

GOLDSMITHS COLLEGE, UNIVERSITY OF LONDON

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 July 2003

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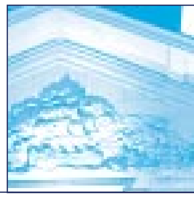

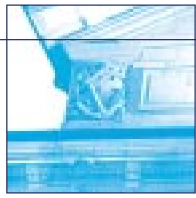

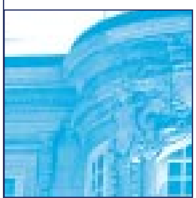

Membership of the Council 2002–03

Chair:	Sir William Utting
Ex Officio	
Warden of the College:	Professor Ben Pimlott
Pro-Wardens:	Dr Helen Carr from 1.9.2002 Professor Alan Downie to 31.8.2002 Professor Simon McVeigh Ms Kay Stables
Deputy Chair of Council:	Sir Robert Balchin
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:	Ms Mee Ling Ng
Elected by the Academic Board:	Dr Carl Levy Professor Angela McRobbie Professor Robert Zimmer from 11.12.2002
Elected by the Academic Staff:	Professor Marjorie Mayo
Elected by the Non-Academic Staff:	Ms Marl'ene Edwin
Elected by the Students:	Ms Rhian Jones from 25.3.2003
Co-opted by the Council:	Ms Marjorie Allthorpe-Guyton Mr Bob Annibale Sir Paul Girolami Mr Roger Harrison Mr Alan Jinkinson Mr Richard Ormond Mr David Peake Dame Janet Ritterman Lord Slynn of Hadley

Membership of the Audit Committee

Chair:	Sir Paul Girolami
Appointed by the Council:	Ms Marjorie Allthorpe-Guyton Mr Bob Annibale from 2.6.2003 Mr Alan Jinkinson from 2.6.2003 Mr Richard Ormond Mr Michael Tuke
In attendance:	Warden: Professor Ben Pimlott Secretary: Mr Shane Guy to 30.9.2002 Ms Sharon Page from 16.9.2002 Director of Finance: Mr Ian Turner to 31.8.2002 Director of Resources and Planning: Mr Ian Turner from 1.9.2002 Head of Finance: Mr Barry Douglas from 1.9.2002
Secretary: Committee Administrator:	Ms Jane Offerman

Senior Executives

Secretary:	Mr Shane Guy to 30.9.2002 Ms Sharon Page from 16.9.2002
Director of Finance:	Mr Ian Turner to 31.8.2002
Director of Resources and Planning:	Mr Ian Turner from 1.9.2002
Head of Finance:	Mr Barry Douglas from 1.9.2002
Academic Registrar:	Ms Catherine Godman
Head of Personnel:	Mr Rob Letham
Head of Estates and Services:	Ms Diane Gamble
Director of Information Services:	Mrs Joan Pateman

Auditors

Knox Cropper
Chartered Accountants and 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 holder [1], 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 the Planning Committee

Scope of the Financial Statements

These Financial Statements cover the activities of the College for the year ended 31 July 2003. 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 2003 in comparison with the previous year:

	2003 £'000	2002 £'000
Income	46,856	44,896
Expenditure	47,115	45,443
Deficit on continuing operations after depreciation of assets at valuation	(259)	(547)
Difference between historical cost depreciation charge and actual depreciation charge calculated on revalued amount	850	850
Historic cost surplus	**591**	**303**

The historic cost surplus on continuing operations of £591k represents an improvement of £288k on the previous year.

The College's total income increased by 4.4% in the year. Noteworthy changes within this increase are:

- Funding Council grants increased by 7.7% to £24,407k (2002 £22,661k);
- Tuition fees increased overall by 3.7% to £14,270k (2002 £13,758k). Home fees showed an increase of 4.2% and overseas fees an increase of almost 6%.
- Income from research grants and contracts has decreased by 11.1% to £1,804k (2002 £2,030k) due to the transfer of grants to other institutions.
- Other Operating Income is marginally lower than last year partly due to a reduction in services rendered.

