued benefits covered by the notional value of the assets	100%

NOTES TO THE ACCOUNTS (CONTINUED)**7 PENSION SCHEMES (CONTINUED)**

Following the implementation of Teachers' Pension (Employers' Supplementary Contributions) Regulations 2000 the government actuary carried out a further review on the level of employers' contributions. For the period from 1 April 2002 to 31 March 2003 the employer contribution was 8.35%. This rate increased to 13.5% from 1 April 2003. An appropriate provision has been included in the accounts (note 16) in respect of unfunded pensioners' benefits.

London Borough of Barking and Dagenham Pension Scheme

The London Borough of Barking and Dagenham Pension Scheme is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the actuary. The latest actuarial assessment of the London Borough of Barking and Dagenham Pension Scheme was at 31 March 2001. For the purposes of meeting the requirements of the reporting standard FRS 17, Retirement Benefits, they have used data from this to assess the assets and liabilities of the scheme as at 31 July 2003.

The financial assumptions used by the actuary were:

	2003	2002
Price increases	2.6% per annum	2.4% per annum
Salary increases	4.6% per annum	4.4% per annum
Pension increases	2.6% per annum	2.4% per annum
Discount rate	5.5% per annum	6.0% per annum

The contribution of the University is 5% (2001/02: 5%) of pensionable salaries for non-teaching staff. The University is not involved in the financial management of the fund.

A new accounting standard, FRS17, Retirement Benefits, is expected to be fully introduced by 2006. Under the transitional arrangements for introduction of the standard we are required to illustrate how the new standard would have affected the financial statements for the year to date. This illustration can be found in note 27.

Enhanced Pension Scheme

Enhanced pension entitlements of staff taking early retirement under the reorganisation programme have been charged to the income and expenditure account under "other operating expenses". The charge for the year is £1,401,000 (2001/02: £1,569,000). The calculation of the cost of early retirement provisions charged to the income and expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 3.5% in excess of price inflation.

The amount in respect of enhanced pension entitlements is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. Enhanced pension payments to former staff of the university who retired after 1 April 1989 are charged to the provision. The provision is recalculated annually based on actuarial advice. Movements on the provision are disclosed in note 16.

NOTES TO THE ACCOUNTS (CONTINUED)**8 OTHER OPERATING EXPENSES**

	2003	2002
	£'000	£'000
Academic departments	7,299	6,720
Research grants and contracts	388	392
Other contracts	524	947
Academic support services	1,384	1,160
Other support services	322	200
Information services	1,034	932
Administration and central services	2,186	1,588
General education	1,472	1,548
Premises	5,628	4,871
Other income-generating activities	519	429
Residences & catering	1,125	1,558
Provision for enhanced pensions	537	1,071
Restructuring costs	1,881	2,378
Relocation costs	7	287
Other expenses	3,298	2,309
	<hr/> 27,606 <hr/>	<hr/> 26,390 <hr/>

Other expenses include:

Auditors' remuneration		
- external (university current year)	35	26
- external (subsidiaries current year)	5	4
- internal	80	76
- other services	10	63
Losses on disposal of fixed assets	-	26
Hire of plant and machinery - operating leases	385	284
Hire of other assets - operating leases	490	490
Students' Union grant	442	422

NOTES TO THE ACCOUNTS (CONTINUED)**9 INTEREST PAYABLE**

	2003	2002
	£'000	£'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years	160	-
Repayable wholly or partly in more than 5 years	640	1,229
Finance lease charges	93	140
	893	1,369

10 SURPLUS/(DEFICIT) ON CONTINUING OPERATIONS FOR THE YEAR

	2003	2002
	£'000	£'000
The surplus for the year is made up as follows:		
University surplus for the year	2,740	587
Surplus/(deficit) generated by the subsidiary undertakings	30	(69)
	2,770	518

NOTES TO THE ACCOUNTS (CONTINUED)

