

Annual report and accounts

for the year ending 31.07.03



Report and Financial Statements for the year ended 31 July 2003

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London Metropolitan University
(formerly London Guildhall University)

A Company Limited by Guarantee
and not having a share capital.

Registered in the United Kingdom:
registration number 974438.

Registered Office:
31 Jewry Street
London
EC3N 2EY

The University is an Exempt Charity
under the Charities Act 1993.

London Metropolitan University

Senior Officers and Advisers as at 31 July 2003

Chief Executive	B A Roper BSc Econ (Hons) MA (Econ) D.Univ (Hon)
Vice Chancellor	Professor R C Floud MA D.Phil FBA FCGI
Deputy Vice Chancellor Academic	Dr. R P T Aylett MA PhD
Deputy Vice Chancellor Research and Development	C G Topley BSc
Deputy Vice Chancellor Planning and Resources	P M Weaver LLB FRSA
Director of Finance	P R Nelson BA (Hons) ACA
Director of Human Resources	L Link BA (Hons) FCIPD
Clerk to the Board of Governors and University Secretary	J P McParland BA (Hons) DMS
External Auditors	PricewaterhouseCoopers LLP Chartered Accountants & Registered Auditors Southwark Towers 32 London Bridge Street London SE1 9SY
Internal Auditors	Mazars Chartered Accountants 24 Bevis Marks London EC3A 7NR
Solicitors	Lawford & Co Watchmaker Court 65 St John Street London EC1M 4HQ Ashurst, Morris, Crisp Broadwalk House 5 Appold Street London EC2A 2HA
Bankers	Barclays Bank plc Holloway & Kingsland Business Centre London E8 2JK National Westminster Bank plc 116 Fenchurch Street London EC3M 5AN
Insurers	AON Ltd Clarkson House Canterbury Kent CT1 2YT Zurich Municipal Southwood Crescent Farnborough Hampshire GU14 0NJ
Endowment Investment Managers	Edinburgh Fund Managers plc Donaldson House 97 Haymarket Terrace Edinburgh EH12 5HD

London Metropolitan University

Members of the Board of Governors as at 31 July 2003

Sir John Carter – Chair (F, N [chair], P, R [chair])	B Morgan (N, E)
P Anwyl (F [chair], N, R)	R Patel
J Baines (E)	H Peters (E)
G C Castle (F, P [chair], R)	Dr C Phillips
B Clark	A Rahim (F)
Professor RC Floud (E, F, N, R) (Vice-Chancellor)	B Roper (E, F, N, P, R) (Chief Executive)
J Haworth (F, N, P, R)	C Scheer
L Ife (F, P)	F Scott (A)
J Kempton	J Sentamu (N)
S Konidari (S, N)	F Smith (E)
J Mayhew (N)	M Snyder (A [chair])
F McLoughlin (A)	S Tyacke
Dame Barbara Mills (F, W [chair])	

The following ceased to be governors during the year, with effect from the dates shown:

J C Carrington	14.11.02
D Panattoni	14.11.02
S Pike	11.12.02
M Bear	21.03.03

The following were appointed as governors during the year, with effect from the dates shown:

J Baines	25.11.02
B Clark	24.12.02
B Morgan	12.12.02
R Patel	01.03.03
C Scheer	12.12.02
F Scott	22.04.03
S Tyacke	03.01.03

In their capacity as Directors, none held any interest in any contract with the University from 1 August 2002. Six directors have contracts with the University in their capacity as employees from 1 August 2002. None of the Directors had a beneficial interest in any group company from 1 August 2002.

KEY:	A Member of Audit Committee
	E University Employee
	F Member of Finance and Human Resources Committee
	N Member of Nominations Committee
	P Member of Property Sub-Committee
	R Member of Remuneration Sub-Committee
	S Representative of Students' Union
	W Women's Library Council

Report of the Governors

REPORT OF THE GOVERNORS (AS DIRECTORS) TO THE MEMBERS OF LONDON METROPOLITAN UNIVERSITY

The Governors have pleasure in submitting the company's annual report and audited financial statements for the year ended 31 July 2003.

This is the first year of operation as London Metropolitan University (LondonMet), following the merger of London Guildhall University (LGU) and the University of North London (UNL) on 1 August 2002, on which date the name of the company was changed from London Guildhall University to London Metropolitan University.

The financial statements have been prepared to comply with the Companies Act 1985 and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education.

CONSTITUTION

London Metropolitan University is a company limited by guarantee, comprising up to twenty-five members limited in liability to the sum of £1 each.

In the event of winding up each member of the University and any person who ceased to be a member within one year of the date of the winding up is liable to contribute a sum not exceeding £1.

ACTIVITIES DURING THE YEAR

Merger

During 2001-02, the Boards of Governors of LGU and UNL continued discussions with a view to merger. Both Boards of Governors endorsed the strong sense of shared mission and values and during the year agreed to merge.

The chosen form of merger agreed by the Boards of Governors of the University of North London and London Guildhall University, on legal advice, was a transfer of the assets, liabilities, staff, students and undertaking of the University of North London to London Guildhall University by agreement. This took place on 1 August 2002 with the exception of one building (see below). At the same moment, London Guildhall University changed its name to London Metropolitan University. The consent of the Privy Council to the use of the new name had been obtained.

