



Reports and Financial Statements
for the year ended 31 July 2002



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Council Membership 2001-02

Chair:	Sir William Utting
Ex Officio:	Warden of the College: Professor Ben Pimlott
Pro-Wardens:	Professor Alan Downie Professor Simon McVeigh Ms Kay Stables
Clerk to the Goldsmiths' Company:	Mr Robin Buchanan-Dunlop
President of the Students' Union:	Mr Peter Leary
Nominated by the University of London:	Professor Warwick Gould Professor Robert Pinker
Nominated by a local education or similar succeeding authority (to be selected by the Council) with responsibilities in South East London:	Cllr Kate Donnelly
Nominated by the Council of the London Borough of Lewisham or such succeeding body as shall exercise local jurisdiction in its place:	Cllr Mee Ling Ng
Elected by the Academic Board:	Dr Helen Carr Professor Brian Falconbridge Ms Christine Geraghty
Elected by the Academic Staff:	Professor Marjorie Mayo
Elected by the Non-Academic Staff:	Ms Marl'ene Miller
Elected by the Students:	Ms Saadia Saeed
Co-opted by the Council:	Ms Marjorie Allthorpe-Guyton Sir Robert Balchin (<i>Deputy Chair</i>) Professor Alan Bevan Sir Paul Girolami Mr Roger Harrison Mr Alan Jkinson Mrs Penelope Lively Sir David Nicholas Mr Richard Ormond Mr David Peake Mr Jonathan Stone

Membership of the Audit Committee

Chair:	Sir Paul Girolami
Appointed by the Council:	Sir David Nicholas Mr Richard Ormond Mr Michael Tuke
In attendance:	Warden: Professor Ben Pimlott Secretary: Mr Shane Guy Director of Finance: Mr Ian Turner
Secretary: Committee Administrator:	Ms Jane Offerman

Senior Executives

Secretary	Mr Shane Guy
Director of Finance	Mr Ian Turner
Academic Registrar	Mrs Pam Ackroyd (to 31 August 2001) Ms Catherine Godman (from 1 February 2002)
Head of Personnel	Mr Rob Letham
Head of Estates & Services	Ms Diane Gamble
Director of Information Services	Mrs Joan Pateman

Auditors

Knox Cropper
Chartered Accountants & Registered Auditors
16 New Bridge Street
London EC4V 6AX

Bankers

National Westminster Bank plc
65 Peckham High Street
London SE15 5RZ

Responsibilities of the Council

In accordance with the Charter and related Statutes, the Council of the College is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited Financial Statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College and enable it to ensure that the Financial Statements are prepared in accordance with the Charter and Statutes, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England (HEFCE) and the Council of the College, the Council, through its designated office holder¹, is required to prepare Financial Statements for each financial year which give a true and fair view of the College's state of affairs, and of the surplus or deficit and cash flows for that year.

In causing the Financial Statements to be prepared, the Council has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation. The Council 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 Council has taken reasonable steps, including the requirement in its Ordinances for the receipt of advice from its Planning Committee on the allocation of resources and general financial management, and from its Audit Committee which has a wide independent remit over its affairs, to:

- ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the HEFCE and any other conditions which that Funding Council may from time to time prescribe, and similarly with regard to funding agreements with the Teacher Training Agency (which is responsible for the funding of Initial Teacher Education) and the Learning Skills Council from which the College receives a small grant for further education provision;
- 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 College and prevent and detect fraud;
- secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College'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 key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly-defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approved levels set by the Council;
- comprehensive Financial Regulations detailing financial controls and procedures, approved by the Audit Committee and Council;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by Council and whose head provides the Audit Committee with a report on the internal audit activity within the College and an opinion on the adequacy and effectiveness of the College'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.

¹ In accordance with the Financial Memorandum, the College has to designate a principal office holder, acceptable to the Funding Council, who is required to:

- satisfy the College's Council that all conditions relating to the use of funds provided by the Funding Council are complied with;
- advise the College's Council if at any time any action or policy under consideration by it appears to the designated office holder to be incompatible with the terms of the Financial Memorandum. The designated office holder is required to inform the Chief Officer of the Funding Council in writing should the College's Council decide nevertheless to proceed.

The Warden of the College, Professor Ben Pimlott, is its designated office holder.

Report of the Warden and Chair of Planning Committee

Scope of the Financial Statements

These Financial Statements cover the activities of the College for the year ended 31 July 2002. The College has no subsidiary companies, and is an 'exempt' charity under the provisions of the Charities Acts.

Results for the Year

The following table summarises the College's Income and Expenditure for the year ended 31 July 2002 in comparison with the previous year:

	2002 £'000	2001 £'000
Income	44,340	41,754
Expenditure	44,887	43,940
Deficit on continuing operations after depreciation of assets at valuation	(547)	(2,186)
Difference between historical cost depreciation charge and actual depreciation charge calculated on the revalued amount	850	850
Historic cost surplus/(deficit) on continuing operations	303	(1,336)
Profit on disposal of fixed assets – historic cost basis	–	4,874
Historic cost surplus	303	3,538

The historic cost surplus on continuing operations of £303k represents an improvement of over £1.6m on the previous year and partly results from success in the expanding the College's student population following selective investment in academic programmes in line with one of the College's key strategic aims.