11 TANGIBLE FIXED ASSETS

Group

	Land and buildings Freehold £'000	Long leasehold £'000	Equipment & furniture £'000	Assets in the course of construction £'000	Total £'000
Cost or fair value					
At 1 August 2002	72,618	3,257	9,899	1,047	86,821
Additions	1,542	-	1,415	3,680	6,637
Disposals	(1,002)	-	(238)	-	(1,240)
Transfers to/(from)	893	-	-	(893)	-
At 31 July 2003	<u>74,051</u>	<u>3,257</u>	<u>11,076</u>	<u>3,834</u>	<u>92,218</u>
Depreciation					
At 1 August 2002	7,560	-	6,280	-	13,840
Charge for year	1,351	-	1,127	-	2,478
Disposals	(156)	-	(236)	-	(392)
At 31 July 2003	<u>8,755</u>	<u>-</u>	<u>7,171</u>	<u>-</u>	<u>15,926</u>
Net book value at 31 July 2003	<u>65,296</u>	<u>3,257</u>	<u>3,905</u>	<u>3,834</u>	<u>76,292</u>
Net book value at 31 July 2002	<u>65,058</u>	<u>3,257</u>	<u>3,619</u>	<u>1,047</u>	<u>72,981</u>
Inherited assets	12,944	-	-	-	12,944
Assets funded by capital grants	14,225	2,901	1,346	-	18,472
Assets funded from other sources	38,127	356	2,559	3,834	44,876
Net book value At 31 July 2003	<u>65,296</u>	<u>3,257</u>	<u>3,905</u>	<u>3,834</u>	<u>76,292</u>

NOTES TO THE ACCOUNTS (CONTINUED)**11 TANGIBLE FIXED ASSETS (CONTINUED)**

Included in freehold land and buildings is land valued at £933,668 (2001/02: £933,668). This valuation was undertaken by Bridgeman Clarke Chartered Surveyors in September 1998. Apart from one long-leasehold property that has a nil net book value, all long leasehold assets are land. The university does not depreciate land. Also included within freehold land and buildings is capitalised interest of £873,390 (2001/02: £873,390).

During the current year the university disposed of its Maryland House building and received the proceeds from the sale of its Holbrook House building which had been disposed of the previous year. All sale proceeds are being reinvested in construction projects at our remaining campuses. The following summarises the main accounting entries for the sale of fixed assets:

	2003	2002
	£'000	£'000
Sale proceeds Holbrook House	-	3,424
Sale proceeds Maryland House	2,776	-
Sale of other fixed assets	-	180
Less fixed asset cost	(1,240)	(1,884)
Add back accumulated depreciation	392	571
	<hr/> 1,928	<hr/> 2,291
Gain on disposal of fixed assets		
	<hr/> 3,424	-
Cash received Holbrook House	2,776	-
Cash received Maryland House	-	185
Cash received from other fixed assets	<hr/> 6,200	<hr/> 185
Cash inflow from sale of fixed assets		

The net book value of equipment and furniture comprises:

	2003	2002
	£'000	£'000
Equipment	1,457	817
Furniture	126	156
Computers	1,016	1,152
Vehicles	11	-
Leased equipment	1,295	1,494
	<hr/> 3,905	<hr/> 3,619

The net book value of equipment and furniture includes a cost figure of £63,790 (2001/02: £63,790) and depreciation of £27,909 (2001/02: £19,934) which relates to assets purchased by a wholly owned subsidiary, Royal Docks Business Centre (UEL) Limited. All other assets are owned by the university.

NOTES TO THE ACCOUNTS (CONTINUED)**12 INVESTMENTS**

	Group £'000	University £'000
At 1 August 2002	40	34
Write-off due to permanent impairment	(6)	-
At 31 July 2003	<u>34</u>	<u>34</u>

The university wholly owns two subsidiary undertakings called UEL Business Services Limited and Royal Docks Business Centre (UEL) Limited. The capital of each company is divided into two ordinary shares of one pound each. The members of the companies are governors or employees of the University and hold their shares as trustees for and agents of the Board of Governors of the University.

The principal activities of UEL Business Services Limited are training and consultancy assignments.

The principal activities of Royal Docks Business Centre (UEL) Limited are the management of business start up units and a fitness centre.

London Docklands Academia Limited is a company limited by guarantee with three of its five directors being University employees. The company has been consolidated within the University's group accounts as a quasi-subsubsidiary. However, a summary of its financial accounts has not been included separately within the notes on the grounds of immateriality.

The university has a one pound share holding along with London Guildhall University and Queen Mary, University of London in London Docklands Business School Limited. The company was dormant as at 31 July 2003.

All four companies are registered in England and Wales.

The University also owns £34,000 of shares issued by Universities UK. The write-off due to permanent impairment relates to a loan made by UEL Business Services Limited to a start-up company.