For legal reasons a building known as New Benwell Road was retained by the University of North London Ltd. Expenditure and Income associated with this building is reported separately in the accounts of University of North London Ltd.

Student Numbers

Student numbers for the year 2002-03 are shown in the table below together with a comparison for the previous year.

Student numbers are taken from HESSES forecast data submitted to the Funding Council in November of each academic year.

	Year to 31 July			
	2002 LGU	2002 UNL	2002 Merged	2003
Full Time (Home/EU)	7,692	7,900	15,592	14,994
Full Time (Overseas)	653	1,463	2,116	2,780
Part time	4,935	6,637	11,572	12,847
Short Course	3,922	2,393	6,315	7,340
Total	17,202	18,393	35,595	37,961

Research

The University has continued to operate a wide and varied research programme, supported partly from resources provided by HEFCE and partly by other sponsors.

Financial Highlights

	Year to 31 July			
	2002 LGU £m	2002 UNL £m	2002 Merged £m	2003 £m
Income	54.5	69.7	124.2	132.4
Expenditure	54.1	68.2	122.3	130.1
Operating Surplus after Interest and Tax	0.4	1.4	1.9	2.3
Net assets as at 31 July	22.9	24.8	47.7	56.1

Property Matters

Work continued during the year on the construction of the University's new Law Building at Goulston Street. The facilities are expected to open in early 2004. Building work commenced on the Graduate Centre at Holloway Road, designed by Studio Libeskind. This facility is expected to open in early 2004. Other major construction work during the year included refurbishment of Calcutta House and work across the University to comply with the Disability Discrimination Act.

Building work on the new Science Centre at Holloway Road is planned to commence in the Spring of 2004.

Report of the Governors

SUBSIDIARY TRADING COMPANIES

The University's trading subsidiary, London Metropolitan University Enterprises Limited (formerly named University of North London Enterprises Limited) has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. A donation of £161,694 for the year (2001-02 £562,615) was passed via Gift Aid to the University.

The activities of Metropolitan New Media Limited, being the provision of trading courses in multimedia and information technology, were transferred to London Metropolitan University Enterprises Limited or to the University with effect from the close of business on 31 March 2003 and the company ceased to trade on that date. It remains the leaseholder of the University's Shoreditch premises.

London Metropolitan University Student Centre Limited (formerly named University of North London Student Centre Limited) runs the facilities of the Student Centre, principally the bars, shop and entertainments. This company has also entered into Gift Aid arrangements to donate its taxable profits to the University. In 2002-03 the company made a loss of £18,277 (2001-02 Profit of £6,558). Profits are initially set off against losses brought forward. In 2001-2 and prior years, losses brought forward exceeded profits therefore no donations have been made to the University.

These companies are fully consolidated into the University Group accounts, as are the University's non-trading subsidiaries.

PAYMENT OF CREDITORS

The University is committed to the prompt payment of its suppliers' bills, in line with the Confederation of British Industry's Prompt Payment Code. The University aims to pay bills in accordance with agreed contractual conditions or, where no such conditions exist, within 45 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later.

EMPLOYMENT POLICY

London Metropolitan University is committed to equality of opportunity in all aspects of its employment policy. Guidelines and procedures operate throughout the institution to ensure that good employment practice prevails in terms of the recruitment and selection of staff. These guidelines reflect the relevant legislation on equal opportunities and professional codes of practice. External and internal applications for posts are treated on an equal basis, taking into account factors such as an individual's abilities, experience, knowledge and skills.

In accordance with its mission statement, the University actively seeks to recruit from all sections of the local and wider community, regardless of disability, gender, race, religion and sexuality.

During the year we also have implemented measures to comply with the Race Relations Act.

Our personnel policies and practices are aimed at promoting equality of opportunity in all areas of employment within the University. The University seeks to increase the number of black and ethnic minority people, women and people with disabilities that it employs.

The University has in place policies and procedures to address positively its responsibilities under the Disability Discrimination Act both for prospective and existing employees.

Staff training needs are assessed annually to enable resources to be objectively allocated to meet those priority needs which contribute to the achievement of the University's goals.

The University operates within an employee relations framework which encourages staff to respond positively to changes that enhance organisational effectiveness and provide quality services. In line with this approach the University recognises appropriate Trade Unions and has established Joint Negotiating and Consultative Committees which meet on a regular basis. These Committees facilitate effective means of communication and enable discussion about issues of concern to both management and Unions. As well as the formal employee relations structure, staff and/or their Trade Unions are consulted locally or departmentally about matters which are likely to affect their interests.

In order to promote staff involvement in matters affecting the University, staff representatives are elected by their colleagues to serve as members of the Board of Governors, the Academic Board and other committees. All staff have access to the minutes of the meetings of the Board of Governors, except for those extracts which are considered to be of a confidential nature.

The remuneration systems and conditions of service operating within the University contribute towards the achievement of the University's corporate objectives. The pay and conditions policies are regularly reviewed to take into account legislative changes, national agreements and the general employment market.

This policy enables the University to reach sound decisions in meeting its statutory obligations and local needs. The policy is based on the University's mission statement and other local and national issues which impact on the University.

DONATIONS

The group makes no political or charitable donations.

