

UNIVERSITY OF WESTMINSTER

REPORT AND FINANCIAL STATEMENTS For the year ended 31 July 2001

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UNIVERSITY OF WESTMINSTER

MISSION STATEMENT

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

UNIVERSITY OF WESTMINSTER

(A Company Limited by Guarantee and an Exempt Charity)

Chairman of the Court of Governors

Sir Alan Thomas, BSc FCMA CEng FIEE CIMgt

Vice-Chancellor and Rector

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

Company Secretary

Carole Mainstone, MA MBA

Director of Finance

Philip Harding, MSc FCMA

Auditors

*Deloitte & Touche, Chartered Accountants
Verulam Point, Station Way, St Albans AL1 5HE*

Bankers

*National Westminster Bank plc
HSBC plc*

Registered Office

309 Regent Street, London W1B 2UW

Registered Number

977818 England and Wales

CHAIRMAN'S STATEMENT

On behalf of the Court of Governors and Board of Directors, I am pleased to report another successful year for the University in fulfilling its academic aims and managing its finances. We have achieved a range of important targets in student recruitment, course development, quality of teaching and commercial income. Income for the year ended 31 July 2001 was £95.1m compared with £94.2m last year. The corresponding surplus was £1.7m (£3.2m in 1999/2000). Net assets as at 31 July 2001 were £59.4m compared with £55.2m a year earlier. This is a worthwhile achievement in a sector which is chronically underfunded. Like other universities in the UK, we are under pressure from the government to increase student numbers and improve quality but without the funding to match. Moreover, the constraints imposed upon higher education restrict our ability to respond effectively to student demands and market opportunities.

I am glad to report that the University is now entering the final stages of its estates rationalisation strategy. This has been a major undertaking over ten years involving the rationalisation of some 28 properties in central London, many in poor condition, to four consolidated and upgraded campuses. The new campus at Harrow has been an outstanding success with student applications continuing to expand for a wide range of new and innovative courses.

The total investment in our estates programme has been some £80m with only £10m coming from government sources, which is testimony to the efforts of the University's management, and its academic and administrative staff. Within the next few years the programme will be substantially completed which will help equip the University to meet the exciting and demanding challenges of the years ahead.

In conclusion I would like to thank all members of the University for their contribution which is greatly appreciated. My fellow governors and I look forward to the future with confidence.

Sir Alan Thomas

9 November 2001

COURT OF GOVERNORS

The following were Governors (Directors) of the University during the year ended 31 July 2001:

Chairman	Sir Alan Thomas		
Deputy Chairman	Sir Malcolm Bates		
		Appointed	Resigned
Ms K Bahl			
Mr C Beaney	02.07.01		
Cllr J Bianco			
Mr G Cole			
Dr G M Copland (Vice-Chancellor and Rector)			
Mr M J Crosby			
Ms M Crotty			
Cllr M Davine			
The Hon Dame Mary Hogg			
Lady Hollick			23.10.00
Ms A Jogiya			02.07.01
Dr D Lloyd	05.03.01		
Ms I Macpherson			
Ms S Maddock			
Dr B M Minton			
Mr I Newton			
Ms M Salandy-Brown	02.07.01		
Professor J R Shackleton			
Mr P J Snell			
Dr M Tyler (Deputy Vice-Chancellor and Rector)			
Mr J N White			

COMMITTEE MEMBERSHIP**Finance and Property**

Sir Malcolm Bates (Chairman)
 Dr Geoffrey Copland
 Ms Ishbel Macpherson
 Dr Barry Minton
 Sir Alan Thomas

Personnel

Mr John Crosby (Chairman)
 Ms Kamlesh Bahl
 Mrs Margaret Davine
 Mr Philip Snell
 Dr Maud Tyler

Audit

Mr Ian Newton (Chairman)
 Mrs Jenny Bianco
 Mr Godfrey Cole

Nominations

Sir Alan Thomas (Chairman)
 Mr Godfrey Cole
 Dr Geoffrey Copland
 Professor Len Shackleton
 Mr Philip Snell

Remuneration

Sir Alan Thomas (Chairman)
 Sir Malcolm Bates
 Dr Geoffrey Copland
 Mr John Crosby

COURT OF GOVERNORS (continued)

Ms Kamlesh Bahl, LLB, CBE is a non-executive director of London Transport. She was vice president of the Law Society and was formerly chairwoman of the Equal Opportunities Commission.

Mr Chris Beaney BA (Hons) is the 2001/2002 sabbatical president of the University of Westminster Students' Union.

Sir Malcolm Bates, MSc, FCIS, FRAeS, CIMgt is chairman of AMP (UK), including Pearl Group and NPI Ltd. He is also chairman of London Transport and Premier Farnell plc and director of a number of other public and private companies.

Mrs Jenny Bianco, a former teacher, is a Westminster City councillor and former chairman of Westminster's Education Committee. She also runs her own self-catering company.

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

Dr Geoffrey Copland, MA, DPhil, CPhys, MInstP, FRSA is Vice-Chancellor and Rector of the University.

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

Ms Mary Crotty BA is campus academic administration manager of the University's Marylebone Campus.

Mrs Margaret Davine BA, MA is a Harrow Borough councillor.

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

Dr Donald Lloyd, MSc, PhD, CEng is risk services director of Amersham plc and external risk management advisor to two research councils.

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

Ms Sheila Maddock, BSc, MSc, FRSS is a senior lecturer at the University. She lectures in statistics and quantitative methods in the Westminster Business School.

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

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

COURT OF GOVERNORS (continued)

Ms Marina Salandy-Brown BA, PGDip, FRSA is an editor and managing editor of news and current affairs programmes with the BBC and a member of a number of public bodies.

Professor J.R. Shackleton, MSc, MA, FRSA is a professor of the University and head of the Westminster Business School.

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

Sir Alan Thomas, BSc, FCMA, CEng, FIEE, CIMgt is chairman of the Court of Governors. He is chairman of Firth Holdings plc, Three Valleys Water plc and Chelverton Asset Management Ltd and a director of a number of other public and private companies.