13 DEBTORS

	Group 2003 £'000	University 2003 £'000	Group 2002 £'000	University 2002 £'000
Amounts receivable within one year				
Trade debtors	5,711	5,546	4,515	4,399
Amounts owed by subsidiary undertaking	-	307	-	503
Other debtors:				
Sale of fixed asset	-	-	3,419	3,419
Other	45	45	64	64
Prepayments and accrued income	1,774	1,774	1,395	1,395
	<u>7,530</u>	<u>7,672</u>	<u>9,393</u>	<u>9,780</u>
Amounts receivable after more than one year				
Amounts owed by subsidiary undertaking	-	156	-	114
Prepayments and accrued income	153	153	206	206
	<u>153</u>	<u>309</u>	<u>206</u>	<u>320</u>

NOTES TO THE ACCOUNTS (CONTINUED)**14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group 2003 £'000	University 2003 £'000	Group 2002 £'000	University 2002 £'000
Other loan	-	-	1,587	1,454
Obligations under finance leases	376	376	429	429
Amounts owed to subsidiary undertakings	-	-	-	283
Trade creditors	6,175	6,174	4,271	4,270
Other creditors	870	850	681	681
Taxation and social security	1,285	1,285	913	913
Accruals and deferred income	9,097	8,993	7,270	7,137
	17,803	17,678	15,151	15,167

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2003 £'000	University 2003 £'000	Group 2002 £'000	University 2002 £'000
Amounts owed to subsidiary				
- Between one and two years	-	-	-	233
- Between two and five years	-	-	-	400
- In five years or more	-	-	-	794
Other loans				
- Between one and two years	-	-	1,587	1,453
- Between two and five years	1,432	1,432	4,310	3,910
- In five years or more	12,568	12,568	12,494	11,550
Obligations under finance leases				
- Between one and two years	124	124	376	376
- Between two and five years	95	95	219	219
	14,219	14,219	18,986	18,935

The University renegotiated its loan portfolio during the year. The table below provides details of the remaining loan which is shown above under "other loans":

Original loan £'000	Interest basis	Repayment terms	Security
14,000	Fixed at 5.15% for full term	Equal principal instalments over 22 years starting in 2006	Land and property at the Docklands campus

NOTES TO THE ACCOUNTS (CONTINUED)**16 OBLIGATIONS UNDER FINANCE LEASES****Group and University**

The equipment purchased with the lease remains the property of the lessor throughout the term of the lease.

	2003	2002
	£'000	£'000
Minimum lease payments payable		
- Within one year	424	527
- Between one and two years	129	424
- Between two and five years	95	224
	<u>648</u>	<u>1,175</u>
Finance charges allocated to future periods	(53)	(151)
	<u>595</u>	<u>1,024</u>

17 PROVISIONS FOR LIABILITIES AND CHARGES**Group and University**

	Enhanced pension provision	Total
	£'000	£'000
At 1 August 2002	8,366	8,366
Expenditure in the year	(472)	(472)
Transferred from income and expenditure account in respect of		
- Existing pool	537	537
- Additions to pool 2002/03	864	864
At 31 July 2003	<u>9,295</u>	<u>9,295</u>

The annual capital cost associated with the Enhanced Pensions Scheme is calculated each year on an actuarial basis.

NOTES TO THE ACCOUNTS (CONTINUED)**18 DEFERRED CAPITAL GRANTS****Group and University**

	HEFCE capital equipment grant £'000	Other capital equipment grant £'000	HEFCE capital building grant £'000	Other capital building grant £'000	Total £'000
At 1 August 2002	609	-	1,163	12,521	14,293
Grant received	926	104	912	-	1,942
Released to income and expenditure account	(284)	(9)	(121)	(250)	(664)
At 31 July 2003	1,251	95	1,954	12,271	15,571

19 RESERVES**Group**

	Revaluation reserve £'000	General reserve £'000
At 1 August 2002	16,758	15,151
Surplus for the year before transfers from reserves	-	2,770
Transfer to general reserve in respect of disposals of fixed assets	(846)	846
Release of revaluation reserve in respect of depreciation charged against fixed assets	(317)	317
At 31 July 2003	15,595	19,084

All reserves are held within the university with the exception of deficits totalling £219,000 (2001/02: £249,000) held within the subsidiaries.

