

**UNIVERSITY OF EAST LONDON**

**REPORT**

**AND**

**FINANCIAL STATEMENTS**

**FOR THE  
YEAR ENDED  
31 JULY 2004**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2004**

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**GOVERNORS, EXECUTIVES AND ADVISORS**

**Board of Governors**

Professor P Cohen  
Ms S Crouch  
Ms H Folorunso  
Mr T Grainger  
Mr F Heddell  
Mr A Holman  
Mr J Mckenna  
Mr S O'Brien (Chair)  
Mr S O'Hear  
Ms B Olibisi  
Ms S O'Sullivan  
Mr R Rutasingwa  
Mr N Sheikh  
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 FIL  
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 of East London during the financial year 2003/04. It sets out the vision the board has provided and the steps which have been 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 of East London is an exempt charity by virtue of the Charities Act 1993. Information about its governance is given in the corporate governance statement.

**Scope of the financial statements**

The financial statements comprise the consolidated results of the University of East London 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**

Professor P Cohen (appointed December 2003)  
Mr R Corkill (retired December 2003)  
Ms S Crouch  
Ms J Edwards (retired July 2004)  
Ms H Folorunso  
Mr T Grainger  
Ms C Harding (retired July 2004)  
Mr F Heddell  
Mr A Holman  
Mr J Jacobs (retired December 2003)  
Mr J Mckenna  
Professor N Miller (retired August 2003)  
Mr S O'Brien (Chair)  
Mr S O'Hear (appointed May 2004)  
Ms B Olibisi (appointed January 2004)  
Mr M Oliver (retired December 2003)  
Ms S O'Sullivan (appointed December 2003)  
Mr R Rutasingwa (appointed December 2003)  
Mr N Sheikh (appointed July 2004)  
Dr P Smith  
Ms A Stevens  
Dr M Stewart  
Mr J Swan  
Professor M Thorne  
Dr A White

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

In July 2002 the board adopted our strategic plan *Innovation and Renewal*. This remains the principal statement of our plans for the future.

**Student numbers**

During the year we again hit our highest ever level of enrolled students with some 17,500 students studying on our programmes worldwide (The corresponding figure for 2002/03 was 15,900). A particular feature of our growth is the number of students coming from abroad to study on our campuses. Over the last three years the number of full-time overseas students who have been enrolled to study on our programmes at one of our London campuses at the end of July each year has been as follows:

July 2004	1,730
July 2003	1,560
July 2002	1,150

**Development of new programmes**

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

Master of Research	
PGCE	Post Compulsory Education and Training
BSc	Podiatry
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)

We continue to develop new programmes to meet the needs of our region and prune programmes that no longer do so. We believe we are now the largest supplier of newly qualified teachers to the schools of East London. In addition to our continuing contract for the supply of physiotherapists we now have the contract for the entire supply of podiatrists for Greater London. During the year we developed a number of foundation degrees. Our new foundation degree for classroom assistants will provide another pathway for local people who wish to become qualified teachers but who currently face large barriers to fulfilling their aspirations as a result of the relatively low level of qualifications gained whilst studying at school. During the course of the year we developed two new programmes in the fields of psychology and business studies which will be delivered in an open learning mode in association with a private sector partner. These new programmes should start during 2004/05.

**Changes in our estate**

During the year we sold our Park Village student residences. We will continue to occupy these residences on a short term basis whilst we develop new students residences on our Docklands and Stratford campuses.

Work continued on a new home for the School of Architecture and the Visual Arts on our Docklands campus. This was occupied by architecture students during the course of the year and the other disciplines in the school moved in during September 2004. The building was designed by Mr Steven Rich, a faculty member with this school. We have received some financial support from the Higher Education Funding Council for this building under their “poor estates” initiative.

During the course of the year we entered into a contract to take a share in “The Knowledge” a lifelong learning centre being constructed in the centre of Barking. We should receive some financial support from the Higher Education Funding Council for this development.

(More information about the sale of Park Village is provided in note 11 to the financial statements.)

**REPORT OF THE GOVERNORS (CONTINUED)****Future estates developments**

Significant further changes to our estate are planned. It is intended that during 2004/05 construction contracts would be issued for:

- A new business school and learning resource centre on our Docklands campus
- A new knowledge exchange centre on our Docklands campus. This building will house the London centres for entrepreneurship, sustainability and the creative industries. We are being supported in the development of this building by grants from the European Union, London Development Agency and the Office of the Deputy Prime Minister.
- A clinical teaching centre at our Stratford campus
- A new residential complex at our Docklands campus which it is intended will provide over 800 student bedrooms

(More information on our capital commitments is given in note 22 to the financial statements.)

**Pensions**

The cost of pension provision for the UK economy continues to be a lively subject of national debate. During the year we suffered the full year effects of an increase in employers' pension scheme contributions for the pension scheme that provides for our lecturing staff from 8.35% to 13.5%. (The increase was implemented on 31 March 2003). This is a defined benefit scheme run by the government and we have no control over its funding. Because it is a multi-employer scheme there is no requirement for us to absorb a share of any scheme deficit onto our balance sheet.