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

Mr Jeremy N. White MA, MBA, until recently chairman and chief executive of NETTEC plc, is a non-executive director of OneClickHR plc and of First City Investments plc. He currently serves on the board of Pepperdine University (California). He co-founded the charity YouthNet.

REPORT OF THE COURT OF GOVERNORS**FINANCIAL STATEMENTS
for the year ended 31 July 2001****1. ACTIVITIES**

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

2. OPERATING AND FINANCIAL REVIEW

In the year to 31 July 2001 the University's total income rose by 1% to £95.1m, and is estimated to reach £96m in the coming year. This reflects the continuing fulfilment of the University's strategic aims and in particular our performance in attracting and retaining students at all levels and securing income from external funding sources for research. The University has also successfully directed staff and resources towards generating commercial income as a means of sustaining our primary activities and providing cash for reinvestment.

Our historical cost surplus for the year was £2.3m, in line with our budgeted aim and consistent with the achievement of an annual surplus of 3% of our income generating turnover. When we set this target, it was clear that this level of surplus would be a challenging aim and this has proved to be correct. We have had to respond to a tight public funding settlement for higher education generally, increasing competition in all our markets, cost pressures at levels substantially and consistently greater than the funded rate of inflation, and the need to generate funds for reinvestment in support of our strategic aims.

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

The total value of our revenue reserves now stands at £22.9m (compared to £20.5m in 1999-2000) and represents 24% of our total annual income (compared to 22% in 1999-2000). This is equivalent to 90 days of operating expenditure by the University. In an increasingly turbulent operating environment this remains too low and the effort to achieve a more satisfactory level will be sustained.

Our income derives from a range of sources. All categories, with the exception of research, demonstrated an increase last year over the previous year, both in absolute and real terms. The proportion of our total income deriving from Funding Council grants (excluding capital grants) has

remained static at 49% but our intention remains to reduce dependence on government sources of funding in order to provide greater resilience.

In 2000-2001 expenditure on staffing rose by £3.5m or 7.5%, and this remains the greatest area of continuing expenditure, accounting for 54% of the University's total revenue expense. Permanent staff numbers grew by 4.5%, accounting for a significant proportion of the increase in staff costs.

The University invested £5.1m of capital expenditure in 2000-2001 (compared to £6.5m in 1999-2000). This investment was undertaken in order to continue the achievement of the estate strategy and to ensure we have a modern and effective network and IT communications infrastructure. A significant proportion of this, supported in part by HEFCE, has been spent at the University's Marylebone campus for a programme of works including re-glazing and the refurbishment of teaching and IT rooms. The final phase of this project, which will provide a new multi-purpose building and front entrance, is now underway. Other projects have included the redevelopment of sport and recreation facilities at Chiswick and enabling works at the Cavendish campus in anticipation of a major redevelopment project on that site.

Achieving the target level of surplus and maintaining control over working capital, particularly the collection of money from debtors, enables the University to sustain this programme of capital investment without significantly eroding our cash balances. The cash balance, including short-term investments, was £11.3m at 31 July 2001, compared to £12.4m twelve months previously.

3. FUTURE DEVELOPMENTS

A budget has been set for 2001-2002 which projects a further increase in income to £96.3m and an operating surplus of £2.4m. The University is continuing with the estates investment programme, completing the Marylebone Road project and initiating the redevelopment of the site at New Cavendish Street. This latter project is the last major component of the University's estate strategy, set in 1993, which sought to consolidate activity on the four primary campus sites, realise their development potential and thus permit the disposal of more peripheral properties. The Cavendish redevelopment project is of a significant scale, £21m for the first phase, and will very substantially modernise and expand the facilities for staff and students.

The future holds a number of challenges for higher education; universities are not recession-proof, student participation is not growing at the rate the government had intended, competition from other universities and the private sector is steadily intensifying. The University, however, is looking ahead to the opportunities and challenges in good financial health. Operating performance is consistently strong and this will lead to a strengthening of the balance sheet as well as the generation of the resources to invest as necessary in the staff and the physical infrastructure of the University in order to ensure a successful future.

4. GOVERNORS

All governors of the University are directors of the Company. A list of governors who served during the year to 31 July 2001 appears on page 5. None of the governors had an interest in any contract which subsisted during the period of this report, other than those who are full-time members of staff and those associated with the transactions disclosed in note 14 (related party transactions) to the accounts.

5. EMPLOYEE PARTICIPATION

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

6. EMPLOYMENT OF DISABLED PERSONS

The University, in accordance with its Equal Opportunities Policy, continues to welcome applications from people with disabilities who possess the necessary attributes for particular posts and will continue where possible to adapt facilities for wider employment opportunities. The University makes every effort, in the case of those who become disabled, to continue employment, either in the same post or a more appropriate alternative and offers counselling, training, career development and promotion prospects in the same manner to all employees.

7. HEALTH AND SAFETY

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

8. AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution for their reappointment is to be proposed at the forthcoming Annual General Meeting.

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

Carole Mainstone

Company Secretary

10 December 2001

UNIVERSITY OF WESTMINSTER

CORPORATE GOVERNANCE STATEMENT

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

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

The Court of Governors, through the Audit Committee, is in the process of establishing an ongoing process for identifying, evaluating and managing the University's significant risks. This process will be regularly reviewed by the Court of Governors and will accord with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education. The intention is that this process will be in place during the year ending 31 July 2002.

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

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

AUDIT COMMITTEE

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

FINANCE AND PROPERTY COMMITTEE

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

PERSONNEL COMMITTEE

This Committee, chaired by Mr John Crosby and comprising three other non-executive governors and the Deputy Vice-Chancellor, meets when necessary to review the policy for the remuneration and development of University employees.