NOTES TO THE ACCOUNTS (CONTINUED)**20 RECONCILIATION OF SURPLUS FOR THE YEAR TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2003	2002
	£'000	£'000
Surplus on continuing operations after depreciation of fixed assets at valuation and disposal of assets	2,770	518
Depreciation	2,478	2,321
Deferred capital grants released to income	(664)	(591)
Profit on disposal of tangible fixed assets	(1,928)	(2,291)
Interest payable	893	1,369
Decrease/(increase) in stocks	1	(2)
(Increase)/decrease in debtors	(1,682)	1,021
Increase in creditors	4,504	2,305
Increase in provisions	929	311
Interest receivable	(321)	(314)
Net cash inflow from operating activities	<u>6,980</u>	<u>4,647</u>

21 ANALYSIS OF NET DEBT

	At 31 July 2002 £'000	Cash flow £'000	At 31 July 2003 £'000
Cash at bank and in hand	5,777	(5,094)	683
Net cash at bank and in hand	<u>5,777</u>	<u>(5,094)</u>	<u>683</u>
Debt due within one year	(1,587)	1,587	-
Debt due after one year	(18,391)	4,391	(14,000)
Finance leases	(1,024)	429	(595)
Current asset investments	262	6,568	6,830
	<u>(14,963)</u>	<u>7,881</u>	<u>(7,082)</u>

22 CAPITAL COMMITMENTS

	2003	2002
	£'000	£'000
Contracted for but not provided for in the financial statements	2,795	851
Authorised by the Board of Governors but not yet contracted for	1,250	2,822

Group and University

NOTES TO THE ACCOUNTS (CONTINUED)**23 OPERATING LEASE COMMITMENTS****Group and University**

At 31 July 2003, the University was committed to making the following payments during the next year in respect of operating leases.

	2003		2002	
	Land and	2003	Land and	2002
	buildings	Other	buildings	Other
	£'000	£'000	£'000	£'000
Leases which expire:				
- Less than one year	-	18		
- Between two and five years	-	177	-	221
- In five years or more	490	-	490	-
	490	195	490	221

24 RELATED PARTY TRANSACTIONS

Due to the nature of the university's operations and the composition of the board of governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisations in which a member of the board 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 significant transactions with related parties during the year.

NOTES TO THE ACCOUNTS (CONTINUED)**25 ACCESS FUNDS**

	2003	2002
	£'000	£'000
At 1 August 2002	206	192
Received	1,318	1,318
Interest earned	9	7
Disbursed	(1,504)	(1,311)
At 31 July 2003	<u>29</u>	<u>206</u>

The University receives Access Funds from the HEFCE which it disburses to eligible students. The purpose of Access Funds is to provide financial help to students whose access to higher education might be inhibited by financial considerations or who, for whatever reason, including physical or other disabilities, face financial difficulties. The income and expenditure shown above has been excluded from the income and expenditure account.

The balance at year end is carried forward within creditors less than one year.

26 TEACHER TRAINING AGENCY BURSARIES

	2003	2002
	£'000	£'000
At 1 August 2002	195	33
Received	966	1,237
Disbursed	(962)	(1,075)
At 31 July 2003	<u>199</u>	<u>195</u>

The University receives funds from the Teacher Training Agency which it disburses to eligible post graduate trainee teachers. The purpose of the bursary is to encourage graduates to undertake teaching as a career. The income and expenditure shown above has been excluded from the income and expenditure account.

The balance at year end is carried forward within creditors less than one year.

NOTES TO THE ACCOUNTS (CONTINUED)**27 IMPACT OF FRS17, RETIREMENT BENEFITS**

Accounting standard FRS17, Retirement Benefits, differs from the current standard SSAP24, Accounting for Pension Costs, in that it requires the university to include all the assets and liabilities of its share of the pension fund within its financial statements as if they belonged to the university itself. The transitional arrangements for the new standard require the University to include details of how the financial statements would have been affected if the standard had been applied to the year ended 31 July 2003.

Teachers' Pension Scheme (England and Wales)

Under the definitions set out in FRS 17, Retirement Benefits, the Teachers' Pension Scheme is a multi-employer pension scheme. Consequently, the university is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the university has accounted for its contributions as if it were a defined contribution scheme.

London Borough of Barking and Dagenham Pension Scheme

The London Borough of Barking and Dagenham Pension Scheme is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the actuary. The latest actuarial assessment of the London Borough of Barking and Dagenham Pension Scheme was at 31 March 2001. For the purposes of meeting the requirements of the reporting standard FRS 17, Retirement Benefits, they have used data from this to assess the assets and liabilities of the scheme as at 31 July 2003.