Our support staff can also become members of a defined benefit scheme. In this case the Local Government Superannuation Scheme run by Barking and Dagenham Council. Again we have no control over the running of this scheme. Unlike the scheme for lecturers the local government scheme can be split into its component parts. For a number of years the true cost to us of our continued membership of this scheme has only been declared through the notes to the financial statements and not on the face of the financial statements themselves. This year we have decided to follow good accounting practice by fully complying with Financial Reporting Standard 17 Retirement Benefits. We believe we are one of the first universities in the UK to do so. As a consequence our share of the liabilities of this scheme (£28.5 million) are shown on the face of our balance sheet and the value of our reported surplus has been reduced.

(More information on pensions is given in note 7 to the financial statements)

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

For the last three years we have consistently 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.

	<b>2003/04</b>	<b>2002/03</b>
	<b>£'000</b>	<b>£'000</b>
Headline surplus	13,878	2,629
<b>Adjustments</b>		
Gain on sale of assets	(12,236)	(1,928)
Restructuring costs	373	1,489
Revenue costs incurred in support of our estates strategy	937	-
<b>Underlying surplus</b>	<b>2,952</b>	<b>2,190</b>
<b>Headline turnover</b>	<b>81,896</b>	<b>71,720</b>
Year on year growth in turnover	14.2%	7.3%
Underlying surplus as a percentage of turnover	3.6%	3.1%

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 £81.9million, an increase of 14.2% or £10.2 million on the previous year. (Of this increase £2.0 million came from our new contract with the NHS to provide a BSc Podiatry programme.)
- 2) The cash we generated from operations was £5.1 million. (£7.0 million in 2002/03)
- 3) We invested £6.3 million on tangible fixed assets – including work at University House, Stratford the new Architecture and the Visual Arts School in Docklands and preliminary work for our new student residences, clinical centre and business school
- 4) We again made a surplus on our operations – this year the underlying surplus was £3.0 million or 3.6% of turnover. Making surpluses of this nature enables us to support our capital investment programme
- 5) At the end of the year we had £24.7 million of cash and short term deposits in the banking sector and a current ratio of 1.7:1. Much of these liquid assets will be invested in our estates strategy over the coming two years.

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

## 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 of East London 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. The vice-chancellor, the member of staff nominated by academic board and the three co-opted members of staff are all paid as employees of the University of East London but no member of the Board receives 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 is responsible for the administration and management of the affairs of the University of East London, 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 institution and enable it to ensure that the financial statements are prepared in accordance with its instruments and articles, the Statement of Recommended Practice: Accounting for Further and Higher Education 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, 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 of East London 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 of East London 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 of East London and to prevent and detect fraud, and
- secure the economical, efficient and effective management of the University of East London's resources and expenditure.

**STATEMENT OF GOVERNORS' RESPONSIBILITIES (CONTINUED)**

The key elements of the institution'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 institution and an opinion on the adequacy and effectiveness of the institution'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 2004 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 have held a residential workshop and two informal evening events this year to discuss our 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 or the Vice-Chancellor's budget proposals - 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, and this has happened throughout the year.
  - c) We have agreed that the Corporate Management Team chaired by the Vice-Chancellor and comprising all senior staff with management responsibilities 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.

**STATEMENT BY THE BOARD OF GOVERNORS OF INTERNAL CONTROL AND RISK MANAGEMENT (CONTINUED)**

- e) The Vice-Chancellor's Group and the Corporate Management Team hold sessions during the year to identify and keep up to date the corporate risk register.
  - f) The Corporate Management Team, the Audit Committee and the Board of Governors each conducts an annual review of the effectiveness of our risk management arrangements.
  - g) A programme of risk awareness training has been delivered to all schools and services.
  - h) The corporate risk register, updated at least three times, a year includes key performance results and risk indicators.
  - i) 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.
  - j) Risk registers are being further developed within schools and services.
  - k) Our strategic priorities sit back-to-back with the attendant risks.
  - l) Reports are received from budget holders and project managers on internal control activities.
  - m) 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. The effectiveness of our risk management arrangements is reviewed annually by internal audit.
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 2004 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 and the related notes 1 to 26.

This report is made solely to the Board of Governors of the University of East London, as a body, in accordance with the Financial Memoranda effective from 1 August 2000 and 1 October 2003. 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.

**INDEPENDENT AUDITORS' REPORT TO THE GOVERNORS (CONTINUED)**

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.

**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 2004 and of the surplus of income over expenditure 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 effective from 1 August 2000 and updated 1 October 2003.

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
St Albans

9 December 2004

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 JULY 2004**

		2004	2004	2003	2003
	Notes	£'000	£'000	as restated (see note 7) £'000	as restated (see note 7) £'000
<b>INCOME</b>					
Funding Council grants	2		40,240		35,002
Tuition fees and education contracts	3		27,232		23,439
Research grants and contracts	4		1,645		1,518
Other income	5		12,191		11,440
Investment income			588		321
<b>Total income</b>			<b>81,896</b>		<b>71,720</b>
<b>EXPENDITURE</b>					
Staff costs	6	43,638		38,891	
Depreciation	11	2,468		2,478	
Other operating expenses	8	33,367		28,757	
Interest payable	9	781		893	
<b>Total expenditure</b>			<b>80,254</b>		<b>71,019</b>
<b>SURPLUS AFTER DEPRECIATION OF TANGIBLE FIXED ASSETS AT VALUATION</b>			<b>1,642</b>		<b>701</b>
Gain on disposal of fixed assets	11		12,236		1,928
<b>SURPLUS AFTER DEPRECIATION OF FIXED ASSETS AT VALUATION AND DISPOSAL OF FIXED ASSETS BOTH BEFORE AND AFTER TAX</b>			<b>13,878</b>		<b>2,629</b>