The College's total income increased by 6.2% in the year. Noteworthy changes within this increase are:

- Funding Council grants increased by 6.2% to £22,661k (2001 £21,339k);
- Tuition fees increased overall by 6.2% to £13,758k (2001 £12,957k); whilst home fees showed a moderate increase of 2.2%, those for overseas students showed a healthy 12% increase. This reflects successful progress towards the achievement of increased recruitment in line with the College's expansion plans;
- Income from research grants and contracts increased by 28.7% to £2,030k (2001 £1,577k) reflecting the College's policy to reduce reliance on the HEFCE income and expand its research activity.
- Other Operating Income is marginally lower than last year due to a decrease in the income from student residences following the disposal of the Rachel McMillan Hall of Residence towards the end of the previous financial year.

The relatively small increase in total expenditure of 2.2% partly results from the sale of the Rachel McMillan Hall of Residence, but is mainly a reflection of economy measures introduced to ensure a historic cost surplus on continuing activities.

Cash Flow

College's cash flows resulted in increased cash of £242k to £5,674k in the year, £2,229k being held on short-term deposit. Cash inflow from operations totals £1.7m but this is largely offset by expenditure, net of grants, on buildings and equipment of almost £1.3m.

Creditor Payments Policy

It is the College's policy to pay its creditors within the timescale set out in the terms of payment of its suppliers.

Capital Projects

In furtherance of its strategic aim to focus primarily on the development of the New Cross Estate, the College has, with the help of grants from the Funding Council, purchased property on the New Cross Road. Also during 2001-02, the Small Hall and the refurbishment of both Hatcham House and the Deptford Town Hall Basement were completed. Capital expenditure during the year totalled £2,372k, of which £1,734k related to buildings and £638k to equipment.

Future Developments

The College is committed to a Strategic Plan which includes significant student expansion as a major element. To this end, we are conscious that our teaching accommodation needs to be improved if the high standards, rightly-expected by our student customers, are to be maintained and improved. The College's Estates Strategy takes this into account by planning for major capital development and refurbishment of outdated buildings. Central to this is the plan for a new Arts Complex in New Cross Road, Phase 1 of which is planned to commence in 2003 at an estimated cost of £8.2m. This will be partially funded by the HEFCE Poor Estates Initiative Funding (£2.4m) and the HEFCE Science Research Investment Fund grant (£1.3m), both of which were the subject of successful bids in 2000-01. To realise the full potential of the estate and this exciting development, it is estimated that the full project will cost in the region of £30m and will be completed over three phases. Funding for a project of this magnitude will not come from public sector sources alone; other sources, including a major fundraising initiative, are being actively explored.

Finally, the College has worked hard over the past four years, and undertaken significant investment to improve further its research quality. These efforts have resulted in an excellent performance in the 2001 Research Assessment Exercise.

Disability Statement

The College welcomes applications from students with learning difficulties and disabilities. We are committed to a policy which allows, as far as possible, for equality of opportunity and access to the higher and further education programmes which we provide. In furtherance of this policy, the College has agreed a capital programme totalling £3m to address issues identified in a recently-commissioned disability audit of its accommodation.

Conclusion

The outcome of the Research Assessment Exercise announced in December 2001, demonstrated that the College is making significant progress towards achieving its key strategic goal of improving research quality. Over the medium term, the College has plans to significantly increase its student population, especially the number of postgraduates. The planned increase in student numbers will be facilitated by the bold estates developments planned, including Phase 1 of the Arts Complex for which financing is now in place. The College's financial forecast indicates that, with the economy measures introduced, the planned student expansion and continued investment in improving research quality together with other key strategic objectives, may be achieved whilst maintaining a historic cost surplus.

The College relies heavily upon its management, staff and committees to realise its objectives, and I would like to take this opportunity to record my thanks to them all for their support and endeavour over the past year. Special thanks are due to our external members of Council, whose advice and support have been invaluable during this challenging period.

Professor Ben Pimlott FBA
Warden and Chair of Planning Committee

November 2002

Corporate Governance

College Council, the Governing Body of Goldsmiths College, has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Governing Body in the College's Statutes and the Financial Memorandum with the HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of 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 2002 and up to the date the Financial Statements were approved, accords with the HEFCE guidance.