Cash Flow

Cash increased by £896k in the year to £6,651k. Cash inflow from operations totalled £3.3m offset by expenditure, net of grants, on buildings and equipment of almost £2.2m.

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

The College initiated a major project to develop and improve the Laurie Groves Baths Building on the New Cross Site during 2002–03. On completion, the Laurie Grove Baths Building project will allow a number of the students and staff of the Visual Arts Department which are some distance away to be relocated to the New Cross campus. Also, during the year, work continued on improving Warmington Tower and a project to refurbish the Main Building following the re-organisation of the Registry was started. Capital expenditure during the year totalled £2,510k, of which £2,328k related to buildings and £182k to equipment.

Future Developments

The College is committed to a Strategic Plan which, significantly, includes a target to expand its student population. 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 on campus, Phase 1 of which is planned to commence towards the end of this year at an estimated cost of £10.1m. This will be partially funded by the HEFCE Poor Estates Initiative Funding (£2.4m) and the HEFCE Science Research Investment Fund grants (£2.2m). The full development of the Arts Complex is planned to be in three phases and the cost of the remaining two phases is expected to be in the region of £45m. Funding for a project of this magnitude will not come from public sector sources alone; with this in mind the College is planning a major fundraising initiative to be spearheaded by a Development Office which will be established in 2004.

Finally, the College has continued its effort to create new, stimulating and attractive academic programmes and to expand and improve its research base. Its success in this area is partly reflected by income growth (ahead of inflation) over the past two years.

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 College aims to builds on its success and grow significantly over the medium term. The bold estates developments planned, including Phase I of the Arts Complex, for which financing is now in place, is expected to aid the realisation of our goal to increase student numbers. The College's latest financial forecast shows that, providing the target for growth in tuition fee income is met, investment in improving research quality together with other key strategic objectives may be achieved whilst maintaining a historic cost surplus. The College's strategy is ambitious and therefore not without risk, but it is underpinned by a determination to ensure its targets are met.

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 2003

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 2003 and up to the date of approval of the Financial Statements, and accords with 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 Chair 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 receives reports from the Head of Internal Audit, which include their 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 a member of the College's Senior Management Team, 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 underway.
- 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.
- An organisation-wide risk register is now maintained.
- 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 14.

This report is made solely to the Council's members, as a body, in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. Our audit work has been undertaken so that we might state to the Council's members those matters which we are required to state to them in an auditors' report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report or for the opinion we have formed.

Respective Responsibilities of the Council and Auditors

As described in the statement of the Council's responsibilities on pages 6 and 7, 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 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 Chair 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 2003 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 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, and the Teacher Training Agency.

Knox Cropper

Knox Cropper
Chartered Accountants
and Registered Auditors

16 New Bridge Street
London EC4V 6AX

Date 10th December 2003

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 and 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

Scolarest, the College's caterers, operate the main refectory on an agency basis. The income and expenditure has not previously been included in the College's Financial Statements but has been introduced this year as part of Residence, Catering and Conference income and expenditure. An adjustment to the comparative figures for 2002 has been made resulting in an increase in income for that year of £555k, with a corresponding increase in expenditure.

INCOME AND EXPENDITURE ACCOUNT for the year ended 31 July 2003

	Note	2003	2002
		£'000	£'000
INCOME			
Funding Council Grants	1	24,407	22,661
Academic Fees and Support Grants	2	14,270	13,758
Research Grants and Contracts	3	1,804	2,030
Other Operating Income	4	5,967	6,046
Endowment Income and Interest Receivable	5	408	401
Total Income		**46,856**	**44,896**
EXPENDITURE			
Staff Costs	6	29,219	28,289
Depreciation	11	2,407	2,523
Other Operating Expenses	8	15,001	14,147
Interest Payable	9	488	484
Total Expenditure		**47,115**	**45,443**
Deficit on continuing operations after depreciation of fixed assets at valuation and before taxation		**(259)**	**(547)**
Taxation	10	-	-
Deficit on continuing operations after depreciation of fixed assets at valuation, disposal of fixed assets and taxation		**(259)**	**(547)**