REMUNERATION COMMITTEE

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

NOMINATIONS COMMITTEE

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

STATEMENT OF GOVERNORS' RESPONSIBILITIES

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

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

The governors have taken reasonable steps to:

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

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;

- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Court of Governors and;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

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

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

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

We have audited the financial statements of the University of Westminster for the year ended 31 July 2001 which comprise the consolidated income and expenditure account, the consolidated balance sheet, the University balance sheet, the consolidated cash flow statement, the statement of consolidated total recognised gains and losses and the related notes 1 to 32.

Respective responsibilities of the Court of Governors and the auditors

As described in the statement of governors' responsibilities, the Court of Governors is responsible for the preparation of financial statements in accordance with applicable 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 whether, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University of Westminster have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We also report to you if, in our opinion, the report of the Court of 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 Court of Governors, including the corporate governance statement, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable

assurance as to whether 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:

- a) the financial statements give a true and fair view of the state of affairs of the University and the group as at 31 July 2001 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education;
- b) income 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 for the purposes for which they were received; and
- c) income has been applied in accordance with the University's statutes and where appropriate with the financial memorandum dated March 1996 (revised August 2000) with the Higher Education Funding Council for England.

Deloitte & Touche

Chartered Accountants and Registered Auditors

Verulam Point

Station Way

St. Albans

AL1 5HE

December 2001

UNIVERSITY OF WESTMINSTER

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 July 2001

		2001	2000
	Note	£'000	restated £'000
INCOME FROM CONTINUING ACTIVITIES			
Funding council grants	5	46,904	45,973
Academic fees and support grants	6	32,030	31,220
Research grants and contracts	7	4,292	5,200
Other operating income	8	10,589	10,489
Interest receivable		1,240	1,280
Total income		95,055	94,162
EXPENDITURE ON CONTINUING ACTIVITIES			
Staff costs	9,12	50,158	46,654
Depreciation	11	2,658	3,837
Other operating expenses	9	38,046	37,532
Interest payable	10	2,487	2,929
Total expenditure		93,349	90,952
Surplus for the financial year	15	1,706	3,210

UNIVERSITY OF WESTMINSTER

NOTE OF CONSOLIDATED HISTORICAL COST SURPLUSES AND DEFICITS
For the year ended 31 July 2001

	2001	2000
	£'000	restated £'000
Surplus for the financial year	1,706	3,210
Difference between historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount	569	569
Historical cost surplus	2,275	3,779

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2001

	2001	2000
	£'000	restated £'000
Surplus for the financial year	1,706	3,210
Total recognised gains for the year	1,706	3,210
Prior year adjustment (note 32)	(249)	-
Total recognised gains and losses since last annual report	1,457	3,210

UNIVERSITY OF WESTMINSTER

CONSOLIDATED BALANCE SHEET
As at 31 July 2001

	Note	2001		2000 restated	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	17	80,913		78,431	
Investments	18	<u>37</u>		<u>37</u>	
			80,950		78,468
Current Assets					
Stocks	19	77		97	
Debtors due within one year	20	6,187		5,115	
Debtors due after more than one year	20	2,777		2,746	
Investments	21	9,002		10,541	
Cash at bank and in hand		<u>2,313</u>		<u>1,866</u>	
		20,356		20,365	
Creditors					
Amounts falling due within one year	22	<u>(13,764)</u>		<u>(15,005)</u>	
Net Current Assets			<u>6,592</u>		<u>5,360</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			87,542		83,828
Creditors					
Amounts falling due after more than one year	22	<u>(28,191)</u>		<u>(28,582)</u>	
TOTAL NET ASSETS			<u>59,351</u>		<u>55,246</u>
Represented by:					
Deferred capital grants	24		11,462		9,262
Reserves					
Revaluation reserve	26	23,221		23,591	
Specific reserve	26	1,763		1,873	
Revenue reserve	26	<u>22,905</u>		<u>20,520</u>	
			47,889		45,984
TOTAL FUNDS			<u>59,351</u>		<u>55,246</u>

Approved by the Court of Governors on 10 December 2001 and signed on its behalf by:

Sir Alan Thomas
Chairman

Dr Geoffrey M Copland
Vice-Chancellor and Rector

UNIVERSITY OF WESTMINSTER

UNIVERSITY BALANCE SHEET
as at 31 July 2001

	Note	2001		2000 restated	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	17	47,547		44,307	
Investments	18	<u>20,209</u>		<u>20,209</u>	
			67,756		64,516
Current Assets					
Debtors due within one year	20	6,241		5,077	
Debtors due after more than one year	20	4,982		4,324	
Investments	21	9,001		10,540	
Cash at hand and in bank		<u>2,292</u>		<u>1,817</u>	
		22,516		21,758	
Creditors					
Amounts falling due within one year	22	<u>(13,301)</u>		<u>(14,261)</u>	
Net Current Assets			<u>9,215</u>		<u>7,497</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>76,971</u>		<u>72,013</u>
Creditors					
Amounts falling due after more than one year	22	<u>(27,901)</u>		<u>(27,096)</u>	
TOTAL NET ASSETS			<u>49,070</u>		<u>44,917</u>
Represented by:					
Deferred capital grants	24		9,073		6,819
Reserves					
Revaluation reserve	26	18,502		18,752	
Specific reserve	26	909		1,086	
Revenue reserve	26	<u>20,586</u>		<u>18,260</u>	
			39,997		38,098
TOTAL FUNDS			<u>49,070</u>		<u>44,917</u>

Approved by the Court of Governors on 10 December 2001 and signed on its behalf by:

Sir Alan Thomas
Chairman

Dr Geoffrey M Copland
Vice-Chancellor and Rector

UNIVERSITY OF WESTMINSTER

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 July 2001

	Note	2001 £'000	2000 restated £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	29	4,001	10,023
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,240	1,280
Interest paid		(2,402)	(2,784)
Interest element of finance lease payments		(85)	(145)
Net cash outflow from returns on investments and servicing of finance		(1,247)	(1,649)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(5,140)	(6,523)
Receipts from sale of assets		-	18
Deferred capital grants received		2,601	3,298
Net cash outflow from capital expenditure and financial investment		(2,539)	(3,207)
CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		215	5,167
MANAGEMENT OF LIQUID RESOURCES			
Cash transferred from/(to) short term deposits		1,539	(3,539)
FINANCING			
Capital element of finance lease repayments		(139)	(405)
Capital element of loan repayments		(213)	(3,822)
Loans acquired		159	191
Net cash outflow from financing		(193)	(4,036)
INCREASE/(DECREASE) IN CASH	30	1,561	(2,408)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	2001 £'000	2000 restated £'000
Increase/(decrease) in cash in period		1,561	(2,408)
Cash (outflow)/inflow from movement in liquid resources		(1,539)	3,539
Cash outflow from decrease in debt and lease financing		193	4,036
Change in net debt resulting from cash flows		215	5,167
Movement in net debt in the period		215	5,167
Net debt at 1 August		(14,662)	(19,829)
Net debt at 31 July	30	(14,447)	(14,662)

UNIVERSITY OF WESTMINSTER

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2001

1. COMPANY STATUS

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

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

2. BASIS OF ACCOUNTING

- i) The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): *Accounting in Further and Higher Education Institutions* and applicable Accounting Standards.
- ii) The financial statements are intended to meet, as appropriate, the requirements of the Companies Act 1985.
- iii) The financial statements have been prepared under the historical cost basis as modified by the valuation of land and buildings and of assets transferred from the former Inner London Education Authority (ILEA) on 1 April 1989 and the London Borough of Harrow on 1 April 1990.

3. BASIS OF CONSOLIDATION

The consolidated financial statements consolidate the financial statements of the University and its subsidiary undertakings for the financial year ended 31 July 2001.

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

4. ACCOUNTING POLICIES

a. HEFCE Grants

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

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

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

b. Tangible Assets

i) Land and Buildings

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

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

ii) Plant and Machinery, Furniture, Fittings and Equipment

Individual assets costing over £10,000 are capitalised.

iii) Depreciation

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

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

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

c. Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506 (1) Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

The University's subsidiary companies are subject to corporation tax and VAT on the same basis as any commercial organisation.

d. Pension Costs

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

e. Foreign Currencies

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

f. Leases

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

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

g. Stocks

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

h. Current Asset Investments

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

i. Cash Flows and Liquid Resources

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

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

j. Revaluation Reserve

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

k. Interest Capitalisation

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

5. FUNDING COUNCIL GRANTS

	Note	2001 £'000	2000 £'000
a) Recurrent grant from HEFCE			
Main allocation		41,363	41,209
Research		2,246	2,321
Select initiatives		465	265
Pension liabilities		415	410
Inherited liabilities (capital related):			
Premises rents		442	442
Debt charges		601	659
Capital project grants		971	-
		<u>46,503</u>	<u>45,306</u>
(b) Release of HEFCE capital grants	24	401	667
		<u>46,904</u>	<u>45,973</u>

(c) HEFCE reimbursement of debt charges

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

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

6. ACADEMIC FEES AND SUPPORT GRANTS

	2001 £'000	2000 £'000
Tuition fees for full, part-time and sandwich courses	22,745	21,672
Full cost courses	6,361	7,036
Short courses	2,924	2,512
	<u>32,030</u>	<u>31,220</u>

7. RESEARCH GRANTS AND CONTRACTS

	2001 £'000	2000 £'000
Income		
Government departments	2,057	2,672
Research councils	430	364
Other bodies	1,805	2,164
	<u>4,292</u>	<u>5,200</u>
Expenditure		
Staff costs	1,734	1,724
Other operating expenses	2,190	3,172
	<u>3,924</u>	<u>4,896</u>
Surplus	<u>368</u>	<u>304</u>

8. OTHER OPERATING INCOME

	2001 £'000	2000 £'000
Residences and catering	4,779	4,722
Recreation	287	254
Rents and lettings	2,224	2,218
Photocopier income	237	246
Sundry sales	548	378
Teaching companies	147	183
Miscellaneous	1,730	1,778
Donations	637	692
Profit on disposal of fixed assets	-	18
	<u>10,589</u>	<u>10,489</u>

9. EXPENDITURE BY ACTIVITY

	2001			2000		
	Staff Costs	Other Operating Expenses	Total	Staff Costs	Other Operating Expenses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	37,475	9,132	46,607	35,118	8,189	43,307
Academic support services	2,178	2,797	4,975	2,115	2,248	4,363
Research	1,734	2,190	3,924	1,724	3,172	4,896
Administration and central services	6,700	5,949	12,649	5,716	6,880	12,596
Premises	1,657	13,403	15,060	1,634	12,707	14,341
Residences and catering	318	4,519	4,837	257	4,207	4,464
Donations (see note 9a)	-	4	4	-	4	4
Other expenditure	96	52	148	90	125	215
	<u>50,158</u>	<u>38,046</u>	<u>88,204</u>	<u>46,654</u>	<u>37,532</u>	<u>84,186</u>

9a Donations

During the year the group made the following donations for charitable purposes:

	2001	2000
	£	£
The University of Westminster Prize and Scholarship Fund	<u>4,000</u>	<u>3,900</u>

10. INTEREST PAYABLE

	2001	2000
	£'000	£'000
Finance Leases	85	145
Bank and other loans wholly repayable within five years	-	267
Bank and other loans repayable after more than five years	292	362
Inherited debt	601	659
Promissory note	1,509	1,496
	<u>2,487</u>	<u>2,929</u>

11. DEPRECIATION

	2001	2000
	£'000	£'000
The depreciation charge has been funded by:		
Release of deferred capital grants	401	667
Release of revaluation reserve	569	569
General income	1,688	2,601
	<u>2,658</u>	<u>3,837</u>

12. INFORMATION REGARDING EMPLOYEES

	2001	2000
	£'000	£'000
(a) Employee costs		
Wages and salaries	43,029	39,443
Social security costs	3,394	3,160
Other pension costs	2,795	2,524
Other staff related costs	940	1,527
	<u>50,158</u>	<u>46,654</u>