Council has responsibility for reviewing the effectiveness of the system of internal control and has established the following processes:

- Meetings at least three times per year to consider the plans and strategic direction of the institution.
- The receipt of periodic reports from the Chairman of the Audit Committee concerning internal control, and requests for reports from managers on the steps being taken to manage risks, including progress reports on key projects.
- The Audit Committee has taken on the formal responsibility for providing the oversight of risk issues.
- The Audit Committee is expected to receive reports from the Head of Internal Audit, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Institution's system of internal control, together with recommendations for improvement.
- A regular programme of facilitated workshops, under the direction of the Director of Resources and Planning, is held to identify and keep up to date the record of risks facing the organisation.
- A programme of risk awareness training is under way.
- A system of key performance and risk indicators has been developed.
- A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis has been established.
- A plan to develop an organisation-wide risk register.
- Reports are received from budget holders, department heads and project managers on internal control activities.

Our review of the effectiveness of the system of internal control is informed by the internal audit unit, which operates to standards defined in the HEFCE Audit Code of Practice and which has been reviewed for effectiveness by the HEFCE Audit Service. The internal auditors submit regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the College's system of internal control, with recommendations for improvement.

Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, 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 Council of Goldsmiths College

We have audited the Financial Statements on pages 13 to 31 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 13 to 15.

Respective Responsibilities of the Council and Auditors

As described in the statement of the Council's responsibilities on pages 5 and 6, the Council is responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the Financial Statements give a true and fair view. We also report to you whether in our opinion monies expended out of funds from whatever source administered by the College for specific purposes were properly applied for those purposes and where relevant managed in accordance with appropriate legislation and whether monies expended out of funds provided by the Higher Education Funding Council for England and the Learning and Skills Councils/Further Education Funding Council and the Teacher Training Agency were applied in accordance with the Financial Memorandum, and any other terms and conditions attached to them.

We also report to you if, in our opinion, the report of the Warden and Chairman of the Planning Committee (the Warden's Report) is not consistent with the Financial Statements, if the College 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 also, at the request of Council, review whether the statement on page 10 reflects the College's compliance with the relevant provisions of the Combined Code specified for our review by Council and we report if it does not.

We read the other information contained in the Warden's Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for England. 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 Council in the preparation of the Financial Statements and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- (i) the Financial Statements give a true and fair view of the state of affairs of the College at 31 July 2002 and of the deficit of income in relation to expenditure 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 Institutions;
- (ii) income from the Higher Education Funding Council for England, the Learning and Skills Council/Further Education Funding Council and the Teacher Training Agency and grants and income for specific purposes and from other restricted funds administered by the College have been applied for the purposes for which they were received;
- (iii) income has been applied in accordance with the College's Charter and Statutes and, where appropriate, with the Financial Memorandum (dated 1 August 2000) with the Higher Education Funding Council for England and funding agreements with the Learning and Skills Council/Further Education Funding Council and the Teacher Training Agency.

Knox Cropper
Chartered Accountants
and Registered Auditors



16 New Bridge Street
London EC4V 6AX

Date 11th December 2002

Statement of Principal Accounting Policies

Basis of Preparation

The Financial Statements have been prepared in accordance with the statement of recommended practice (SORP): *Accounting in Further and Higher Education Institutions* and in accordance with applicable Accounting Standards. They conform to guidance published by the Higher Education Funding Council for England.

Basis of Accounting

The Financial Statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets.

Consolidation

In accordance with FRS2, the Financial Statements do not contain those of the Goldsmiths Students' Union as, whilst the College is obliged to monitor expenditure and budgets within codes of practice, it does not exert control or have dominant influence over policy decisions which do not conflict with those codes. The expenditure shown in the Income and Expenditure Account of the College relates to the College's contribution to Union activities.

Recognition of Income

Income from sponsored research grants, contracts and other services rendered is recognised to the extent of direct expenditure incurred during the year plus any related contributions towards overhead costs. All income from short-term deposits is credited to the Income and Expenditure Account in the period in which it is earned.

Investment income attributable to Endowment Funds and Prize Funds is credited direct to those funds and not passed through the Income and Expenditure Account except to the extent of matching related expenditure. Investment income relating to general funds is taken to the Income and Expenditure Account.

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

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

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions.

Maintenance of Premises

Expenditure on routine corrective maintenance is charged to the Income and Expenditure Account as incurred.

Tangible Fixed Assets

In keeping with FRS 15, all land and buildings existing at 31 July 1993 and revalued at 31 July 1994 by Frank Durrant Westmore & Reeves, Chartered Surveyors, will be retained at those values as cost. Properties used for educational and hostel purposes have been valued on the Depreciated Replacement Cost basis and residential properties on the basis of Open Market Value For Existing Use. Additions since revaluation are stated at cost.

Buildings purchased under leasing arrangements that transfer substantially all the risks and rewards of ownership to the College have been capitalised. The capital element of future rental obligations is included in creditors. The interest element of the rental obligations is charged to the Income and Expenditure Account so as to produce a proportionate rate of charge on the basis of future obligations for each accounting period. Assets held under finance leases are depreciated on the same basis as similar assets according to categories shown below.

All Plant and Equipment below an initial cost of £7,500 per individual item or group of related items have been written off against the funds provided for their purchase. Plant and Equipment costing £7,500 and over are capitalised and written off over their useful lives as indicated in the depreciation table below.