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 2004**

	2004	2004	2003	2003
	£'000	£'000	as restated (see note 7) £'000	as restated (see note 7) £'000
Surplus after depreciation of tangible fixed assets at valuation and disposal of assets before and after tax		13,878		2,629
Actuarial gain/(loss) for local government pension scheme:				
- actual return less expected return on pension scheme assets	796		(1,510)	
- experience (losses)/gains arising on the scheme liabilities	(776)		3,555	
- changes in financial assumptions underlying the present value of the scheme liabilities	(90)		(7,840)	
Total actuarial loss for local government pension scheme		(70)		(5,795)
<b>TOTAL RECOGNISED GAINS/(LOSSES) RELATING TO THE YEAR</b>		<b>13,808</b>		<b>(3,166)</b>
<b>Note on prior period adjustment</b>				
Total recognised gains/(losses) relating to the year as above		13,808		
Prior period adjustment (as explained in note 17)		9,295		
Prior period adjustment (as explained in note 7)		(27,090)		
Total gains/(losses) recognised since the last annual report		(3,987)		
<b>Reconciliation</b>				
Opening reserves as previously reported		34,679		
Total recognised gains/(losses) relating to the year		13,808		
Prior period adjustment (as explained in note 17)		9,295		
Prior period adjustment (as explained in note 7)		(27,090)		
Closing reserves		30,692		

**BALANCE SHEETS AS AT 31 JULY 2004**

	Notes	Group 2004 £'000	University 2004 £'000	Group 2003 as restated (see note 7) £'000	University 2003 as restated (see note 7) £'000
<b>FIXED ASSETS</b>					
Tangible assets	11	77,241	77,213	76,292	76,256
Investments	12	34	34	34	34
		<u>77,275</u>	<u>77,247</u>	<u>76,326</u>	<u>76,290</u>
<b>CURRENT ASSETS</b>					
Stocks		58	58	45	45
Debtors - receivable within one year	13	7,482	7,608	7,530	7,672
- receivable after more than one year	13	101	239	153	309
Investments - deposits at bank		24,640	24,640	6,830	6,830
Cash at bank and in hand		160	3	683	515
		<u>32,441</u>	<u>32,548</u>	<u>15,241</u>	<u>15,371</u>
<b>CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	<b>18,782</b>	<b>18,718</b>	17,803	17,678
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u><b>13,659</b></u>	<u><b>13,830</b></u>	<u>(2,562)</u>	<u>(2,307)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>90,934</b></u>	<u><b>91,077</b></u>	<u>73,764</u>	<u>73,983</u>
<b>CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	15	<b>14,095</b>	<b>14,095</b>	14,219	14,219
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	-	-	-	-
<b>NET ASSETS EXCLUDING PENSION ASSETS AND LIABILITIES</b>		<u><b>76,839</b></u>	<u><b>76,982</b></u>	<u>59,545</u>	<u>59,764</u>
<b>NET PENSION LIABILITY</b>	7	<b>28,543</b>	<b>28,543</b>	27,090	27,090
<b>NET ASSETS</b>		<u><b>48,296</b></u>	<u><b>48,439</b></u>	<u>32,455</u>	<u>32,674</u>
<b>DEFERRED CAPITAL GRANTS</b>	18	<b>17,604</b>	<b>17,604</b>	15,571	15,571
<b>RESERVES</b>					
Revaluation reserve	19	13,593	13,593	15,595	15,595
Pension reserve	19	(28,543)	(28,543)	(27,090)	(27,090)
General reserve	19	45,642	45,785	28,379	28,598
<b>TOTAL FUNDS</b>		<u><b>48,296</b></u>	<u><b>48,439</b></u>	<u>32,455</u>	<u>32,674</u>

The financial statements on pages 12 to 35 were approved by the Board of Governors on 7 December 2004 and signed on its behalf by:

Mr S O'Brien

Professor M Thorne

Mr Richard Allanach



**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2004**

	Notes	2004 £'000	2004 £'000	2003 £'000	2003 £'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	20		<b>5,069</b>		<b>6,980</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Interest received		294		407	
Interest paid		(601)		(875)	
Interest element of finance lease rental payment		(44)		(86)	
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			<b>(351)</b>		<b>(554)</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>					
Purchase of tangible fixed assets and investments		(4,853)		(6,766)	
Sale of tangible fixed assets	11	14,962		6,200	
Deferred capital grant received	18	2,794		2,021	
<b>NET CASH INFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			<b>12,903</b>		<b>1,455</b>
<b>NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>			<b>17,621</b>		<b>7,881</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>					
Net cash placed on bank deposit		(17,810)		(6,568)	
<b>NET CASH OUTFLOW FROM MANAGEMENT OF LIQUID RESOURCES</b>			<b>(17,810)</b>		<b>(6,568)</b>
<b>FINANCING</b>					
New loans		-		14,000	
Loan principal payment		-		(19,978)	
Capital element of finance lease rental payments		(376)		(429)	
<b>NET CASH OUTFLOW FROM FINANCING</b>			<b>(376)</b>		<b>(6,407)</b>
<b>DECREASE IN CASH IN THE YEAR</b>			<b>(565)</b>		<b>(5,094)</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)</b>					
Decrease in cash in the year	21		(565)		(5,094)
Cash outflow from decrease in debt			376		6,407
Cash outflow from increase in liquid resources			17,810		6,568
Movement in net funds in the year			<b>17,621</b>		<b>7,881</b>
Net debt at 1 August			(7,082)		(14,963)
Net funds/(debt) at 31 July			<b>10,539</b>		<b>(7,082)</b>