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a limited liability partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned and the University appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution regarding the appointment of PricewaterhouseCoopers LLP as auditors will be moved at the next Annual General Meeting.

Statement of Corporate Governance

DIRECTORS

All Governors of the University are also Directors of the company. The names of Governors who served on the Board during the year ended 31 July 2003 are shown on page 3. The Board is grateful for the efforts of all those who served the University in this capacity during the year.

No Governor had any interest in any contract which was required to be declared and which subsisted during the period of the report except where the contractual relationship was as a full-time member of staff or as a student of the University.

RESPONSIBILITIES OF THE BOARD OF GOVERNORS OF THE UNIVERSITY

The Education Reform Act 1988 vested the custody and control of all assets and affairs in the Board of Governors of the University.

The Financial Memorandum with the Higher Educational Funding Council for England (HEFCE) requires the Board of Governors to ensure that financial statements are prepared for each financial year which give a true and fair view of the state of affairs of the University and group, and of the income & expenditure, cash flows and recognised gains & losses of the group for that period.

Under the University's rules the Governing Body in discharging its overall responsibility requires the Finance and Human Resources Committee and, where appropriate, the Audit Committee, to:

- approve and recommend to the Board the University's annual budgets and longer term financial projections and to monitor performance against budget
- receive and approve on behalf of the Board the University's financial statements
- approve systems of internal financial control and accounting.

In causing the financial statements to be prepared the Finance and Human Resources Committee, on behalf of the Board of Governors, ensures that:

- suitable accounting policies are selected and then applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards and statements of recommended practice are followed. Any material departures are disclosed and explained in the financial statements
- the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the group will continue in operation.

To assist the Board of Governors in discharging its ultimate responsibility the University's Finance and Human Resources Committee and where appropriate, the Audit Committee, is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements comply with the HEFCE's Financial Memorandum and the 1985 Companies Act. They have responsibilities for ensuring that the assets of the group are safeguarded and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Members of the Board are responsible for ensuring that funds from the HEFCE are used only in accordance with the Financial Memorandum with the HEFCE and any other conditions which the HEFCE may from time to time prescribe. Members of the Board must ensure that there are appropriate financial and management controls in place sufficient to safeguard public funds and ensure that they are used only in accordance with the conditions under which they have been made available. In addition, members of the Board are responsible for promoting the economic, efficient and effective management of the University's resources and expenditure, so that the benefits derived from the application of public funds provided by the HEFCE are not put at risk.

The Board of Governors is required by HEFCE to report on its responsibilities for corporate governance. Best practice in this area is set by the Combined Code. The Combined Code brings together the guidance set out in the Cadbury, Greenbury and Hempel reports and compliance with its key elements is mandatory for listed companies. The internal control aspects of corporate governance have been amplified in the report of the Turnbull Committee (the Turnbull Report).

The relevant principles of the Combined Code have been tailored to the circumstances of the University and its response is as follows:

There should be an effective board, leading and controlling the organisation.

The University's Board of Governors comprises lay and academic persons appointed under the Memorandum and Articles of Association of the University, the majority of whom are non-executive and independent. The University is a company limited by guarantee and the Governors are directors and members of the company.

The matters specially reserved to the Board for decision are set out in the Articles of Association of the University and an agreed schedule of matters which only the Board can determine. Under the Financial Memorandum with the HEFCE, the Board holds to itself the responsibilities for the strategic direction of the University, approval of major developments, approval of annual estimates of income and expenditure, ensuring the solvency of the University and safeguarding its assets.

The Company Secretary is appointed under the Articles of Association to act as Secretary to the Board of Governors and its committees.

Statement of Corporate Governance

The Board of Governors meets four times a year and has formally constituted committees, namely the Finance and Human Resources, Nominations and Audit Committees. Membership of these committees is noted in the Annual Report (page 3).

These committees are fully non-executive, except that the Chief Executive and the Vice-Chancellor are members of the Finance and Human Resources Committee and the Nominations Committee.

Newly-appointed Governors are offered comprehensive briefing, and training where appropriate, on the University and their role, to ensure that they are fully conversant with their responsibilities.

All of the Governors have access to the advice and services of the Company Secretary and can seek independent professional advice at the University's expense should they wish to do so.

The Audit Committee receives and considers reports from the HEFCE's Audit Service as they affect the University's business and monitors adherence with the regulatory requirements. Whilst the Chief Executive and the Director of Finance attend meetings of the Audit Committee, they are not members of the committee. The Audit Committee may decide to meet with the internal and /or external auditors, without any officers in attendance or for independent discussions.

There should be a clear division of responsibilities at the head of the institution, between the Chairman and Chief Executive to ensure a balance of power and authority, such that no one individual has unfettered powers of decision.

The role of Chair of the Board (non-executive) is separate from that of the University's Vice-Chancellor and that of the University's Chief Executive.

The Board should include a balance of executive and non-executive (including independent) Governors.

The composition of the Board of Governors is established in the Memorandum and Articles of Association.

The Articles of Association provide for a Board of between 12 and 24 plus the Chief Executive and Vice-Chancellor, including independent members, 4 staff members and a student member. Co-opted members form the remainder of the Board.

The Articles of Association also lay down other formal arrangements concerning Board activities.