Where fixed assets are acquired with the aid of specific grants, they are capitalised and depreciated according to the categories in which they fall. The related grants are treated as deferred capital grants and released to income over their expected useful lives.

Fixed assets in the course of construction are not depreciated until their year of completion.

Depreciation is provided on cost or valuation on a straight-line basis so as to write off the assets over their estimated useful lives. The rates of depreciation used are as follows:

Freehold Land	Nil
Freehold Buildings (Long-term)	2.5% per annum
Freehold Buildings (Short-term and Refurbishments)	10% per annum
Leaseholds	over the terms of the leases
Plant and Equipment (Library Stacks)	10% per annum
Administrative Computer Systems	20% per annum
Other Plant and Equipment	33.33% per annum

Stocks

Stocks are stated at the lower of cost and net realisable value. Stocks held by departments are written off as purchased as being of immaterial value.

Investments

Fixed Asset Investments and Endowment Asset Investments are shown at market value where known. Endowment and restricted funds held on temporary deposit or on short-term money market form part of the liquid funds. These funds are shown as capital contributed plus net accumulated interest.

Pensions

The two pension schemes in which the College participates are the Universities Superannuation Scheme (USS) for academic and academically-related staff and the London Pension Fund Authority (LPFA) for other administrative, technical, clerical and manual staff. Both schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme.

The Funds are valued every three years by actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. Pension costs are assessed on the latest actuarial valuations of the Schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the College benefits from the employees' services.

The annual employers' pension contributions borne by the College are included in salary costs charged to the various heads of expenditure. Further details of the schemes are given in Note 29 to the Accounts.

Costs relating to premature retirement, restructuring and unfunded pensions are treated as additional salary costs.

Taxation

The College is an educational charity incorporated under a Royal Charter granted on 1 January 1990 and is, therefore, exempt within the meaning of Section 506(1) of the Taxes Act 1988 from Corporation Tax and Capital Gains Tax in respect of its educational activities.

In regard to income from research and consultancy and from non-student lettings and associated income, the College has applied the Inland Revenue guidelines and has considered that the level of activity in each of those areas does not constitute a trade and so will not give rise to a charge to tax. Accordingly, no provision has been made in the Accounts for taxation.

The College receives no exemption in respect of Value Added Tax on its primary activities and the tax thus forms part of the relevant expenditure.

Restatement of Income and Expenditure

As a result of a Teacher Training Agency directive issued to all institutions regarding the accounting treatment of training grants for teachers, the related income and expenditure has been removed from the Income and Expenditure Account in both 2002 and 2001 and has been shown as notes 31 and 32 to these Accounts. The figures for 2001 are therefore restated.

INCOME AND EXPENDITURE ACCOUNT for the year ended 31 July 2002

	Note	2002 £'000	2001 Restated £'000
INCOME			
Funding Council Grants	1	22,661	21,339
Academic Fees and Support Grants	2	13,758	12,957
Research Grants and Contracts	3	2,030	1,577
Other Operating Income	4	5,490	5,540
Endowment Income and Interest Receivable	5	401	341
Total Income		44,340	41,754
EXPENDITURE			
Staff Costs	6	28,289	26,731
Depreciation	11	2,523	2,238
Other Operating Costs	8	13,591	14,514
Interest Payable	9	484	457
Total Expenditure		44,887	43,940
Deficit on continuing operations after depreciation of fixed assets at valuation and before taxation		(547)	(2,186)
Loss on disposal of fixed assets		-	(1,747)
Taxation	10	-	-
Deficit on continuing operations after depreciation of fixed assets at valuation, disposal of fixed assets and taxation		(547)	(3,933)

NOTE OF HISTORICAL SURPLUSES AND DEFICITS for the year ended 31 July 2002

	Note	2002 £'000	2001 £'000
Deficit on continuing operations after depreciation of assets at valuation, disposal of fixed assets and taxation		(547)	(3,933)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	19	850	850
Realisation of property valuation gains of previous years	19	-	6,621
Historical cost surplus for the period after taxation		303	3,538

None of the College's major activities were acquired or discontinued during the above two financial years.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 July 2002

	Note	2002	2001
		£'000	£'000
Deficit after Depreciation of Assets at Valuation and Tax		(547)	(3,933)
Depreciation of Endowment Asset Investments	18	(25)	(26)
Endowment and Specific Funds Income Surplus	18	21	113
New Endowment Funds	18	-	87
Total Recognised Losses Relating to the Year		(551)	(3,759)
RECONCILIATION			
Opening Reserves and Endowments		41,409	45,168
Total Recognised Losses for the year		(551)	(3,759)
Closing Reserves and Endowments		40,858	41,409