**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 of East London 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 of East London 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. Financial Reporting Standard 17, Retirement Benefits, has been followed during the preparation of these financial statements.

**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 of East London 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. No tax charge has arisen in the year.

The institution receives no similar exemption in respect of Value Added Tax.

The University of East London's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation. However, no tax charge has arisen in any of its subsidiaries due to tax losses arising, or the policy of gifting any taxable profits to the University of East London.

**(k) Provisions**

Provisions are recognised when the University of East London 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**

	2004 £'000	2003 £'000
<b>Higher Education Funding Council for England</b>		
Recurrent grant		
Teaching	31,746	29,739
Research	1,255	1,368
Specific grants	4,233	2,198
Reimbursement of inherited rentals	490	490
Release of deferred capital grants		
Buildings	168	121
Equipment	324	285
<b>Teacher Training Agency</b>		
Teaching grant	2,115	871
Adjustment to funding relating to prior years	( 140 )	( 137 )
Contribution to administration costs	25	20
Specific grants	-	23
<b>Learning and Skills Council</b>		
Main allocation	24	24
	<u>40,240</u>	<u>35,002</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**

	<b>2004</b>	2003
	<b>£'000</b>	£'000
UK Higher Education students	<b>11,943</b>	11,486
UK Further Education students	<b>50</b>	50
European Union (excluding UK students)	<b>1,314</b>	873
Non European Union students	<b>9,327</b>	8,495
Total fees paid by or on behalf of individual students	<b>22,634</b>	20,904
Education contracts	<b>4,598</b>	2,535
	<b>27,232</b>	23,439

**4 RESEARCH GRANTS AND CONTRACTS**

	<b>2004</b>	2003
	<b>£'000</b>	£'000
Research councils	<b>196</b>	148
UK based charities	<b>300</b>	320
European commission	<b>123</b>	65
Other grants and contracts	<b>1,026</b>	985
	<b>1,645</b>	1,518

**5 OTHER INCOME**

	<b>2004</b>	2003
	<b>£'000</b>	as restated (see note 7) £'000
Residences & catering	<b>4,964</b>	4,600
Other income-generating activities	<b>827</b>	1,016
Release of non-HEFCE capital grants	<b>269</b>	260
Net pension finance return	<b>-</b>	340
Other income	<b>6,131</b>	5,224
	<b>12,191</b>	11,440

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

The average weekly number of persons employed by the University of East London during the year, expressed as full time equivalents, was:	<b>2004 Number</b>	2003 Number
Senior management staff	5	5
Teaching and research staff	578	577
Professional, administrative, technical and other support staff	631	603
	<hr/> <b>1,214</b> <hr/>	<hr/> 1,185 <hr/>
<b>Staff costs for the above persons:</b>	<b>2004</b>	2003 as restated (see note 7)
	<b>£'000</b>	£'000
Wages and salaries	38,093	34,600
Social security costs	3,212	2,693
Other pension costs	2,333	1,598
	<hr/> <b>43,638</b> <hr/>	<hr/> 38,891 <hr/>
<b>Analysis of staff costs by activity</b>	<b>2004</b>	2003 as restated (see note 7)
	<b>£'000</b>	£'000
Academic departments	28,740	25,250
Research grants and contracts	984	896
Other contracts	1,189	1,223
Academic support services	1,864	1,637
Other support services	540	519
Information services	1,824	1,749
Administration and central services	6,556	5,951
Premises	1,487	1,293
Other income-generating activities	68	28
Residences, catering and conferences	914	898
Miscellaneous	216	117
Less employer contributions to local government pension scheme included above	( 744 )	( 670 )
	<hr/> <b>43,638</b> <hr/>	<hr/> 38,891 <hr/>

Included in the staff costs above are salaries totalling £2,244,000 (2002/03: £1,374,000) paid to 395 (2002/03: 368) 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**

	<b>2004</b> <b>£'000</b>	2003 £'000
Salary	139	135
Pension contributions	19	13
	<u>158</u>	<u>148</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 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 13.5% (2002/03: 8.35% to 31 March 2003).

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:

	<b>2004</b> <b>Number</b>	2003 Number
£70,001 - £80,000	1	-
£80,001 - £90,000	-	4
£90,000 - £100,000	4	-

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 of East London are provided by defined benefit schemes that are funded by contributions from both the employer and the 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.