(b) Average number of people employed by the group in the year

	No.	No.
Teaching and support staff	1,117	1,075
Parttime teachers	429	478
Premises and grounds staff	97	94
Administrative staff	299	279
	<u>1,942</u>	<u>1,926</u>

(c) Remuneration of higher paid staff (excluding Governors)

	No.	No.
The following staff received remuneration of £50,000 or over		
£50,000 - £59,999	17	16
£60,000 - £69,999	7	6
£70,000 - £79,999	5	-
£90,000 - £99,999	-	1
	<u>29</u>	<u>23</u>

13. EMOLUMENTS OF GOVERNORS

	2001 £'000	2000 £'000
(a) The emoluments of the governors of the University are:		
In respect of service as governors	-	-
Other emoluments (including pension contributions on behalf of executive governors)	367	353
(b) The emoluments of the chairman and executive governors are:		
Chairman: Sir Alan Thomas	-	-
Highest paid governor: Dr G M Copland as Vice-Chancellor and Rector	128	124

The emoluments of the Vice-Chancellor and Rector are shown on the same basis as for higher paid staff, and include performance-related pay.

The University's pension contributions to the Teachers' Pension Agency are paid at the same rates as for other academic staff and amounted to £8,440 (2000: £8,020)

Five governors (2000: five) are members of the University's defined benefit pension scheme and accrued benefits during the year under that scheme.

14. RELATED PARTY TRANSACTIONS

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

15. SURPLUS FOR THE FINANCIAL YEAR BEFORE TRANSFERS FROM RESERVES

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

	2001 £'000	2000 £'000
Auditors remuneration:		
audit fee University	24	24
Subsidiary Companies	16	11
other services	17	49
Operating lease rentals:		
property rents	4,832	4,889
Depreciation:		
owned assets	2,302	3,446
leased assets	356	391
Profit on disposal of fixed assets	-	18

16. SURPLUS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the income and expenditure account of the parent company is not presented as part of these accounts. The parent company's surplus for the financial year amounted to £1.700m (2000: £1.627m).

17. TANGIBLE ASSETS

(a) The Group

Cost or valuation	Freehold land and buildings £'000	Leasehold improvements £'000	Assets in course of construction £'000	Plant and machinery £'000	Fixtures and fittings and equipment £'000	Computers £'000	Motor vehicles £'000	Total £'000
At 1 August 2000	69,497	9,455	6,488	18,470	1,098	2,188	101	107,297
Additions	-	-	4,540	317	-	283	-	5,140
Transfers	6,669	-	(6,669)	-	-	-	-	-
At 31 July 2001	76,166	9,455	4,359	18,787	1,098	2,471	101	112,437
Accumulated Depreciation								
At 1 August 2000	7,370	943	-	17,590	986	1,912	65	28,866
Charge for the year	1,492	307	-	500	43	299	17	2,658
At 31 July 2001	8,862	1,250	-	18,090	1,029	2,211	82	31,524
Net book value at 31 July 2001	67,304	8,205	4,359	697	69	260	19	80,913
Net book value at 31 July 2000	62,127	8,512	6,488	880	112	276	36	78,431

17. TANGIBLE ASSETS (continued)

(b) The University

Cost or valuation	Freehold land and buildings £'000	Leasehold improvements £'000	Assets in course of construction £'000	Plant and machinery £'000	Fixtures and fittings and equipment £'000	Computers £'000	Motor vehicles £'000	Total £'000
At 1 August 2000	30,838	9,455	6,488	18,470	1,098	2,188	101	68,638
Additions	-	-	4,540	317	-	283	-	5,140
Transfers	6,669	-	(6,669)	-	-	-	-	-
At 31 July 2001	37,507	9,455	4,359	18,787	1,098	2,471	101	73,778
Accumulated depreciation								
At 1 August 2000	2,835	943	-	17,590	986	1,912	65	24,331
Charge for the year	734	307	-	500	43	299	17	1,900
At 31 July 2001	3,569	1,250	-	18,090	1,029	2,211	82	26,231
Net book value at 31 July 2001	33,938	8,205	4,359	697	69	260	19	47,547
Net book value at 31 July 2000	28,003	8,512	6,488	880	112	276	36	44,307

17. TANGIBLE ASSETS (continued)

(c) The Group and the University

	The Group		The University	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
(i) Analysis of land and buildings at cost or valuation:				
At cost	49,958	43,289	18,340	11,671
Revaluation increase	26,208	26,208	19,167	19,167
At valuation: 31 July 1995	<u>76,166</u>	<u>69,497</u>	<u>37,507</u>	<u>30,838</u>

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

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

	The Group		The University	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
(ii) If freehold land and buildings had not been revalued, they would have been included at the following amounts:				
Cost	49,958	43,289	18,340	11,671
Aggregate depreciation	(5,581)	(4,655)	(1,334)	(1,030)
Net book value	<u>44,377</u>	<u>38,634</u>	<u>17,006</u>	<u>10,641</u>

(iii) The value of freehold land and buildings includes £5.704 million in respect of land that is not depreciated (2000: £5.704 million).

(d) Assets held under finance leases, capitalised and included in plant and machinery and fixtures and fittings:

	The Group and the University	
	2001 £'000	2000 £'000
Cost	1,953	1,953
Aggregate depreciation	(1,953)	(1,904)
Net book value	<u>.</u>	<u>49</u>

18. FIXED ASSET INVESTMENTS

	The Group		The University	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Share in subsidiary undertakings:				
At 1 August & 31 July	-	-	20,172	20,172
Share in CVCP Properties plc:				
At 1 August	37	32	37	32
Additions	-	5	-	5
At 31 July	<u>37</u>	<u>37</u>	<u>37</u>	<u>37</u>
Total fixed asset investments	<u>37</u>	<u>37</u>	<u>20,209</u>	<u>20,209</u>

(i) The holding in CVCP Properties plc represents an investment in 37,111 fully paid Ordinary £1 shares. It is an unquoted company.

(ii) The following companies were all held as investments by the University of Westminster on 31 July 2001. They are all subsidiary undertakings of the University and all companies operate in the UK.