NOTE OF HISTORICAL SURPLUSES AND DEFICITS for the year ended 31 July 2003

	Note	2003	2002
		£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation, disposal of fixed assets and taxation		**(259)**	**(547)**
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	19	850	850
Historical cost surplus for the period after taxation		**591**	**303**

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

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

	Note	2003	2002
		£'000	£'000
Deficit after Depreciation of Assets at Valuation and Taxation		(259)	(547)
Appreciation/(Depreciation) of Endowment Asset Investments	18	1	(25)
Endowment and Specific Funds Income Surplus	18	15	21
New Endowment Funds	18	13	-
TOTAL RECOGNISED LOSSES RELATING TO THE YEAR		**(230)**	**(551)**

RECONCILIATION

Opening Reserves and Endowments	40,858	41,409
Total Recognised Losses for the year	(230)	(551)
Closing Reserves and Endowments	**40,628**	**40,858**

BALANCE SHEET as at 31 July 2003

	Note	2003	2002
		£'000	£'000
FIXED ASSETS			
Tangible Assets	11	54,581	54,478
Long-term Investments	12	28	28
ENDOWMENT ASSET INVESTMENTS	13	1,228	1,199
CURRENT ASSETS			
Stocks and Stores		132	118
Debtors	14	2,007	2,760
Investments		2,310	2,229
Cash at Bank and in Hand		4,341	3,445
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	**(6,472)**	**(5,492)**
NET CURRENT ASSETS		**2,318**	**3,060**
TOTAL ASSETS LESS CURRENT LIABILITIES		**58,155**	**58,765**
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	**(7,536)**	**(7,659)**
TOTAL NET ASSETS		**50,619**	**51,106**
Represented by:			
DEFERRED CAPITAL GRANTS	17	**9,991**	**10,248**
ENDOWMENTS			
Specific	18	1,228	1,199
RESERVES			
Revaluation Reserve	19	29,647	30,497
Other Reserves	20	9,753	9,162
TOTAL FUNDS		**50,619**	**51,106**

Signed and approved on behalf of Council by:

W.B. Utting

Sir William Utting
Chair of Council

Professor Ben Pimlott
Warden and Chair of Planning Committee

Date: 10th December 2003

CASH FLOW STATEMENT for the year ended 31 July 2003

	Note	2003	2002
		£'000	£'000
Net Cash Inflow from operating activities	23	3,382	1,725
Returns on Investments and servicing of Finance	24	(80)	(83)
Tax Paid		-	-
Capital Expenditure and Financial Investment	25	(2,176)	(1,250)
Cash Inflow before Liquid Resources and Financing		1,126	392
Management of Liquid Resources	26	(109)	(109)
Financing	27	(121)	(41)
Increase in Cash for the Period		**896**	**242**

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Increase in Cash in the Period	896	242
Decrease in Liquid Funds	109	109
Decrease in Loans	121	41
Change in Net Debt	**1,126**	**392**
Opening Net Funds at 1 August	(1,672)	(2,064)
Closing Net Debt at 31 July	**(546)**	**(1,672)**

NOTES TO THE ACCOUNTS for the year ended 31 July 2003

	2003	2002
	£'000	£'000
1. FUNDING COUNCIL GRANTS		
Recurrent Grants		
Higher Education Funding Council		
Teaching	13,223	12,975
Research	6,207	5,409
Teacher Training Agency	2,378	2,160
Learning and Skills Council	264	265
Total Recurrent Grants	**22,072**	**20,809**
Higher Education Funding Council		
Premature Retirement Compensation	186	183
HR Supplement	551	340
Reach-out	145	146
Learning and Teaching	70	77
Other Grants	97	8
Teacher Training Agency		
Other Grants	723	576
Total Recurrent and Specific Grants	**23,844**	**22,139**
Deferred Capital Grants Released in Year		
Buildings (Note 17)	388	351
Equipment (Note 17)	175	171
	24,407	**22,661**

2. ACADEMIC FEES AND SUPPORT GRANTS

	2003	2002
Full-time Students	5,940	5,699
Non-EU Students	6,679	6,302
Part-time Students	1,320	1,374
Short Course Fees	298	341
Research Training Support Grants	33	42
	14,270	**13,758**

Fees funded through the United States Family Education Loan Programme amounted to £191k and represented 1.51% of total full-time fees.