**Change in accounting policy**

Accounting standard FRS 17, Retirement Benefits, differs from the previous standard SSAP 24, Accounting for Pension Costs, in that it requires accounting entities to include all the assets and liabilities of its share of the pension fund within their financial statements as if they belonged to the accounting entity itself. FRS 17 will be mandatory for all institutions for accounting periods commencing after 1 January 2005 although earlier implementation of the new standard is recommended. With effect from 1 August 2003 we have chosen to adopt FRS 17 in full and prior period adjustments are disclosed in the statements and notes where appropriate. Further details of the impact of the change in accounting policy and prior period adjustments on the results of the current and prior periods can be found in the following sections of note 7, the Statement of Total Recognised Gains and Losses and note 19, Reserves.

**Enhanced Pension Scheme**

Enhanced pension entitlements of staff taking early retirement under reorganisation programmes were previously charged to the income and expenditure account under "other operating expenses" in accordance with SSAP 24, Accounting for Pension Costs. The amount in respect of enhanced pension entitlements was included in provisions for liabilities and charges and represented the extent to which the capital cost charged exceeded actual payments made. Enhanced pension payments to former staff who retired after 1 April 1989 were charged to the provision.

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

With effect from 1 August 2003 the University of East London has fully implemented Financial Reporting Standard 17, Retirement Benefits. Under this standard the institution has recognised its share of the assets and liabilities of the London Borough of Barking and Dagenham Pension Scheme. A valuation of the scheme undertaken by an independent firm of professionally qualified actuaries includes the pensioners previously covered by the SSAP 24 provision.

Due to the implementation of the new accounting standard the enhanced pension provision has been released by way of a prior period adjustment. £929,000 of this adjustment relates to 2002/03 and £8,366,000 to prior periods. The comparative figures for the year ended 31 July 2003 have been restated where appropriate in the financial statements. The effect of the change in policy on the income and expenditure account is an increase in surplus of £90,000 (2002/03: £929,000).

**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%

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 in respect of unfunded pensioners' benefits. Further details can be found later in this note.

Under the definitions set out in FRS 17, Retirement Benefits, the Teachers' Pension Scheme is a multi-employer pension scheme. Consequently, the University of East London is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, we have 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 a defined benefit scheme administered in accordance with the Local Government Pension Scheme Regulations 1997, as amended. Although a multi-employer scheme, due to the limited number of members it is possible to separately identify the University of East London's share of the assets and liabilities of the scheme as required by FRS 17, Retirement Benefits.

The 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 2004. Using data provided by the actuarial valuation, the University of East London's share of the assets and liabilities of the scheme have been fully provided for within the financial statements.

The contribution of the University of East London is 5% (2002/03: 5%) of pensionable salaries for non-teaching staff. The University of East London is not involved in the financial management of the fund.

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

The financial assumptions used by the actuary were:

	2004	2003	2002
Price increases	2.9% per annum	2.6% per annum	2.4% per annum
Salary increases	4.9% per annum	4.6% per annum	4.4% per annum
Pension increases	2.9% per annum	2.6% per annum	2.4% per annum
Discount rate	5.8% per annum	5.5% per annum	6.0% per annum

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

	2004 Long term return	2004 Fund value £'000	2003 Long term Return	2003 Fund value £'000	2002 Long term Return	2002 Fund Value £'000
<b>Assets</b>						
Equities	7.9%	34,348	8.0%	40,319	8.0%	37,735
Bonds	5.4%	12,100	5.0%	6,209	5.5%	7,162
Property	6.7%	6,503	6.0%	3,150	6.0%	2,485
Cash	4.5%	1,349	3.5%	522	4.0%	909
		<u>54,300</u>		<u>50,200</u>		<u>48,291</u>

The share of the fund's assets and present value of the accrued pension liabilities at 31 July 2004 relating to the University of East London are:

	2004 £'000	2003 £'000	2002 £'000
Estimated asset share	54,300	50,200	48,291
Present value of scheme liabilities	(71,599)	(66,580)	(54,393)
Present value of unfunded liabilities	(11,244)	(10,710)	(14,123)
<b>Net pension liability</b>	<u>(28,543)</u>	<u>(27,090)</u>	<u>(20,225)</u>

Analysis of amount charged to the income and expenditure account:

	2004 % of payroll	2004 £'000	2003 % of payroll	2003 £'000
Current service cost	16.6%	2,206	12.9%	1,800
Curtailment and settlements	1.6%	216	2.0%	280
<b>Operating charge</b>	<u>18.2%</u>	<u>2,422</u>	<u>14.9%</u>	<u>2,080</u>
Expected return on employer assets	28.2%	3,749	25.8%	3,600
Interest on pension scheme liabilities	(32.1%)	(4,271)	(23.4%)	(3,260)
<b>Net return</b>	<u>(3.9%)</u>	<u>(522)</u>	<u>2.4%</u>	<u>340</u>
Net income and expenditure account cost	<u>22.2%</u>	<u>2,944</u>	<u>12.5%</u>	<u>1,740</u>

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

History of experience gains and losses:

	<b>2004</b> <b>£'000</b>	2003 £'000	2002 £'000
Difference between the expected and actual return on assets	<b>796</b>	(1,510)	(12,922)
Value of assets	<b>54,300</b>	50,200	48,291
Percentage of assets	<b>1.5%</b>	(3.0%)	(26.8%)
Experience (losses)/gains on liabilities	<b>(776)</b>	3,555	(11,059)
Present value of liabilities	<b>82,843</b>	77,290	68,516
Percentage of the present value of liabilities	<b>(0.9%)</b>	4.6%	(16.1%)
Actuarial losses recognised in STRGL	<b>(70)</b>	(5,795)	(20,210)
Present value of liabilities	<b>82,843</b>	77,290	68,516
Percentage of the present value of liabilities	<b>(0.1%)</b>	(7.5%)	(29.5%)

Movement in surplus/(deficit) during the year:

	<b>2004</b> <b>£'000</b>	2003 £'000
Deficit at beginning of year	<b>(27,090)</b>	(20,225)
Movement during the year:		
- current service cost	<b>(2,206)</b>	(1,800)
- employer contributions	<b>744</b>	670
- contributions in respect of unfunded benefits	<b>817</b>	-
- impact of settlements and curtailments	<b>(216)</b>	(280)
- net return on assets	<b>(522)</b>	340
- actuarial losses	<b>(70)</b>	(5,795)
<b>Deficit at end of year</b>	<b>(28,543)</b>	(27,090)

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

	2004	2003
		as restated (see note 7)
	£'000	£'000
Academic departments	10,524	7,300
Research grants and contracts	376	388
Other contracts	580	524
Academic support services	1,561	1,384
Other support services	404	322
Information services	847	1,034
Administration and central services	1,781	2,187
General education	2,058	1,472
Premises	6,454	5,628
Other income-generating activities	470	519
Residences & catering	1,422	1,125
Provision for enhanced pensions	-	-
Local government pension scheme costs:		
- net contribution in respect of unfunded benefits	( 300 )	-
- current service costs	2,206	1,800
- curtailments and settlements	216	280
- net pension scheme finance costs	522	-
Restructuring costs	373	1,489
Relocation costs	-	7
Other expenses	3,873	3,298
	<u>33,367</u>	<u>28,757</u>
Other expenses include:		
Auditors' remuneration		
- external (university current year)	35	35
- external (subsidiaries current year)	5	5
- internal	80	80
- other services	5	10
Losses on disposal of fixed assets	36	-
Hire of plant and machinery - operating leases	412	385
Hire of other assets - operating leases	490	490
Students' Union grant	498	442

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

	<b>2004</b>	2003
	<b>£'000</b>	£'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years	-	<b>160</b>
Repayable wholly or partly in more than 5 years	<b>729</b>	<b>640</b>
Finance lease charges	<b>52</b>	<b>93</b>
	<u><b>781</b></u>	<u><b>893</b></u>

**10 SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR**

	<b>2004</b>	2003
	<b>£'000</b>	as restated (see note 7) £'000
The surplus for the year is made up as follows:		
University surplus for the year	<b>13,801</b>	2,599
Surplus generated by the subsidiary undertakings	<b>77</b>	30
	<u><b>13,878</b></u>	<u><b>2,629</b></u>

## NOTES TO THE ACCOUNTS (CONTINUED)

## 11 TANGIBLE FIXED ASSETS

## Group

	Land and buildings		Equipment & furniture £'000	Assets in the course of construction £'000	Total £'000
	Freehold £'000	Long leasehold £'000			
<b>Cost</b>					
At 1 August 2003	74,051	3,257	11,076	3,834	92,218
Additions	3,553	-	1,151	1,600	6,304
Disposals	(3,000)	-	(559)	-	(3,559)
Transfers to/(from)	3,205	-	-	(3,205)	-
At 31 July 2004	<b>77,809</b>	<b>3,257</b>	<b>11,668</b>	<b>2,229</b>	<b>94,963</b>
<b>Depreciation</b>					
At 1 August 2003	8,755	-	7,171	-	15,926
Charge for year	1,397	-	1,071	-	2,468
Disposals	(149)	-	(523)	-	(672)
At 31 July 2004	<b>10,003</b>	<b>-</b>	<b>7,719</b>	<b>-</b>	<b>17,722</b>
<b>Net book value at 31 July 2004</b>	<b>67,806</b>	<b>3,257</b>	<b>3,949</b>	<b>2,229</b>	<b>77,241</b>
Net book value at 31 July 2003	65,296	3,257	3,905	3,834	76,292
Inherited assets	11,265	-	-	-	11,265
Assets funded by capital grants	14,225	2,901	1,376	-	18,502
Assets funded from other sources	42,316	356	2,573	2,229	47,474
<b>Net book value At 31 July 2004</b>	<b>67,806</b>	<b>3,257</b>	<b>3,949</b>	<b>2,229</b>	<b>77,241</b>

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

Included in freehold land and buildings is land valued at £933,668 (2002/03: £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 of East London does not depreciate land. Also included within freehold land and buildings is capitalised interest of £873,390 (2002/03: £873,390).