The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

The Finance and Human Resources Committee, inter alia, recommends to the Board of Governors the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The committee also reviews the University's Annual Financial

Statements together with the accounting policies. It also determines matters in relation to the conditions of employment of all University staff.

The Nominations Committee considers the appointment of independent Governors.

The Audit Committee meets at least twice annually to review the work of the internal and external auditors. The committee considers detailed audit reports and 'value for money' reviews, together with recommendations for improvement of the University's systems of internal control and risk management issues. Management responses and implementation plans are considered and approved.

All committees of the Board are required to report to the Board regularly. The Finance and Human Resources Committee reports on each meeting, as does the Audit Committee, but in addition the Audit Committee provides an annual report on its activities which is also sent to the HEFCE Chief Auditor. The Chief Executive also provides a report on the University's activities at each board meeting. Officers are present to expand on the reports and answer any other questions.

There is considerable opportunity for the Governors to request additional information through Board Committees and the Board itself.

There should be a formal and transparent procedure for the appointment of new Governors.

The Board of Governors appoints independent Governors, following recommendations by the Nominations Committee against agreed criteria.

All Governors should be required to submit themselves for re-election at regular intervals and at least every three years.

Under the Articles of Association, the composition of, appointment to, tenure of and removal from the Board of Governors is determined by the Board. Tenure is limited to three years at a time.

Remuneration should be appropriate, be established by a formal and transparent procedure and be reported in the Annual Financial Statements.

Governors receive no monetary or cash-equivalent reward for their services as Governors.

The Remuneration Sub-Committee determines the annual remuneration of the Chief Executive, the Vice-Chancellor and those staff specified in the Articles of Association.

The Finance and Human Resources Committee is responsible for the remuneration of other senior academic and support staff.

External professional advice is sought when required.

Statement of Corporate Governance

Salary increases for senior staff take account of a performance measurement review.

Disclosure is in accordance with the HEFCE Accounts Direction and Statement of Recommended Practice (SORP): Accounting for Further and Higher Education.

The Board should present a balanced and understandable assessment of the Institution's position and prospects.

The role of the Finance and Human Resources Committee and the responsibilities of the Governors are outlined on page 6. These specifically deal with their responsibilities as to the preparation of the Financial Statements and their reasoning behind the adoption of the going concern basis in preparing the accounts.

The Financial Statements are presented in a format which is in accordance with the Statement of Recommended Practice and other appropriate guidance.

The Board should maintain a sound system of internal financial control.

The Board of Governors acknowledges its responsibility for the University's system of internal financial control in its statement on page 6 and the response to the specific issues identified in the Turnbull report.

Control environment and control activities

An internal audit program is agreed by the Audit Committee every year. It is carried out by an external firm, who report regularly to the Audit Committee. This assists the Audit Committee in assessing the soundness and comprehensiveness of the system of internal control, the actions necessary to remedy weakness and the appropriateness of the existing monetary controls.

The Audit and Finance and Human Resources Committees proceedings are reported regularly to the Board of Governors and the Audit Committee Annual Report is also forwarded to the Chief Auditor of the HEFCE.

The Financial Statements are fully considered by the Finance and Human Resources Committee prior to recommendations for acceptance by the Board of Governors.

Information communication and risk assessment.

The Board of Governors is of the view that there is an ongoing process for identifying, evaluating and managing the University's principal risks to the achievement of policies, aims and objectives that has been in place since the merger of LGU and UNL on 1 August 2002. Although the Risk Policy and risk register was not formally adopted by the Board until March 2003, a high level risk register for the merged university was adopted by the Joint Committee of the Boards of LGU and UNL pre-merger and has been in use throughout the year.

This process is regularly reviewed by the Governing Body and

accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

During the year the Audit Committee has received reports on risk management at each meeting, incorporating a detailed evaluation of one of the University's significant risks.

The University's risk register was updated to reflect the Strategic Plan adopted by the Board during the year. As part of the strategic planning process, risk registers were compiled at sub-strategy and departmental levels. The Executive Group, acting as the University's Risk Committee, consider risk as part of its regular meetings.

A Business Continuity Plan, covering all the University's buildings, was drawn up during the year. It will be rolled out to all University staff during 2003-04.

The University's internal auditors reviewed risk management procedures during the year and reported their findings to the Audit Committee in November 2003. Work to implement their recommendations, including further refinement of the risk prioritisation methodology, early warning mechanisms and monitoring procedures, with associated training of University staff, will continue in 2003-04.

Monitoring

The University, through its Audit Committee, regularly monitors the effectiveness of controls and their operation.

The Board should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the external auditors.

The Constitution and terms of reference of the Audit Committee are well established and are in full accordance with the Audit Code of practice issued by the HEFCE.

The appointment of the external auditors is reviewed every year within a five-year contract term and the decision of the Audit Committee as to continuance is ratified by the Board of Governors.

Compliance

From the foregoing, the University believes that it has complied with the governance requirements of the Combined Code.

Publication of the financial statements on the University's website

With respect to the publication of the financial statements on the University's website, the maintenance and integrity of the London Metropolitan University website is the responsibility of the Governors, advised by the Chief Executive. The work carried out by the external auditors does

Statement of Corporate Governance

not involve consideration of these matters and, accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board.