3. RESEARCH GRANTS AND CONTRACTS

	2003	2002
Research Councils	571	535
UK Based Charities	404	531
Other Grants and Contracts	829	964
	1,804	**2,030**

NOTES TO THE ACCOUNTS for the year ended 31 July 2003

	2003	2002
	£'000	£'000
4. OTHER OPERATING INCOME		
Residence, Catering and Conferences	4,476	4,433
Other Services Rendered	789	931
Other Income	702	682
	5,967	**6,046**

5. ENDOWMENT INCOME AND INTEREST RECEIVABLE

Transferred from Specific Endowments (Note 18)	58	77
Income from Short Term Investments	350	324
	408	**401**

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	393	394
Administrative	123	117
Technical	60	58
Clerical	176	174
Other	84	86
	836	**829**

	£'000	£'000
Salaries and Wages	24,420	23,709
Social Security Costs	1,923	1,836
Other Pension Costs (Note 29)	2,512	2,356
Restructuring Costs	364	388
	29,219	**28,289**
Academic Departments	18,576	18,032
Academic Services	2,059	1,898
Research Grants and Contracts	1,054	1,289
Residences, Catering and Conferences	590	545
Premises	1,707	1,681
Administration	4,268	3,891
General Educational	195	159
Other Services Rendered	406	406
Other	364	388
	29,219	**28,289**

NOTES TO THE ACCOUNTS for the year ended 31 July 2003

	2003	2002
	£'000	£'000
7. REMUNERATION OF DIRECTORS AND HIGHER PAID EMPLOYEES		
The emoluments of the Warden's post were:		
Remuneration	133	122
USS Pension contributions (paid at the same rates as for other academic staff	19	17
Taxable benefit in kind (fiscal year basis)	-	-
	152	**139**
Remuneration of other Higher Paid Staff, excluding employer's pension contributions, fall in the following band:	Number	Number
£70,000-£79,999	**1**	**1**

8. OTHER OPERATING EXPENSES	**£'000**	**£'000**
Academic Departments	2,796	2,609
Academic Services	1,019	968
Research Grants and Contracts	415	406
Residences, Catering and Conferences	3,246	3,198
Premises	3,453	3,185
Administration	2,671	2,348
General Educational	1,223	1,130
Other Services Rendered	178	303
Total	**15,001**	**14,147**
Other Operating Expenses include:		
Auditors' Remuneration (External Audit)	30	27
Auditors' Remuneration (Internal Audit)	37	19
Equipment Operating Lease Rentals	-	-

9. INTEREST PAYABLE		
Loans not wholly repayable within five years	104	119
Finance Leases	384	365
	488	**484**

10. TAXATION

The charitable status of the College and the application of the CVCP/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 2003

11. TANGIBLE ASSETS

	Land and Buildings			Equipment	Total
	Freehold	Short Leasehold	Financed Leasehold		
	£'000	£'000	£'000	£'000	£'000
Valuation/Cost					
At 1 August 2002					
Valuation	**44,469**	**20**	**-**	**-**	**44,489**
Cost	**13,908**	**-**	**5,785**	**5,554**	**25,247**
Additions at Cost	2,328	-	-	182	2,510
At 31 July 2003					
Valuation	**44,469**	**20**	**-**	**-**	**44,489**
Cost	**16,236**	**-**	**5,785**	**5,736**	**27,757**
Depreciation					
At 1 August 2002	10,563	5	330	4,360	15,258
Charge for Year	1,554	-	166	687	2,407
At 31 July 2003	**12,117**	**5**	**496**	**5,047**	**17,665**
Net Book Value					
At 31 July 2003	**48,588**	**15**	**5,289**	**689**	**54,581**
At 1 August 2002	**47,814**	**15**	**5,455**	**1,194**	**54,478**

Buildings with a net book value of £9,576k and cost of £12, 440k have been funded from Treasury sources; should these particular buildings be sold, the College would either surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the HEFCE.