During the current year the University of East London disposed of its Park Village student residences. Under the terms of the sale we are able to remain in occupation until July 2005 and have the option to extend this period until July 2006 at a rent of £975,000 per annum. Since it is expected that this option will be taken up, the lease has been evenly spread over the 28 months from the sale in April 2004 until July 2006 (see note 23). 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:

	<b>2004</b>	2003	2002
	<b>£'000</b>	£'000	£'000
Sale proceeds Holbrook House	-	-	3,424
Sale proceeds Maryland House	-	2,776	-
Sale proceeds Park Village	<b>14,968</b>	-	-
Sale of other fixed assets	<b>119</b>	-	180
Less fixed asset cost	<b>(3,559)</b>	(1,240)	(1,884)
Add back accumulated depreciation	<b>672</b>	392	571
Net gain on disposal of fixed assets	<b>12,200</b>	1,928	2,291
Cash received Holbrook House	-	3,424	-
Cash received Maryland House	-	2,776	-
Cash received Park Village	<b>14,843</b>	-	-
Cash received from other fixed assets	<b>119</b>	-	185
Cash inflow from sale of fixed assets	<b>14,962</b>	6,200	185

The net book value of equipment and furniture comprises:

	<b>2004</b>	2003
	<b>£'000</b>	£'000
Equipment	<b>1,589</b>	1,457
Furniture	<b>197</b>	126
Computers	<b>1,060</b>	1,016
Vehicles	<b>8</b>	11
Leased equipment	<b>1,095</b>	1,295
	<b>3,949</b>	3,905

The net book value of equipment and furniture includes a cost figure of £63,790 (2002/03: £63,790) and depreciation of £35,883 (2002/03: £27,909) which relates to assets purchased by a wholly owned subsidiary, Royal Docks Business Centre (UEL) Limited. All other assets are owned by the University of East London.

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

The University of East London 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 of East London and hold their shares as trustees for and agents of the Board of Governors.

The principal activities of UEL Business Services Limited are training and consultancy assignments. The assets and liabilities of the company will be transferred to another group member from 1 August 2004.

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 employees of the University of East London. The company has been consolidated within the University of East London's group accounts as a quasi-subsiary. However, a summary of its financial accounts has not been included separately within the notes on the grounds of immateriality.

The University of East London 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 2004.

All four companies are registered in England and Wales.

During the year the University of East London established University of East London Development Trust by transferring an initial sum of £100 to the trustees. The trustees are governors and ex-governors of the university. The charitable objects of the Trust are to raise funds from donations and use such funds for charitable purposes as determined by the trustees. The assets of the Trust are consolidated within the university's group accounts.

The university also owns £34,000 of shares issued by Universities UK.

**13 DEBTORS**

	<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Amounts receivable within one year</b>				
Trade debtors	5,072	5,012	5,711	5,546
Amounts owed by subsidiary undertaking	-	186	-	307
Other debtors:				
Sale of fixed asset	125	125	-	-
Other	26	26	45	45
Prepayments and accrued income	2,259	2,259	1,774	1,774
	<u>7,482</u>	<u>7,608</u>	<u>7,530</u>	<u>7,672</u>
<b>Amounts receivable after more than one year</b>				
Amounts owed by subsidiary undertaking	-	138	-	156
Prepayments and accrued income	101	101	153	153
	<u>101</u>	<u>239</u>	<u>153</u>	<u>309</u>

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

	<b>Group 2004 £'000</b>	<b>University 2004 £'000</b>	<b>Group 2003 £'000</b>	<b>University 2003 £'000</b>
Bank overdraft	42	42	-	-
Obligations under finance leases	124	124	376	376
Trade creditors	7,895	7,894	6,175	6,174
Other creditors	441	423	870	850
Taxation and social security	1,308	1,308	1,285	1,285
Accruals and deferred income	8,972	8,927	9,097	8,993
	<u>18,782</u>	<u>18,718</u>	<u>17,803</u>	<u>17,678</u>

**15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group 2004 £'000</b>	<b>University 2004 £'000</b>	<b>Group 2003 £'000</b>	<b>University 2003 £'000</b>
Other loans				
- Between one and two years	159	159	-	-
- Between two and five years	1,909	1,909	1,432	1,432
- In five years or more	11,932	11,932	12,568	12,568
Obligations under finance leases				
- Between one and two years	95	95	124	124
- Between two and five years	-	-	95	95
	<u>14,095</u>	<u>14,095</u>	<u>14,219</u>	<u>14,219</u>

The table below provides details of the loan which is shown above under "other loans":

<b>Original loan £'000</b>	<b>Interest basis</b>	<b>Repayment terms</b>	<b>Security</b>
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.

	<b>2004</b>	2003
	<b>£'000</b>	£'000
Minimum lease payments payable		
- Within one year	129	424
- Between one and two years	95	129
- Between two and five years	-	95
	<u>224</u>	<u>648</u>
Finance charges allocated to future periods	( 5 )	( 53 )
	<u>219</u>	<u>595</u>

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

	<b>Enhanced pension provision</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
At 1 August 2003 as previously reported	9,295	9,295
Prior period adjustment	( 9,295 )	( 9,295 )
At 1 August 2003 as restated	<u>-</u>	<u>-</u>
Charge for the year	-	-
Utilisation of provision	-	-
At 31 July 2004	<u>-</u>	<u>-</u>

With effect from 1 August 2003 the University of East London has fully implemented Financial Reporting Standard 17, Retirement Benefits. The full impact of this change in accounting policy, including the prior period adjustment above, is explained in note 7.