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

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

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

19. STOCKS

The Group only

	2001 £'000	2000 £'000
Goods for resale	<u>77</u>	<u>97</u>

20. DEBTORS

	The Group		The University	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Amounts falling due within one year:				
HEFCE	406	413	406	413
Trade and sundry debtors	1,645	1,361	1,037	970
Amounts owed by subsidiary companies	–	–	324	1,186
Other debtors	1,471	1,568	1,424	1,105
Loans	320	301	320	301
Prepayments and accrued income	2,345	1,472	2,730	1,102
	<u>6,187</u>	<u>5,115</u>	<u>6,241</u>	<u>5,077</u>
Amounts falling after more than one year:				
Amounts owed by subsidiary companies	–	–	2,206	1,578
Loans	2,777	2,746	2,776	2,746
	<u>2,777</u>	<u>2,746</u>	<u>4,982</u>	<u>4,324</u>
Total debtors	<u>8,964</u>	<u>7,861</u>	<u>11,223</u>	<u>9,401</u>

21. INVESTMENTS HELD AS CURRENT ASSETS

	The Group		The University	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Short term deposits	9,000	10,539	9,000	10,539
Equities at valuation at 31 July	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>
	<u>9,002</u>	<u>10,541</u>	<u>9,001</u>	<u>10,540</u>

Equities consist of the following:

On 31 May 1997, the University acquired 200 fully paid ordinary 20 pence shares in Halifax plc. Following a return of capital and restructuring in the year the University now holds 185 shares in Halifax Group plc with a market value of £1,420 at 31 July 2001 (2000: £968).

The group also holds £494 of 12% Exchequer stock, the market value of which was £806 at 31 July 2001 (2000: £810).

22. CREDITORS

	The Group		The University	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Amounts falling due within one year:				
Trade creditors	3,948	4,021	3,889	3,916
Bank and other borrowings (see note 23)	406	1,666	406	1,666
Access funds (see note 25)	160	96	160	96
Taxation and social security	1,602	1,819	1,602	1,803
Provision for enhanced future pensions	201	181	201	181
Other creditors	1,400	1,200	1,134	1,078
Amounts due to subsidiary undertakings	-	-	522	371
Accruals and deferred income	6,047	6,022	5,387	5,150
	<u>13,764</u>	<u>15,005</u>	<u>13,301</u>	<u>14,261</u>
Amounts falling due between one and two years:				
Bank and other borrowings (see note 23)	233	231	233	231
Provision for enhanced future pensions	201	181	201	181
	<u>434</u>	<u>412</u>	<u>434</u>	<u>412</u>
Amounts falling due between two and five years:				
Bank and other borrowings (see note 23)	694	702	694	702
Provision for enhanced future pensions	602	544	602	544
	<u>1,296</u>	<u>1,246</u>	<u>1,296</u>	<u>1,246</u>
Amounts falling due over five years:				
Bank and other borrowings (see note 23)	24,429	24,470	8,515	8,715
Provision for enhanced future pensions	2,032	2,454	2,032	2,454
Amounts due to subsidiary undertakings	-	-	15,624	14,269
	<u>26,461</u>	<u>26,924</u>	<u>26,171</u>	<u>25,438</u>
Total creditors	<u>41,955</u>	<u>43,587</u>	<u>41,202</u>	<u>41,357</u>

23. BANK AND OTHER BORROWINGS

	The Group		The University	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Bank and other borrowings due within one year or on demand:				
Bank overdraft - unsecured	-	1,114	-	1,114
	<u>-</u>	<u>1,114</u>	<u>-</u>	<u>1,114</u>
Other unsecured loans	406	413	406	413
Finance lease obligations	-	139	-	139
	<u>406</u>	<u>1,666</u>	<u>406</u>	<u>1,666</u>
Other borrowings due between one and two years:				
Other unsecured loans	233	231	233	231
	<u>233</u>	<u>231</u>	<u>233</u>	<u>231</u>
Other borrowings due between two and five years:				
Other unsecured loans	694	702	694	702
	<u>694</u>	<u>702</u>	<u>694</u>	<u>702</u>
Bank and other borrowings due after more than five years:				
Bank loans - secured	2,835	2,835	2,835	2,835
	<u>2,835</u>	<u>2,835</u>	<u>2,835</u>	<u>2,835</u>
Other unsecured loans	5,680	5,880	5,680	5,880
Promissory note	15,914	15,755	-	-
	<u>24,429</u>	<u>24,470</u>	<u>8,515</u>	<u>8,715</u>

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

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

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

24. DEFERRED CAPITAL GRANTS

	The Group		The University	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Balance at 1 August	9,262	6,631	6,819	4,134
HEFCE grant received	2,601	3,298	2,601	3,298
	<u>11,863</u>	<u>9,929</u>	<u>9,420</u>	<u>7,432</u>
Release of HEFCE grant	(401)	(667)	(347)	(613)
Balance at 31 July	<u>11,462</u>	<u>9,262</u>	<u>9,073</u>	<u>6,819</u>
Amounts falling due within one year	312	382	258	328
Amounts falling due between one and two years	312	244	258	189
Amounts falling due between two and five years	936	731	773	568
Amounts falling due over five years	9,902	7,905	7,784	5,734
Total	<u>11,462</u>	<u>9,262</u>	<u>9,073</u>	<u>6,819</u>

25. ACCESS FUNDS FOR STUDENTS

The University received and distributed HEFCE access funds as follows:

	2001	2000
	£'000	£'000
At 1 August	96	2
Received	1,122	900
Interest Accrued	23	19
Distributed	(1,081)	(825)
At 31 July	<u>160</u>	<u>96</u>

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

26. RECONCILIATION OF MOVEMENTS ON RESERVES

(a) The Group

	Revaluation Reserve £'000	Specific Reserve £'000	Revenue Reserve £'000	Total Reserves £'000
Balance at 1 August 2000	23,591	1,873	20,520	45,984
Surplus for the year	-	-	1,706	1,706
Reimbursement of capital element of debt inherited from local authority	199	-	-	199
Transfer to/(from) reserves	(569)	(110)	679	-
Balance at 31 July 2001	<u>23,221</u>	<u>1,763</u>	<u>22,905</u>	<u>47,889</u>