	2003	2002
	£'000	£'000
12. LONG-TERM INVESTMENTS	**28**	**28**

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 2003

	2003	2002
	£'000	£'000
13. ENDOWMENT ASSET INVESTMENTS		
Balance at 1 August 2002	1,199	1,203
Additions	28	21
Appreciation/(Depreciation) in Market Value	1	(25)
	1,228	**1,199**
Represented by:		
Equities	831	829
Bank Balances	397	370
	1,228	**1,199**
14. DEBTORS		
Amounts falling due within one year		
Student Debts	363	462
Other Debts	638	1,425
Prepayments and accrued income	1,006	873
	2,007	**2,760**
Amounts falling due after more than one year	-	-
	2,007	**2,760**
15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Mortgages and Unsecured Loans	25	30
Obligations Under Finance Leases (Note 21)	34	27
Creditors	3,404	2,597
Social Security and Other Taxation Payable	738	627
Accruals and Deferred Income	2,271	2,211
	6,472	**5,492**
16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Mortgage secured on residential property repayable by 2021	1,834	1,930
Others	5,702	5,729
	7,536	**7,659**

A 25 year mortgage taken out in March 1996 is held by Capital Bank plc (part of the Royal Bank of Scotland) on Raymont Hall. The rate of interest is fixed until March 2005 and averages 5.31%.

NOTES TO THE ACCOUNTS for the year ended 31 July 2003

	2003	2002
	£'000	£'000
17. DEFERRED CAPITAL GRANT FROM THE HEFCE AND ITS PREDECESSORS		
At 1 August:		
Buildings	9,928	9,480
Equipment	319	189
Cash received:		
Buildings	265	799
Equipment	41	302
Total	**306**	**1,101**
Released to Income and Expenditure		
Buildings Depreciation (Note 1)	388	351
Equipment Depreciation (Note 1)	175	171
Total	**563**	**522**
At 31 July:		
Buildings	9,806	9,928
Equipment	185	320
Total	**9,991**	**10,248**

18. ENDOWMENTS AND SPECIFIC FUNDS

	2003	2002
At 1 August	1,199	1,203
Income for Year	73	98
Transferred to Income and Expenditure Account (Note 5)	(58)	(77)
New Funds	13	-
Increase/(Decrease) in Market Value of Investments	1	(25)
At 31 July	**1,228**	**1,199**
Representing:		
Prize and Memorial Funds	487	462
Chairs and Lectureships Funds	727	725
Other Funds	14	12
	1,228	**1,199**

NOTES TO THE ACCOUNTS for the year ended 31 July 2003

	2003	2002
	£'000	£'000
19. REVALUATION RESERVE		
Land and Buildings at 1 August	30,497	31,347
Contributions to Depreciation (Note 20)	(850)	(850)
As at 31 July	**29,647**	**30,497**

20. OTHER RESERVES	Capital Resources Unapplied	General Reserve	Total	Total
	£'000	£'000	£'000	£'000
Balance at 1 August	5,801	3,361	9,162	8,859
Deficit after depreciation of assets at valuation and taxation	-	(259)	(259)	(547)
Releases from Revaluation Reserve (Note 19)	-	850	850	850
Balance at 31 July	**5,801**	**3,952**	**9,753**	**9,162**

21. LEASE OBLIGATIONS

	2003	2002
Obligations under finance leases fall due as follows:		
Between two and five years (Note 16)	229	202
Over five years	5,473	5,527
Total over one year	**5,702**	**5,729**
Within one year (Note 15)	34	27
Total	**5,736**	**5,756**
Operating lease commitments for the forthcoming financial year are as follows:		
Land and Buildings		
On leases expiring within one year	-	57
On leases expiring within two and five years	110	101
On leases expiring after five years	1,503	1,455
Equipment		
On leases expiring within one year	-	-
On leases expiring within two and five years	-	-
On leases expiring after five years	-	-
Total	**1,613**	**1,613**