**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 2003	1,251	95	1,954	12,271	15,571
Grant received	449	12	2,333	-	2,794
Released to income and expenditure account	(324)	(19)	(168)	(250)	(761)
At 31 July 2004	<u>1,376</u>	<u>88</u>	<u>4,119</u>	<u>12,021</u>	<u>17,604</u>

**19 RESERVES****Group**

	Revaluat ion reserve £'000	Pension reserve £'000	General reserve £'000
At 1 August 2003 as previously reported	15,595	-	19,084
Adjustments to opening balances:			
- prior period adjustment in respect of release of enhanced pension provision (see note 17)	-	-	9,295
- prior period adjustment in respect of full implementation of Financial Reporting Standard 17, Retirement Benefits (see note 7)	-	(27,090)	-
At 1 August 2003 as restated	<u>15,595</u>	<u>(27,090)</u>	<u>28,379</u>
Surplus for the year before transfers from reserves	-	-	13,878
Transfer to general reserve in respect of disposals of fixed assets	(1,730)	-	1,730
Release of revaluation reserve in respect of depreciation charged against fixed assets	(272)	-	272
Actuarial loss for local government pension scheme	-	(70)	-
Transfers between general reserve and pension reserve (see note 7):			
- current service costs	-	(2,206)	2,206
- employer contributions	-	744	(744)
- contributions in respect of unfunded benefits	-	817	(817)
- impact of settlements and curtailments	-	(216)	216
- net return on assets	-	(522)	522
At 31 July 2004	<u>13,593</u>	<u>(28,543)</u>	<u>45,642</u>

All reserves are held within the University of East London with the exception of deficits totalling £143,000 (2002/03: £219,000) held within the subsidiaries.

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

	2004	2003
	£'000	as restated (see note 7) £'000
Surplus on continuing operations after depreciation of fixed assets at valuation and disposal of assets	13,878	2,629
Depreciation	2,468	2,478
Deferred capital grants released to income	( 761 )	( 664 )
Profit on disposal of tangible fixed assets	( 12,200 )	( 1,928 )
Interest payable	781	893
(Increase)/decrease in stocks	( 13 )	1
Decrease/(increase) in debtors	511	( 1,682 )
(Decrease)/increase in creditors	( 390 )	4,504
Interest receivable	( 588 )	( 321 )
Local government pension scheme costs:		
- net contribution in respect of unfunded benefits	( 817 )	-
- current service costs	2,206	1,800
- curtailments and settlements	216	280
- net pension scheme finance costs	522	( 340 )
- employer contributions	( 744 )	( 670 )
Net cash inflow from operating activities	<u>5,069</u>	<u>6,980</u>

**21 ANALYSIS OF NET DEBT**

	At 31 July 2003 £'000	Cash flow £'000	At 31 July 2004 £'000
Cash at bank and in hand	683	( 565 )	118
Net cash at bank and in hand	<u>683</u>	<u>( 565 )</u>	<u>118</u>
Debt due within one year	-	-	-
Debt due after one year	( 14,000 )	-	( 14,000 )
Finance leases	( 595 )	376	( 219 )
Current asset investments	6,830	17,810	24,640
	<u>( 7,082 )</u>	<u>17,621</u>	<u>10,539</u>

**NOTES TO THE ACCOUNTS (CONTINUED)****22 CAPITAL COMMITMENTS****Group and University**

	<b>2004</b>	2003
	<b>£'000</b>	£'000
Contracted for but not provided for in the financial statements	<b>663</b>	2,795
Authorised by the Board of Governors but not yet contracted for	-	1,250

Our estates strategy anticipates that a number of substantial construction and redevelopment projects will be commenced during 2004/05 following approval by our Board of Governors.

**23 OPERATING LEASE COMMITMENTS****Group and University**

At 31 July 2004, the University of East London was committed to making the following payments during the next year in respect of operating leases.

	<b>2004</b>		2003	
	<b>Land and</b>	<b>2004</b>	Land and	2003
	<b>buildings</b>	<b>Other</b>	buildings	Other
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
Leases which expire:				
- Less than one year	-	<b>40</b>	-	18
- Between one and two years	<b>418</b>	<b>160</b>	-	-
- Between two and five years	-	<b>17</b>	-	177
- In five years or more	<b>490</b>	-	490	-
	<b>908</b>	<b>217</b>	<b>490</b>	<b>195</b>

**24 RELATED PARTY TRANSACTIONS**

Due to the nature of the institution'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 of East London's financial regulations and normal procurement procedures.

Two of our governors are also governors of Newham College of Further Education. During the year we made payments of £308,000 to Newham College in respect of a New Technology Institute grant we had received from the Higher Education Funding Council for England. We also made a payment to the college of £35,000 for a service to help some of our graduates find employment. There were no other significant transactions with related parties during the year.

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

	<b>2004</b>	2003
	<b>£'000</b>	£'000
At 1 August 2003	29	206
Received	1,277	1,318
Interest earned	8	9
Disbursed	( 1,235 )	( 1,504 )
At 31 July 2004	<u>79</u>	<u>29</u>

The University of East London receives Access Funds from the HEFCE which it disburses to eligible students. The fund provides 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**

	<b>2004</b>	2003
	<b>£'000</b>	£'000
At 1 August 2003	199	195
Received	1,901	966
Disbursed	( 2,080 )	( 962 )
At 31 July 2004	<u>20</u>	<u>199</u>

The University of East London 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.