(b) The University

	Revaluation Reserve £'000	Specific Reserve £'000	Revenue Reserve £'000	Total Reserves £'000
Balance at 1 August 2000	18,752	1,086	18,260	38,098
Surplus for the year	-	-	1,700	1,700
Reimbursement of capital element of debt inherited from local authority	199	-	-	199
Transfer to/(from) reserves	(449)	(177)	626	-
Balance at 31 July 2001	<u>18,502</u>	<u>909</u>	<u>20,586</u>	<u>39,997</u>

27. FINANCIAL COMMITMENTS**(a) Operating leases**

At 31 July 2001 the Group had commitments during the next financial year in respect of operating leases:

	Land and Buildings £'000
Leases which expire:	
After 5 years	<u>4,843</u>

(b) Finance Leases

At 31 July 2001 the Group had annual commitments under finance leases as follows:

	2001 £'000	2000 £'000
Repayable within one year	-	163
Interest charges allocated to future periods	-	(24)
	<u>-</u>	<u>139</u>
Disclosed in the balance sheet as:		
Due within one year	-	139
	<u>-</u>	<u>139</u>

28. CAPITAL COMMITMENTS

Capital expenditure authorised and contracted for but not provided in the accounts amounts to £3.552 million for the Group and University (2000: £3.514 million).

The University intends to redevelop the New Cavendish Street site. An integral part of this redevelopment (for which planning permission has yet to be granted) is the disposal, by way of demolition, of the Clipstone Street freehold buildings. Once planning permission has been granted and the redevelopment proceeds, it will result in an exceptional loss on the disposal of fixed assets being recognised in the University's accounts. As at 31 July 2001 the University is not committed or contracted to the demolition.

29. CASHFLOW FROM OPERATING ACTIVITIES

	2001 £'000	2000 £'000
Surplus from Operating Activities	1,706	3,210
Depreciation	2,658	3,837
Deferred capital grants released to income	(401)	(667)
Investment income	(1,240)	(1,280)
Profit on disposal of assets	-	(18)
Interest payable	2,487	2,929
(Increase)/decrease in debtors	(1,103)	692
(Decrease)/increase in creditors	(325)	1,155
Decrease/(increase) in stocks	20	(13)
Capital reimbursement transferred to reserves	199	178
Net Cash Inflow from Operating Activities	<u>4,001</u>	<u>10,023</u>

30. ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2000 £'000	Cash Flows £'000	Other Changes £'000	At 31 July 2001 £'000
Cash at bank and in hand	95	1,634	-	1,729
Overnight deposits	1,771	(1,187)	-	584
Bank overdraft	(1,114)	1,114	-	-
	<u>752</u>	<u>1,561</u>	<u>-</u>	<u>2,313</u>
Liquid Resources:				
Current asset investment	2	-	-	2
Short term deposits	10,539	(1,539)	-	9,000
	<u>10,541</u>	<u>(1,539)</u>	<u>-</u>	<u>9,002</u>
Debt:				
Finance leases	(139)	139	-	-
Loans due within one year	(413)	413	(406)	406
Loans due after more than one year	(25,403)	(359)	406	(25,356)
	<u>(25,955)</u>	<u>193</u>	<u>-</u>	<u>(25,762)</u>
Net Debt	<u>(14,662)</u>	<u>215</u>	<u>-</u>	<u>(14,447)</u>

31. PENSION COSTS

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

Teachers' Pension Scheme (England and Wales)

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

The fund is administered by the Teacher's Pension Agency. The scheme is subject to an actuarial review not less than every five years. The last actuarial valuation on the Teachers' Pension Scheme (England and Wales) was performed by the Government Actuary on 31 March 1996 and covered the period 1 April 1991 to 31 March 1996.

Subsequent to a valuation of the fund by the Government Actuary as at 31 March 1996 it was determined that the employer's contribution would be 7.4%. The following actuarial assumptions were applied.

Investment returns	8.5% per annum
Salary growth	6.5% per annum
Price inflation	5.0% per annum

In the year ending 31 July 2001 contributions by the Group to the scheme were £1,570,902.

London Pensions Fund Authority

This defined benefit scheme is subject to a triennial valuation by independent actuaries. The last full actuarial valuation was carried out on the 31 March 1998 using the projected unit credit method, in which the actuarial liability makes allowance for projected earnings.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 31 March 1998 and updated by Hymans Robertson to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 July 2001.

The financial assumptions used by the actuary for the funding valuation under FRS 17 as at 31 July 2001 were:

Price increases	2.5% per annum
Salary increases	4.0% per annum
Pension increases	2.5% per annum
Discount rate	5.7% per annum

31. PENSION COSTS (continued)

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

	Long term return % per annum	Fund value at 31 March 2001 £'000	Expected return £'000 per annum
Equities	7.0	1,129,500	79,065
Bonds	5.5	225,900	12,425
Cash	4.0	23,000	920
Total		1,378,400	92,410

The University's share of the fund's assets has been calculated at 3.114% as at 31 March 2001.

Accordingly the University's net pension assets at 31 July 2001 are:

	£'000
Estimated asset share	42,818
Present value of liabilities	(46,488)
Deficit in the scheme - net pension liability	(3,670)

If the above had been recognised in the financial statements, the University's net assets and profit and loss reserves at 31 July 2001 would be as follows:

	£'000
Net assets excluding pension liability	59,351
Pension liability	(3,670)
Net assets including pension liability	55,681
	£'000
Profit and loss reserve excluding pension liability	22,905
Pension reserve	(3,670)
Profit and loss reserve	19,235

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

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

In accordance with the Local Government Superannuation Regulations, an actuarial valuation was carried out on 31 March 1998 with the employer's contribution increased from 5.1% to 9% with effect from 1 April 1999.

In the year ending 31 July 2001, contributions by the Group to the scheme were £1,090,487.