22. CAPITAL COMMITMENTS

	2003	2002
Commitments contracted as at 31 July	2,193	735
Authorised but not contracted as at 31 July	13,606	13,058
(To be partially funded by HEFCE capital grant of £5,543k)		
	15,799	**13,793**

NOTES TO THE ACCOUNTS for the year ended 31 July 2003

	2003	2002
	£'000	£'000
23. RECONCILIATION OF OPERATING DEFICIT TO NET CASH FROM OPERATIONS		
Operating Deficit before transfers	(259)	(547)
Depreciation	2,407	2,523
Contribution to Depreciation from Capital Grants	(563)	(522)
Investment Income	(408)	(401)
Loan Interest Paid - Residences	488	484
Increase in Stocks	(14)	(2)
Decrease/(Increase) in Debtors	753	(239)
Increase in Creditors	978	429
Net Cash Inflow from Operations	**3,382**	**1,725**
24. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Income from Endowments and Specific Funds (Note 5)	58	77
Income from Short-term Investments (Note 5)	350	324
Interest Paid (Note 9)	(488)	(484)
	(80)	**(83)**
25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS		
Payments to acquire Tangible Fixed Assets (Note 11)	(2,510)	(2,372)
Receipts from sale of Tangible Fixed Assets	-	-
Deferred Capital Grants received (Note 17)	306	1,101
Endowment and Specific Fund Additions and Income (Note 18)	28	21
	(2,176)	**(1,250)**
26. MANAGEMENT OF LIQUID RESOURCES		
Short Term Deposits	(109)	(109)
27. FINANCING		
Loan Redemptions	(100)	(23)
Capital Element of Finance Lease Repayments	(21)	(18)
	(121)	**(41)**

	At 31 July 2002 £'000	Cash Flow £'000	Other Changes £'000	At 31 July 2003 £'000
28. ANALYSIS OF CHANGES IN NET DEBT				
Cash at Bank and in Hand	3,445	896	-	4,341
Current Asset Investment	2,598	109	-	2,707
Debts due within one year	(57)	121	(122)	(58)
Debts due after more than one year	(7,658)	-	122	(7,536)
Net Debt and Total Movements	**(1,672)**	**1,126**	**-**	**(546)**

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 actuarial valuation of the scheme was at 31 March 2002. 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	5.0%	6.0%
Salary scale increases per annum	3.7%	3.7%
Pension increases per annum	2.7%	2.7%
Market value of assets at date of last valuation	£19,938m	
Value of past service liabilities	£19,776m	
Proportion of accrued benefits covered by the actuarial value of the assets	101%	

29. PENSION SCHEMES (Continued)

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

The contribution rate will be subject to review at the next actuarial valuation which would normally take place at 31 March 2005.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment.

The total pension cost for the institution in 2002-03 was £2,171k (2002 £2,102k). 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 formal valuation of the fund for the purpose of setting employer's actual contributions was at 31 March 2001.

In accordance with Financial Reporting Standard ('FRS') 17, the actuarial valuation at 31 July 2002 has been reviewed and updated as at 31 July 2003 based upon the following annual financial assumptions:

	2003 Percentage per annum	2002 Percentage per annum
Inflation assumption	2.6%	2.4%
Rate of increase in salaries	4.1%	3.9%
Rate of increase in pensions payment	2.6%	2.4%
Discount rate	5.5%	6.0%

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:	
	2003 Percentage per annum	2002 Percentage per annum	2003 £'000	2002 £'000
Equities	8.0%	8.0%	1,052,900	983,200
Bonds	5.0%	5.5%	169,800	182,600
Property	6.0%	6.0%	65,800	-
Cash	3.5%	4.0%	-	17,000
Total	**7.5%**	**7.6%**	**1,288,500**	**1,182,800**