BALANCE SHEET as at 31 July 2002

	Note	2002	2001
		£'000	£'000
FIXED ASSETS			
Tangible Assets	11	54,478	54,629
Long-term Investments	12	28	28
ENDOWMENT ASSET INVESTMENTS			
	13	1,199	1,203
CURRENT ASSETS			
Stocks and Stores		118	116
Debtors	14	2,760	2,521
Investments		2,229	2,141
Cash at Bank and in Hand		3,445	3,203
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	15	(5,492)	(5,052)
NET CURRENT ASSETS			
		3,060	2,929
TOTAL ASSETS LESS CURRENT LIABILITIES			
		58,765	58,789
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	16	(7,659)	(7,711)
TOTAL NET ASSETS			
		51,106	51,078
Represented by:			
DEFERRED CAPITAL GRANTS			
	17	10,248	9,669
ENDOWMENTS			
Specific	18	1,199	1,203
RESERVES			
Revaluation Reserve	19	30,497	31,347
Other Reserves	20	9,162	8,859
TOTAL FUNDS			
		51,106	51,078

Signed and approved on behalf of Council by:



Sir William Utting
Chairman of Council



Professor Ben Pimlott
Warden and Chairman of Planning Committee

Date 11 December 2002

CASH FLOW STATEMENT for the year ended 31 July 2002

	Note	2002	2001
		£'000	£'000
Net Cash Inflow from Operating Activities	23	1,725	882
Returns on Investments and Servicing of Finance	24	(83)	(116)
Tax Paid		-	-
Capital Expenditure and Financial Investment	25	(1,250)	(1,791)
Cash Inflow/(Outflow) before Liquid Resources and Financing		392	(1,025)
Management of Liquid Resources	26	(109)	(2,341)
Financing	27	(41)	5,755
Increase in Cash for the Period		242	2,389

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 28)

Increase in Cash in the Period	242	2,389
Decrease in Liquid Funds	109	2,341
Decrease/(Increase) in Loans	41	(5,755)
Change in Net Debt	392	(1,025)
Opening Net Funds at 1 August	(2064)	(1,039)
Closing Net Debt at 31 July	(1,672)	(2,064)

NOTES TO THE ACCOUNTS for the year ended 31 July 2002

	2002	2001
	£'000	Restated £'000
1 FUNDING COUNCIL GRANTS		
Recurrent Grants		
Higher Education Funding Council for England		
Teaching	12,975	12,558
Research	5,409	5,259
Teacher Training Agency	2,160	2,089
Learning Skills Council	265	174
Total Recurrent Grants	20,809	20,080
Higher Education Funding Council for England		
Premature Retirement Compensation	183	182
Learning and Teaching	77	73
HR Supplement	340	-
Other Grants	154	345
Teacher Training Agency		
Other Grants	576	251
Total Recurrent and Specific Grants	22,139	20,931
Deferred Capital Grants Released in Year		
Buildings (Note 17)	351	408
Equipment (Note 17)	171	-
	22,661	21,339
2 ACADEMIC FEES AND SUPPORT GRANTS		
Full-time students	5,699	5,578
Non-EU students	6,302	5,627
Part-time students	1,374	1,309
Short Course Fees	341	403
Research Training Support Grants	42	40
	13,758	12,957
3 RESEARCH GRANTS AND CONTRACTS		
Research Councils	535	487
UK Based Charities	531	336
Other Grants and Contracts	964	754
	2,030	1,577

NOTES TO THE ACCOUNTS for the year ended 31 July 2002

	2002	2001
	£'000	£'000
4 OTHER OPERATING INCOME		
Residences, Catering and Conferences	3,877	4,071
Other Services Rendered	931	763
Other Income	682	706
	5,490	5,540
5 ENDOWMENT INCOME AND INTEREST RECEIVABLE		
Transferred from Specific Endowments (Note 18)	77	78
Income from Short Term Investments	324	263
	401	341
6 STAFF COSTS		
The average weekly number of persons (including senior post-holders) employed by the College during the period, expressed as full-time equivalents, was:		
	Number	Number
Teaching and Research	394	378
Administrative	117	108
Technical	58	52
Clerical	174	171
Other	86	102
	829	811
	£'000	£'000
Salaries and Wages	23,709	22,352
Social Security Costs	1,836	1,712
Other Pension Costs (Note 29)	2,356	2,083
Restructuring Costs	388	584
	28,289	26,731
Academic Departments	18,032	16,999
Academic Services	1,898	1,801
Research Grants and Contracts	1,289	988
Residences, Catering and Conferences	545	675
Premises	1,681	1,649
Administration	3,891	3,572
General Education	159	148
Other Services Rendered	406	315
Other	388	584
	28,289	26,731

NOTES TO THE ACCOUNTS for the year ended 31 July 2002

	2002	2001
	£'000	£'000

7 REMUNERATION OF DIRECTORS AND HIGHER PAID EMPLOYEES

The emoluments of the Warden's post were:

Remuneration	122	118
USS Pension contributions (paid at the same rates as for other academic staff)	17	16
Taxable benefit in kind (fiscal year basis)	-	-
	139	134

Remuneration of other Higher Paid Staff, excluding employer's pension contributions, fall in the following band:

	Number	Number
£50,000-£59,999	21	10
£60,000-£69,999	3	1
£70,000-£79,999	1	1
	£'000	£'000
		Restated

8 OTHER OPERATING EXPENSES

Academic Departments	2,609	2,710
Academic Services	968	1,041
Research Grants and Contracts	406	324
Residences, Catering and Conferences	2,642	3,309
Premises	3,185	3,501
Administration	2,348	2,410
General Education	1,130	983
Other Services Rendered	303	236
	13,591	14,514
Other operating expenses include:		
Auditor's Remuneration (External Audit)	27	26
Auditor's Remuneration (Internal Audit)	19	31
Equipment Operating Lease Rentals	-	20

9 INTEREST PAYABLE

Loans not wholly repayable within five years	119	157
Finance Leases	365	300
	484	457

10 TAXATION

The charitable status of the College and the application of the Inland Revenue guidelines to its other quasi-commercial activities do not render the College liable to Corporation Tax. Accordingly, no provision has been made for taxation.

NOTES TO THE ACCOUNTS for the year ended 31 July 2002

11 TANGIBLE ASSETS

	Land and Building			Equipment	Total
	Freehold	Short Leasehold	Financed Leasehold		
	£'000	£'000	£'000	£'000	£'000
Valuation/Cost					
At 1 August 2001					
Valuation	44,469	20	-	-	44,489
Cost	12,174	-	5,785	4,916	22,875
Additions at Cost	1,734	-	-	638	2,372
At 31 July 2002					
Valuation	44,469	20	-	-	44,489
Cost	13,908	-	5,785	5,554	25,247
Depreciation					
At 1 August 2001	9,014	4	165	3,552	12,735
Charge for Year	1,549	1	165	808	2,523
At 31 July 2002	10,563	5	330	4,360	15,258
Net Book Value					
At 31 July 2002	47,814	15	5,455	1,194	54,478
At 1 August 2001	47,629	16	5,620	1,364	54,629

Buildings with a net book value of £9,964k and cost of £12,440k have been funded from Treasury sources; should these particular buildings be sold, the College would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the HEFCE.

	2002	2001
	£'000	£'000

12 LONG-TERM INVESTMENTS

	28	28
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Investments are shown at cost and represent 27,782 ordinary shares, fully paid, in CVCP Properties plc.

NOTES TO THE ACCOUNTS for the year ended 31 July 2002

	2002	2001
	£'000	£'000
13 ENDOWMENT ASSET INVESTMENTS		
Balance at 1 August	1,203	1,029
Additions	21	200
Depreciation in market value	(25)	(26)
	1,199	1,203
Represented by:		
Equities	829	855
Bank Balances	370	348
	1,199	1,203
14 DEBTORS		
Amounts falling due within one year:		
Student Debts	462	496
Other Debts	1,425	1,438
Prepayments and accrued income	873	571
	2,760	2,505
Amounts falling due after more than one year:		
Students' Union	-	16
	2,760	2,521
15 CREDITORS: Amounts falling due within one year:		
Mortgages and Unsecured Loans	30	22
Obligations Under Finance Leases (Note 21)	27	24
Creditors	2,597	1,776
Social Security and Other Taxation Payable	627	622
Accruals and Deferred Income	2,211	2,608
	5,492	5,052
16 CREDITORS: Amounts falling due after more than one year:		
Mortgages secured on residential and other property repayable between 2018-2021	1,930	1,961
Others	5,729	5,750
	7,659	7,711

Mortgages are held by the National Westminster Bank on 55 Wickham Road and by the NWS Bank on Raymont Hall. The rate of interest chargeable on these accounts is 2% above base rate.

NOTES TO THE ACCOUNTS for the year ended 31 July 2002

	2002	2001
	£'000	£'000
17 DEFERRED CAPITAL GRANTS FROM THE HEFCE AND ITS PREDECESSORS		
At 1 August :		
Buildings	9,480	9,888
Equipment	189	-
Cash Received:		
Buildings	799	-
Equipment	302	189
Total Cash Received	1,101	189
Released to Income and Expenditure Account:		
Buildings Depreciation (Note 1)	351	317
Equipment Depreciation (Note 1)	171	-
Buildings Disposal (Note 1)	-	91
Total Releases to Income and Expenditure Account	522	408
At 31 July:		
Buildings	9,928	9,480
Equipment	320	189
Total	10,248	9,669
18 ENDOWMENTS AND SPECIFIC FUNDS		
At 1 August:	1,203	1,029
Income for Year	98	191
Transferred to Income and Expenditure Account (Note 5)	(77)	(78)
New Funds	-	87
Decrease in Market Value of Investments	(25)	(26)
At 31 July	1,199	1,203
Representing:		
Prize and Memorial Funds	462	424
Chairs and Lectureships Funds	725	743
Other Funds	12	36
	1,199	1,203