J P McParland

Company Secretary

166-220 Holloway Road
London N7 8DB

11 December 2003

Independent Auditors' Report to the Members of London Metropolitan University

We have audited the financial statements which comprise the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of principal accounting policies.

RESPECTIVE RESPONSIBILITIES OF THE GOVERNING BODY & AUDITORS

The governing body's responsibility for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice-Accounting for Further and Higher Education, applicable United Kingdom law and accounting standards is set out in the Statement of the Governing Body's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the Governing Body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice-Accounting for Further and Higher Education. We also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been properly applied in all material respects in accordance with the University's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England. We also report to you if, in our opinion, the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report of the Governors and the Corporate Governance Statement.

BASIS OF AUDIT 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 Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion:

- a) The financial statements give a true and fair view of the state of affairs of the University and the group at 31 July, 2003, and of the surplus of income over expenditure, recognised gains and losses and cashflows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice-Accounting for Further and Higher Education.
- b) In all material respects, income from the Higher Education Funding Council for England, Learning and Skills Council and Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received.
- c) In all material respects, income has been applied in accordance with the University's statutes and where appropriate in accordance with the financial memorandum dated 1 August 2000 with the Higher Education Funding Council for England.



PricewaterhouseCoopers LLP

Chartered Accountants & Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

11 December 2003

Consolidated Income & Expenditure Account for the year ended 31 July 2003

	Notes	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
Income					
Funding council grants	1	39,036	32,715	71,751	75,636
Tuition fees and education contracts	2	21,601	16,801	38,402	41,385
Research grants and contracts	3	1,970	260	2,230	2,001
Other income	4	6,941	4,394	11,335	12,794
Endowment income and interest receivable	5	121	369	490	626
Total income		<u>69,669</u>	<u>54,539</u>	<u>124,208</u>	<u>132,442</u>
Expenditure					
Staff costs	6	41,112	32,935	74,047	81,242
Other operating expenses	8	22,147	18,346	40,493	40,923
Depreciation	11	3,510	1,826	5,336	5,306
Interest payable	9	1,300	968	2,268	2,474
Loss on disposal of asset		153	-	153	153
Total expenditure		<u>68,222</u>	<u>54,075</u>	<u>122,297</u>	<u>130,098</u>
Surplus for the year on continuing operations after depreciation of assets at valuation, disposal of assets and tax					
		<u>1,447</u>	<u>464</u>	<u>1,911</u>	<u>2,344</u>
Surplus for the year after tax	21	<u>1,447</u>	<u>464</u>	<u>1,911</u>	<u>2,344</u>
Note of Historical Cost surplus for the year					
Surplus for the year on continuing operations before and after tax					
		1,447	464	1,911	2,344
Difference between historical cost depreciation charge and the actual charge calculated on valuation of assets.	21	-	155	155	155
Historical cost surplus before and after tax		<u>1,447</u>	<u>619</u>	<u>2,066</u>	<u>2,499</u>

The income and expenditure account is in respect of continuing activities in both 2003 and 2002.

Consolidated Balance Sheet

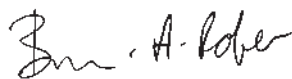
as at 31 July 2003

	Notes	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
Fixed Assets					
Tangible assets	11	48,538	32,223	80,761	92,334
Investments	12	33	31	64	64
		<u>48,571</u>	<u>32,254</u>	<u>80,825</u>	<u>92,398</u>
Endowment Asset Investments	13	<u>190</u>	<u>614</u>	<u>804</u>	<u>893</u>
Current Assets					
Stock	14	129	-	129	141
Debtors	15	3,291	3,754	7,045	8,113
Short term deposits		2,000	8,923	10,923	9,988
Cash at bank and in hand		352	161	513	655
		<u>5,772</u>	<u>12,838</u>	<u>18,610</u>	<u>18,897</u>
Creditors					
Amounts falling due within one year	16	(10,220)	(9,657)	(19,877)	(22,762)
Net Current Assets / (Liabilities)		<u>(4,448)</u>	<u>3,181</u>	<u>(1,267)</u>	<u>(3,865)</u>
Total Assets less Current Liabilities		44,313	36,049	80,362	89,426
Creditors					
Amounts falling due after more than one year	17	(17,994)	(11,515)	(29,509)	(30,005)
Provisions for Liabilities and Charges	18	(1,534)	(1,587)	(3,121)	(3,362)
Total Net Assets		<u>24,785</u>	<u>22,947</u>	<u>47,732</u>	<u>56,059</u>
Represented by:					
Deferred Capital Grants	19	<u>11,327</u>	<u>11,353</u>	<u>22,680</u>	<u>28,370</u>
Endowments	21	<u>190</u>	<u>614</u>	<u>804</u>	<u>893</u>
Reserves					
Revaluation	21	110	421	531	(3,580)
General reserve	21	13,158	10,559	23,717	30,376
		<u>13,268</u>	<u>10,980</u>	<u>24,248</u>	<u>26,796</u>
Total		<u>24,785</u>	<u>22,947</u>	<u>47,732</u>	<u>56,059</u>

The financial statements on pages 11 to 44 were approved by the Board of Governors of London Metropolitan University on 11 December 2003 and were signed on its behalf by:



Sir John Carter
Chair



B A Roper
Chief Executive

University Balance Sheet

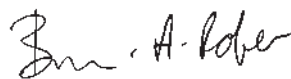
as at 31 July 2003

	Notes	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
Fixed Assets					
Tangible assets	10	47,128	31,096	78,224	83,277
Investments	12	2,183	548	2,731	1,895
		<u>49,311</u>	<u>31,644</u>	<u>80,955</u>	<u>85,172</u>
Endowment Asset Investments	13	<u>190</u>	<u>614</u>	<u>804</u>	<u>893</u>
Current Assets					
Stock	14	-	-	-	16
Debtors	15	3,387	3,696	7,083	10,784
Short term deposits		2,000	8,923	10,923	9,588
Cash at bank and in hand		144	122	266	513
		<u>5,531</u>	<u>12,741</u>	<u>18,272</u>	<u>20,901</u>
Creditors					
Amounts falling due within one year	16	(10,050)	(9,627)	(19,677)	(22,601)
Net Current Assets / (Liabilities)		<u>(4,519)</u>	<u>3,114</u>	<u>(1,405)</u>	<u>(1,700)</u>
Total Assets less Current Liabilities		44,982	35,372	80,354	84,365
Creditors					
Amounts falling due after more than one year	17	(17,994)	(11,515)	(29,509)	(30,005)
Provisions for Liabilities and Charges	18	(1,479)	(1,587)	(3,066)	(3,299)
Total Net Assets		<u>25,509</u>	<u>22,270</u>	<u>47,779</u>	<u>51,061</u>
Represented by:					
Deferred Capital Grants	19	<u>11,327</u>	<u>11,353</u>	<u>22,680</u>	<u>24,128</u>
Endowments	20	<u>190</u>	<u>614</u>	<u>804</u>	<u>893</u>
Reserves					
Revaluation	20	110	421	531	(3,580)
General reserve	20	13,882	9,882	23,764	29,620
		<u>13,992</u>	<u>10,303</u>	<u>24,295</u>	<u>26,040</u>
Total		<u>25,509</u>	<u>22,270</u>	<u>47,779</u>	<u>51,061</u>

The financial statements on pages 11 to 44 were approved by the Board of Governors of London Metropolitan University on 11 December 2003 and were signed on its behalf by:



Sir John Carter
Chair



B A Roper
Chief Executive

Consolidated Cash Flow Statement

for the year ended 31 July 2003

		University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
	<i>Notes</i>				
Net Cash Inflow from Operating Activities	25	7,796	4,970	12,766	11,963
Returns on investments and servicing of finance	26	(809)	335	(474)	(1,168)
Capital expenditure and financial investments	27	(2,377)	(2,193)	(4,570)	(11,338)
Cash Inflow / (Outflow) before Use of Liquid Resources and Financing		4,610	3,112	7,722	(543)
Management of liquid resources	28	(2,000)	(4,427)	(6,427)	935
Financing	29	(574)	1,445	871	1,122
Increase in Cash in the year		2,036	130	2,166	1,514

Reconciliation of Net Cash Flow to Movement in Net Debt

Increase / (Decrease) in cash in the year		2,036	130	2,166	1,514
Cash Inflow / (Outflow) from liquid resources	30	2,000	4,427	6,427	(935)
Net debt resulting from cash flows	30	647	(1,364)	(717)	(1,024)
Change in net funds resulting from cash flows	30	4,683	3,193	7,876	(445)
Net debt brought forward from previous year	30	(21,401)	(7,265)	(28,666)	(20,790)
Net Debt as at 31 July	30	(16,718)	(4,072)	(20,790)	(21,235)

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 July 2003

	Notes	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
Surplus for the year	21	1,447	464	1,911	2,344
Appreciation / (Depreciation) of endowment asset investments	13	(5)	(25)	(30)	23
Net additions to endowment asset investments	13	2	87	89	66
(Increase) / Decrease in outstanding value of Euro Loans	21	(29)	-	(29)	-
HEFCE reimbursement of payment of principal element of inherited loan liabilities	21	-	90	90	204
Total recognised gains relating to the financial year		<u>1,415</u>	<u>616</u>	<u>2,031</u>	<u>2,637</u>
Reconciliation:					
Opening reserves and endowments	21	12,043	10,978	23,021	25,052
Total recognised gains and losses for the year		1,415	616	2,031	2,637
Closing reserves and endowments	21	<u>13,458</u>	<u>11,594</u>	<u>25,052</u>	<u>27,689</u>

Statement of Principal Accounting Policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

(A) Basis of Preparation

(i) Merger Accounting

These accounts have been prepared under merger accounting principles, as set out in Financial Reporting Standard No 6: Acquisitions and Mergers (FRS 6), in relation to the merger of the University of North London with London Guildhall University. Under merger accounting the results and cash flows of the two entities have been combined from the beginning of the financial year in which the merger occurred, ie the financial year to 31 July 2003, and for all prior periods. The income and expenditure account, balance sheet and cash flow comparative figures have been stated on the combined basis.

Following the merger the opportunity has been taken to revisit the accuracy and presentation of the revaluation reserve and of the TTA bursaries. Details are shown in notes 20, 21 and note 32 respectively, although none have impacted upon the 2002 comparatives.