The financial assumptions used by the actuary were:

	2003	2002	2001
Price increases	2.6% per annum	2.4% per annum	2.5% per annum
Salary increases	4.6% per annum	4.4% per annum	4.5% per annum
Pension increases	2.6% per annum	2.4% per annum	2.5% per annum
Discount rate	5.5% per annum	6.0% per annum	5.7% per annum

The university's share of the value of assets in the scheme and the expected rate of return per annum were:

	2003 Long term return	2003 Fund value £'000	2002 Long term Return	2002 Fund value £'000	2001 Long term Return	2001 Fund value £'000
Assets						
Equities	8.0%	40,319	8.0%	37,734	7.0%	47,665
Bonds	5.0%	6,209	5.5%	7,162	5.5%	2,133
Property	6.0%	3,150	6.0%	2,486	6.0%	1,073
Cash	3.5%	522	4.0%	909	4.0%	3,152
		<u>50,200</u>		<u>48,291</u>		<u>54,023</u>

The university has already made provision for pensioners in receipt of a compensatory added years pension who retired after 1 April 1989 (note 16). The provision at 31 July 2003 stood at £9,295,000 (2001/02: £8,366,000). For completeness the actuaries have included data for this group of pensioners, along with estimates for those pensioners who retired prior to 1 April 1989, within their FRS 17 valuations under the heading of other liabilities. The university is not responsible for making payments to pensioners who retired prior to 1 April 1989 and has, therefore, not included provision in the financial statements.

NOTES TO THE ACCOUNTS (CONTINUED)

27 IMPACT OF FRS17, RETIREMENT BENEFITS (CONTINUED)

The share of the fund's assets and present value of the accrued pension liabilities at 31 July 2003 relating to the university, and its employees who retired before incorporation, are:

	2003 £'000	2002 £'000	2001 £'000
Estimated asset share	50,200	48,291	54,023
Present value of scheme liabilities	(66,580)	(54,393)	(53,823)
Present value of other liabilities	(10,710)	(14,123)	-
Net pension (liability)/asset	(27,090)	(20,225)	200

Under the transitional arrangements of FRS 17 the university is not required to make provision for its share of the deficit of the scheme. If one was to ignore the fact that a provision of £9,295,000 has in fact been made, the following entries would be required:

Balance sheet at 31 July:

	2003 £'000	2002 £'000
Net assets excluding pension liability	50,250	46,202
Pension liability	(27,090)	(20,225)
Net assets including pension liability	23,160	25,977
General reserve excluding pension liability	19,084	15,151
Pension reserve	(27,090)	(20,225)
General reserve including pension liability	(8,006)	(5,074)

Income and expenditure account:

	2003 % of payroll	2003 £'000	2002 % of payroll	2002 £'000
Current service cost	12.9%	1,800	10.0%	1,390
Curtailment and settlements	2.0%	280	-	-
Operating charge	14.9%	2,080	10.0%	1,390
Expected return on employer assets	25.8%	3,600	26.1%	3,638
Interest on pension scheme liabilities	(23.4%)	(3,260)	(22.0%)	(3,068)
Net return	2.4%	340	4.1%	570
Net income and expenditure account cost	12.5%	1,740	5.9%	820

NOTES TO THE ACCOUNTS (CONTINUED)**27 IMPACT OF FRS17, RETIREMENT BENEFITS (CONTINUED)**

Analysis of amount recognised in statement of total recognised gains and losses (STRGL):

	2003 £'000	2002 £'000
Actual return less expected return on pension scheme assets	(1,510)	(12,922)
Experience gains and losses arising on the scheme liabilities	3,555	(11,059)
Changes in assumptions underlying the present value of the scheme liabilities	(7,840)	3,771
Actuarial loss recognised in STRGL	(5,795)	(20,210)

Movement in surplus/(deficit) during the year:

	2003 £'000	2002 £'000
(Deficit)/surplus at beginning of year	(20,225)	200
Current service cost	(1,800)	(1,390)
Employer contributions	670	605
Impact of settlements and curtailments	(280)	-
Net return on assets	340	570
Actuarial losses	(5,795)	(20,210)
Deficit at end of year	(27,090)	(20,225)

History of experience gains and losses:

	2003 £'000	2002 £'000
Difference between the expected and actual return on assets	(1,510)	(12,922)
Value of assets	50,200	48,291
Percentage of assets	(3.0%)	(26.8%)
Experience gains/(losses) on liabilities	3,555	(11,059)
Present value of liabilities	77,290	68,516
Percentage of the present value of liabilities	4.6%	(16.1%)
Actuarial losses recognised in STRGL	(5,795)	(20,210)
Present value of liabilities	77,290	68,516
Percentage of the present value of liabilities	(7.5%)	(29.5%)