31. PENSION COSTS (continued)**Superannuation Arrangements of the University of London**

The University of Westminster participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The University has now adopted FRS17 for accounting for pension costs. It is not possible to identify the University's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8-12 of FRS17. In the year ending 31 July 2001, contributions by the Group to the scheme were £4,078.

The scheme is subject to triennial valuation by professionally qualified and independent actuaries. The last available valuation was carried out on 31 March 1999 using the projected unit credit method, in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position:-

Investment return	4.5 - 5.3%	per annum
General level of salary growth	4.1%	per annum*
Pension increases	2.6%	per annum

* excluding an allowance for promotional increases.

The actuarial valuation applies to the scheme as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of the scheme's assets was £846.6 million representing 120% of the liability for benefits after allowing for expected future increases in salaries.

In relation to future service liabilities it was assumed that real investment return above prices were 4% per annum and real salary increases above prices of 1.5% per annum. The contribution rate required for future service benefits alone at the date of the valuation was 14.4% of salaries per annum.

Employers who have recently joined SAUL ("New Employers") and certain employee groups (as agreed by the Trustee of SAUL), pay 14.4% of salaries per annum until the second actuarial valuation after entry (or some other period as agreed with the Trustee). The past service surplus allows all other employers to pay contributions at the rate of 10.5% of pensionable salaries per annum.

The next formal actuarial valuation is due at 31 March 2002 when the above rates will be reviewed.

31. PENSION COSTS (continued)**Universities Superannuation Scheme**

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

The latest actuarial valuation of the scheme was at 31 March 1999. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.6% per annum and pensions would increase by 2.6% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 5.5% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.5% per annum and pensions would increase by 2.5% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £18,870 million (including an estimated £55 million in respect of outstanding bulk transfer payments due) and the value of the past service liabilities was £17,427 million leaving a surplus of assets of £1,443 million. The assets therefore were sufficient to cover 108% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16.3% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund this reduction of 2.3% for the period of 11 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £561 million of the surplus. It was also agreed, following the valuation, that £201 million of the surplus would be used to fund certain benefit improvements. This left a past service surplus of £681 million (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2002 when the above rates will be reviewed.

The total pension cost for the institution was £123,217 (2000: £100,424). The contribution rate payable by the institution was 14% of pensionable salaries.

32. PRIOR YEAR ADJUSTMENT

A prior year adjustment has been made to account for entries booked in a subsidiary company's accounts in respect of issued share capital and operating costs that were found to be incorrect. The book entries have subsequently been adjusted and the University's 2000 figures have been restated to reflect this adjustment

As a result of these changes the comparatives have been restated as follows

a) University balance sheet

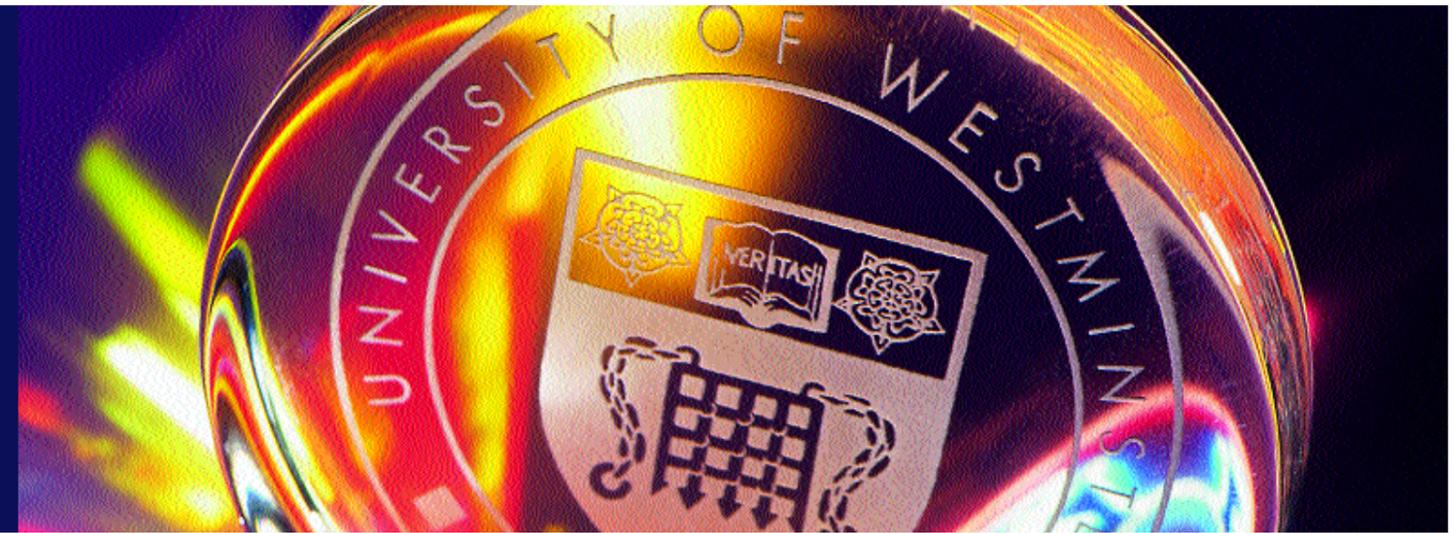
	Investments £'000	Amounts due to subsidiaries	
		Within one year £'000	After one year £'000
2000 as previously reported	24,909	-	(19,340)
Adjusting entry	(4,700)	(371)	5,071
2000 restated	20,209	(371)	14,269

b) Consolidated balance sheet

	Prepayments £'000	Taxation and social security £'000	Accruals and deferred income £'000
Adjusting entry	(93)	(16)	(140)
2000 restated	1,472	(1,819)	(6,022)

c) Consolidated income and expenditure account

	From continuing activities	
	Income £'000	Expenditure £'000
Year to 31 July 2000 reported	94,220	90,761
Adjusting entry	(58)	191
2000 restated	94,162	90,952



Financial Statements

for the year ended 31 July 2001

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