The principal components of the current and prior financial year income and expenditure account and statement of total recognised gains and losses, analysed between the parties to the merger up to the date of the merger and the merged entity after the merger date are shown on the face of those statements.

(ii) Historical Cost Basis

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of endowment assets in accordance with the Companies Act 1985 and with the Statement of Recommended Practice (SORP) for Further and Higher Education, and in accordance with applicable accounting standards.

(B) Consolidation of Accounts

The consolidated financial statements incorporate the financial statements of the University and all its subsidiary undertakings for the financial year to 31 July.

The consolidated income and expenditure account includes the group's share of profits or losses of associated undertakings and the consolidated balance sheet includes the investment in associated undertakings at the group's share of the underlying net assets. Associated undertakings are those in which the group has a significant, but not dominant, influence over their commercial and policy decisions.

The consolidated financial statements do not include those of LGU Students Union, which was an independent entity until its non-representational activities were transferred into the University or into London Metropolitan University Student Centre Limited, on 1 February 2003.

The University has taken advantage of the exemption in S230 of the Companies Act 1985 not to present its own Income

and Expenditure account. The University surplus is £1,543 k (2002: £1,282 k).

(C) Income Recognition

Recurrent grants from Funding Councils are accounted for in the financial year to which they relate.

Grants for specific purposes, including research grants and contracts, are included to the extent that expenditure is incurred during the financial year, together with any related contributions towards overhead costs. Deferred credits, which are attributable to subsequent financial years, are included in creditors under the classification of accruals and deferred income.

Non recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and are amortised in line with depreciation over the life of the assets, the grant being released to the income and expenditure account over the expected useful life of the related asset.

Fee income is credited to the income and expenditure account using a time-apportionment method over the period of the course. It is stated gross of financial assistance to students, fee waivers and provisions for doubtful debts, all of which are included in other operating expenses.

(D) Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the ICTA 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax. Unrecoverable VAT is included within the appropriate expenditure heading.

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

(E) Tangible Fixed Assets

Introduction

Upon implementation of FRS15: Tangible Fixed Assets, the University opted to include assets in its books at historical cost / revalued cost at the date of introduction of the FRS. No regular revaluation of assets is undertaken by the University.

(i) Land and Buildings

Freehold and leasehold land and buildings are shown in the balance sheet at historical cost or, where assets were transferred to the University at nil cost, at their valuation on transfer.

Freehold land is not depreciated as it is considered to have an indefinite useful life.

Statement of Principal Accounting Policies

Freehold buildings are depreciated over 50 years or their remaining expected economic life if shorter. Leasehold buildings are depreciated over the unexpired period of the lease or their remaining expected economic life if shorter.

The freehold and leasehold interests in properties occupied by London College of Furniture, which merged, with London Guildhall University on 1 April 1990 were formally transferred to the University with effect from 1 April 1991. These properties, with the exception of 41-71 Commercial Road, are shown in the balance sheet at valuation at 31 July 1993 less accumulated depreciation.

Freehold properties purchased by the University, 41-71 Commercial Road and the Goulston Street Swimming Baths are shown in the balance sheet at cost, less accumulated depreciation. The freehold property at Central House is included in the balance sheet at valuation on 17 August 1996 less accumulated depreciation.

(ii) Assets held under finance leases

Leasing agreements that transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown in creditors as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or their useful economic life.

(iii) Equipment

Equipment costing less than £6,000 per individual item or group of items is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised.

The costs associated with the development and implementation of major software systems are capitalised and depreciated over a period of 5 years.

Capitalised equipment is shown in the balance sheet at cost and depreciated over its expected useful life, as follows:

Alterations and Building improvements

Over 20 years or their remaining expected economic useful life, if lower.

Computers and other equipment

Between 3 and 5 years

Boiler System

25 years

(F) Stock

All stock is included in the financial statements at the lower of cost and net realisable value.

(G) Pension Scheme Arrangements

The principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Universities Superannuation Scheme (USS), for academic staff, and the London Pensions Fund Authority Pension Fund (LPFA), for non-academic staff.

The schemes are statutory, contributory, final salary schemes and are contracted out of the State Earnings-Related Pension Scheme. The London Pension Fund and the funds of the Universities Superannuation Scheme Ltd. are valued every 3 years. The funds of the Teachers' Superannuation Scheme Ltd. are valued every 5 years.

The funds are valued by actuaries using the aggregate method, the rates of contribution being determined 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 University benefits from the employees' services. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme after making allowance for future withdrawals.

(H) Investments

Investments in subsidiaries and associated undertakings are shown in the balance sheet at cost less any provision for impairment in their value.

Endowment Asset Investments are included in the balance sheet at market value.

(I) Cash Flows and Liquid Resources

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

Liquid resources comprise assets held as a readily disposable store of value, including term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

(J) Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Statement of Principal Accounting Policies

(K) Bad Debts Provision

Debtors are shown in the balance sheet net of provision for doubtful debts. The basis of calculation of the provision is reviewed each year end to reflect current levels of debt recovery.

(L) Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are shown in the balance sheet at the rate of exchange ruling at the year end date. Exchange differences are dealt with in the income and expenditure account.