NOTES TO THE ACCOUNTS for the year ended 31 July 2002

	2002	2001
	£'000	£'000
19 REVALUATION RESERVE		
Land and Buildings at 1 August	31,347	38,818
Contributions to Depreciation (Note 20)	(850)	(850)
Transfers on Disposal of Fixed Assets (Note 20)	-	(6,621)
As at 31 July	30,497	31,347

20 OTHER RESERVES

	Capital Resources Unapplied £'000	General Reserve £'000	Total £'000	Total £'000
Balance at 1 August 2001	5,801	3,058	8,859	5,321
Deficit after depreciation of assets at valuation and tax	-	(547)	(547)	(3,933)
Releases from Revaluation Reserve (Note 19)	-	850	850	7,471
Balance at 31 July 2002	5,801	3,361	9,162	8,859

21 LEASE OBLIGATIONS

Obligations under finance leases fall due as follows:

Between two and five years (Note 16)	202	230
Over five years	5,527	5,520
Total over one year	5,729	5,750
Within one year (Note 15)	27	24
Total	5,756	5,774

Operating lease commitments for the forthcoming financial year are as follows:

Land & Buildings		
On leases expiring within one year	173	-
On leases expiring after five years	1,455	1,526
Equipment		
On leases expiring within one year	-	19
On leases expiring within two and five years	-	-
On leases expiring after five years	-	-
Total	1,628	1,545

22 CAPITAL COMMITMENTS

Commitments contracted as at 31 July	735	686
Authorised but not contracted as at 31 July	13,058	8,388
(To be partially funded by HEFCE capital grant of £4,893k)	-	-
	13,793	9,074

NOTES TO THE ACCOUNTS for the year ended 31 July 2002

	2002	2001
	£'000	£'000
23 RECONCILIATION OF OPERATING DEFICIT TO NET CASH FROM OPERATIONS		
Operating Deficit before Transfers	(547)	(3,933)
Depreciation	2,523	2,238
Contribution to Depreciation from Capital Grants	(522)	(317)
Capital Grant taken to Revenue on Sale of Fixed Assets	-	(91)
Net Loss from Sale of Fixed Assets	-	1,747
Investment Income	(401)	(341)
Loan Interest Paid - Residences	484	457
(Increase)/Decrease in Stocks	(2)	25
(Increase)/Decrease in Debtors	(239)	148
Increase in Creditors	429	949
Net Cash Inflow from Operations	1,725	882
24 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Income from Endowments and Specific Funds (Note 5)	77	78
Income from Short-term Investments (Note 5)	324	263
Interest Paid (Note 9)	(484)	(457)
Total	(83)	(116)
25 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS		
Payments to acquire Tangible Fixed Assets (Note 11)	(2,372)	(7,573)
Receipts from sale of Tangible Fixed Assets	-	5,393
Deferred Capital Grants received (Note 17)	1,101	189
Endowment and Specific Fund Additions and Income (Note 18)	21	200
Total	(1,250)	(1,791)
26 MANAGEMENT OF LIQUID RESOURCES		
Short-term Deposits	(109)	(2,341)
27 FINANCING		
Finance Lease acquired	-	5,784
Capital Element of Finance Lease Repayments	(18)	(11)
Loan Redemptions	(23)	(18)
Total	(41)	5,755

NOTES TO THE ACCOUNTS for the year ended 31 July 2002

28 ANALYSIS OF CHANGES IN DEBT

	At 31 July 2001	Cash Flow	Other Changes	At 31 July 2002
	£'000	£'000	£'000	£'000
Cash at Bank and in Hand	3,203	242	-	3,445
Current Asset Investment	2,489	109	-	2,598
Debts due within one year	(46)	41	(52)	(57)
Debts due after more than one year	(7,710)	-	52	(7,658)
Net Debt & Total Movements	(2,064)	392	-	(1,672)

29 PENSION SCHEMES

The two principal pension schemes for the College's staff are the Universities Superannuation Scheme (USS) and the London Pension Fund Authority (LPFA). The assets of the schemes are held in separate trustee-administered funds. The schemes are defined benefit schemes which are externally funded and are valued every three years by actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

University Superannuation Scheme

The USS is a defined benefits 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 the institution's share of the underlying assets and liabilities in the scheme and, hence, using the exemption under FRS 17, contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest available actuarial valuation of the scheme was at 31 March 1999. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

	Past Service Liabilities	Future Service Liabilities
Investment returns per annum	4.5%	5.5%
Salary scale increases per annum	3.6%	3.5%
Pension increases per annum	2.6%	2.5%
Market value of assets at date of last valuation	£18,870m	
Value of past service liabilities	£17,427m	
Proportion of accrued benefits covered by the actuarial value of the assets	108%	

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 would 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 £561m of the surplus. It was also agreed, following the valuation, that £201m of the surplus would be used to fund certain benefit improvements.

NOTES TO THE ACCOUNTS for the year ended 31 July 2002

29 PENSION SCHEMES Continued

This left a past service surplus of £681m (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. An actuarial valuation was made at 31 March 2002 but as yet the results have not been made available.