NOTES TO THE ACCOUNTS for the year ended 31 July 2003

	2003	2002
	£'000	£'000
29. PENSION SCHEMES (Continued)		
On the basis of the actuary's calculation the asset share in respect of the College as at 31 July 2003 was 1.11% (2002 1.19%) made up as follows:		
Estimated Asset Share	**14,360**	**14,100**
Present value of scheme liabilities	(21,150)	(17,210)
Present value of unfunded liabilities	(420)	(410)
Total value of liabilities	**(21,570)**	**(17,620)**
Net Pension Liability	**(7,210)**	**(3,520)**

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:

	2003	2002
Balance Sheet Presentation		
Net Assets excluding FRS 17 pension liability	50,750	51,106
Net pension liability	(7,210)	(3,520)
Net Assets including FRS 17 pension liability	**43,540**	**47,586**
Reserves Note		
Capital Resources Unapplied	5,801	5,801
General Reserve	3,952	3,361
Total Reserves excluding FRS 17 pension liability	**9,753**	**9,162**
Net pension liability	(7,210)	(3,520)
Net Reserves including FRS 17 pension liability	**2,543**	**5,642**
Analysis of the amount charged to the Income and Expenditure Account		
Service cost	540	660
Past service costs	-	90
Total Operating Charge	**540**	**750**
Analysis of the net return on pension scheme assets		
Expected return on pension scheme assets	1,080	1,140
Interest on pension scheme liabilities	(1,060)	(960)
Net Return	**20**	**180**

NOTES TO THE ACCOUNTS for the year ended 31 July 2003

	2003	2002
	£'000	£'000
29. PENSION SCHEMES (Continued)		
Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets	(980)	(3,970)
Experience gains and losses arising on the scheme liabilities	(150)	(520)
Changes in assumptions underlying the present value of the scheme liabilities	(2,360)	1,620
Actuarial loss in pension plan recognised in STRGL	**(3,490)**	**(2,870)**
Movement in Deficit during the year		
Deficit at the beginning of the year	(3,520)	(310)
Current service cost	(540)	(660)
Employer contributions net of benefits paid	310	230
Past service costs	-	(90)
Net return on assets	20	180
Actuarial loss	(3,490)	(2,870)
Deficit at 31 July	**(7,220)**	**(3,520)**
History of Experience Gains and Losses		
Difference between the expected and actual return on assets	(980)	(3,970)
Value of assets	14,360	14,100
Percentage of assets	*(6.8%)*	*(28.2%)*
Experience gains/(losses) on liabilities	(150)	520
Present value of liabilities	21,570	17,210
Percentage of the present value of liabilities	*(0.7%)*	*(3.0%)*
Actuarial gains/(losses) recognised in STRGL	(3,490)	(2,870)
Present value of liabilities	21,570	17,210
Percentage of the present value of liabilities	*(16.2%)*	*(16.7%)*

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 2003 was £341k (2002 £254k).

NOTES TO THE ACCOUNTS for the year ended 31 July 2003

	2003	2002
	£'000	£'000
30. HARDSHIP FUNDS		
Balance at 1 August	72	1
Funding Council Grants	583	631
Interest Earned	4	5
Disbursed to Students and Administration	(586)	(565)
Underspend at 31 July	**73**	**72**
31. TTA TRAINING BURSARIES		
Balance at 1 August	127	55
Grants received	2,219	1,867
Payments to Trainees	(2,047)	(1,760)
Administration costs	(54)	(35)
Underspent at 31 July	**245**	**127**
32. TTA SECONDARY SHORTAGE SUBJECT SCHEME		
Balance at 1 August	3	-
Grants received	99	100
Payments to Trainees	(95)	(92)
Administration costs	(6)	(5)
Underspent at 31 July	**1**	**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.

33. RELATED PARTY TRANSACTIONS

Due to the nature of the College's operations and the composition of the Council (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of the Council may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

Goldsmiths College
University of London
New Cross
London SE14 6NW

020 7919 7171
www.goldsmiths.ac.uk

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