The total pension cost for the institution in 2001-02 was £2,102k (2001 £1,875k). The contribution rate payable by the institution was 14% of pensionable salary.

London Pension Fund Superannuation Scheme

The London Pension Fund Superannuation Scheme is valued every three years by a professionally qualified independent actuary using the projected unit credit method, the rate of contribution payable being determined by the actuary. The latest actuarial assessment of the Superannuation Scheme was at 31 March 2001.

In accordance with Financial Reporting Standard ('FRS') 17, the actuarial valuation at 31 July 2001 has been reviewed and updated as at 31 July 2002 based upon the following annual financial assumptions:

	31 July 2002	31 July 2001
	% per annum	% per annum
Rate of increase in salaries	3.9%	4.0%
Rate of increase in pensions payment	2.4%	2.5%
Discount rate	6.0%	5.7%
Inflation assumption	2.4%	2.5%

The pension fund assets and expected rate of return as at 31 July are as follows:

	Expected rate of return at:		Fair value as at:	
	31 July 2002	31 July 2001	31 July 2002	31 July 2001
			£'000	£'000
Equities	8.0%	7.0%	983,200	1,129,500
Bonds	5.5%	5.5%	182,580	225,900
Property	6.0%	6.0%	-	-
Cash	4.0%	4.0%	17,010	23,000
Total past value of assets			1,182,790	1,378,400

On the basis of the actuary's calculations the asset share in respect of the College as at 31 July 2002 was 1.19% (2001 1.22%) made up as follows:

	31 July 2002	31 July 2001
	£'000	£'000
Estimated Asset Share	14,101	16,948
Present Value of Scheme Liabilities	(17,206)	(16,829)
Present Value of Unfunded Liabilities	(414)	(429)
Net Pension Liability	(3,519)	(310)

NOTES TO THE ACCOUNTS for the year ended 31 July 2002

29 PENSION SCHEMES Continued

Under the transitional arrangements of FRS 17, the College has made no provision for the institution's share of the deficit of the scheme. If provision were made the entries would be:

	31 July 2002 £'000	31 July 2001 £'000
Balance Sheet Presentation		
Net Assets excluding FRS 17 pension liability	51,106	51,078
Net pension liability	(3,519)	(310)
Net Assets including FRS 17 pension liability	47,587	50,768
Reserves Note		
Capital Resources Unapplied	5,801	5,801
General Reserve	3,361	3,058
Total Reserves excluding FRS 17 pension liability	9,162	8,859
Net pension liability	(3,519)	(310)
Net Reserves including FRS 17 pension liability	5,643	8,549
Analysis of the amount charged to the Income and Expenditure Account		
Service cost	657	
Past service costs	91	
Total Operating Charge	748	
Analysis of the net return on pension scheme assets		
Expected return on pension scheme assets	1,139	
Interest on pension scheme liabilities	(959)	
Net Return	180	
Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets	(3,972)	
Experience gains and losses arising on the scheme liabilities	(517)	
Changes in assumptions underlying the present value of the scheme liabilities	1,620	
Actuarial loss in pension plan recognised in STRGL	(2,869)	
Movement in Deficit during the year		
Deficit at the beginning of the year	(310)	
Current service cost	(657)	
Employer contributions net of benefits paid	228	
Past service costs	(91)	
Net return on assets	180	
Actuarial loss	(2,869)	
Deficit at 31 July	(3,519)	

NOTES TO THE ACCOUNTS for the year ended 31 July 2002

29 PENSION SCHEMES Continued

	31 July 2002 £'000
History of Experience Gains and Losses	
Difference between the expected and actual return on assets	(3,972)
Value of assets	14,101
<i>Percentage of assets</i>	<i>(28.2%)</i>
Experience gains/(losses) on liabilities	(517)
Present value of liabilities	17,206
<i>Percentage of the present value of liabilities</i>	<i>(3.0%)</i>
Actuarial gains/(losses) recognised in STRGL	(2,869)
Present value of liabilities	17,206
<i>Percentage of the present value of liabilities</i>	<i>(16.7%)</i>

With effect from April 2001 the College's contribution was 7.3% of pensionable salaries for non-academic staff. The pension charge for the year to 31 July 2002 was £254k (2001 £207k).

	2002 £'000	2001 £'000
30 HARSHIP FUNDS		
Balance at 1 August	1	30
Funding Council Grants	631	521
Interest Earned	5	1
Disbursed to Students and Administration	(565)	(551)
Underspend at 31 July	72	1

31 TTA TRAINING BURSARIES

Balance at 1 August	55	-
Grants received	1,867	2,095
Payments to Trainees	(1,760)	(2,000)
Administration costs	(35)	(40)
Underspend at 31 July	127	55

32 TTA SECONDARY SHORTAGE SUBJECT SCHEME

Grants received	100	78
Payments to Trainees	(92)	(78)
Administration costs	(5)	-
Underspend at 31 July	3	-

Funding Council grants are available solely for students, the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account. The balance at 31 July is included in Creditors.



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