(M) Sinking Fund

The City of London College (one of the constituent colleges of London Metropolitan University formerly London Guildhall University) incurred capital expenditure of £219,886 in 1960-61. Under an order made by the then Ministry of Education on 7 January 1963, this sum is to be replaced by means of a sinking fund. On completion of the fund in 2058 the capital sum will revert to London Metropolitan University. This sinking fund is contained within endowment reserves and interest is allocated to the reserve each year.

Notes to the Financial Statements

	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
1. Funding Council Grants				
HEFCE				
Recurrent grant	31,429	26,145	57,574	58,594
Inherited property costs	1,732	2,268	4,000	4,286
Pension liabilities	537	503	1,040	1,005
Reimbursement of debt charges	472	334	806	644
Restructuring grant	50	-	50	2,547
Other	1,807	1,498	3,305	4,055
Other Funding Bodies				
Learning and Skills Council grant	273	1,634	1,907	2,129
Teacher Training Agency grant	2,230	-	2,230	1,660
Deferred Capital Grants Released	506	333	839	716
	<u>39,036</u>	<u>32,715</u>	<u>71,751</u>	<u>75,636</u>

The University of North London prior year comparatives have been restated to reallocate HEFCE Research grants from 'Research Grants and Contracts' (Note 3). These are now included above under "Recurrent grant" (£991k) and "Other" (£593k).

2. Tuition Fees and Education Contracts

Full-time students				
Home / EU Students	8,536	9,295	17,831	16,807
Overseas Students	7,758	2,933	10,691	14,078
Part-time students	5,307	4,573	9,880	10,500
	<u>21,601</u>	<u>16,801</u>	<u>38,402</u>	<u>41,385</u>

3. Research Grants and Contracts

Research councils	306	71	377	155
UK based charities	102	33	135	201
European Commission	607	-	607	982
Other grants and contracts	955	156	1,111	663
	<u>1,970</u>	<u>260</u>	<u>2,230</u>	<u>2,001</u>

The University of North London prior year comparative for "Other grants and contracts" has been restated to transfer HEFCE research grants to Funding Council grants. (Note 1)

Notes to the Financial Statements

	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
4. Other Income				
Other grants and contracts	-	773	773	829
Corporation of London grants	-	650	650	1,043
Consultancy	300	188	488	314
Trading project income	1,451	-	1,451	1,845
Sale of materials and other departmental income	226	549	775	2,035
Rental income and hire of facilities	165	605	770	1,078
Residence & catering income	3,179	291	3,470	3,334
Deferred capital grants released in year - non HEFCE	-	170	170	174
Miscellaneous income	1,620	1,168	2,788	2,142
	<u>6,941</u>	<u>4,394</u>	<u>11,335</u>	<u>12,794</u>
5. Endowment Income and Interest Receivable				
Transferred from endowments	16	23	39	17
Interest receivable	105	346	451	609
	<u>121</u>	<u>369</u>	<u>490</u>	<u>626</u>
6. Staff - Consolidated				
Number of Staff:				
Academic staff	582	514	1,096	1,100
Other staff	763	572	1,335	1,360
	<u>1,345</u>	<u>1,086</u>	<u>2,431</u>	<u>2,460</u>
Costs:				
Academic staff	20,516	18,812	39,328	43,700
Other staff	20,596	14,123	34,719	37,542
	<u>41,112</u>	<u>32,935</u>	<u>74,047</u>	<u>81,242</u>
Costs Comprise of:				
Wages and salaries	35,806	29,107	64,913	70,284
Social Security costs	2,795	2,241	5,036	5,526
Employers pension contributions	2,511	1,587	4,098	5,432
	<u>41,112</u>	<u>32,935</u>	<u>74,047</u>	<u>81,242</u>

Notes to the Financial Statements

7. Remuneration of Directors and Higher-Paid Employees

A. Directors

The University's governors (directors) do not receive remuneration from the University in their capacity as governors or directors. The figures below therefore relate entirely to staff governors and to sums received by them in their capacity as employees of the University.

	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
Directors' Emoluments				
Salaries	340	320	660	543
Benefits in kind	1	1	2	2
Pension contributions	27	22	49	50
	<u>368</u>	<u>343</u>	<u>711</u>	<u>595</u>
Highest Paid Directors				
The Chief Executive				
Salaries	157	-	157	167
Benefits in kind	1	-	1	1
Pension contributions	12	-	12	16
	<u>170</u>	<u>-</u>	<u>170</u>	<u>184</u>
The Vice Chancellor				
Salaries	-	131	131	147
Benefits in kind	-	1	1	1
Pension contributions	-	9	9	14
	<u>-</u>	<u>141</u>	<u>141</u>	<u>162</u>
Other directors by remuneration group (excluding pension contributions)				
	No.	No.	No.	No.
£10,001 to £20,000	-	-	-	2
£20,001 to £30,000	-	-	-	1
£30,001 to £40,000	1	2	3	-
£40,001 to £50,000	1	-	1	1
£50,001 to £60,000	2	2	4	-
£60,001 to £70,000	-	-	-	1
£70,001 to £80,000	-	-	-	1

Notes to the Financial Statements

7. Remuneration of Directors and Higher-Paid Employees (Continued)

B. Higher Paid Employees

Certain employees (including some staff governors shown in the table above) received remuneration (excluding pension contributions) in excess of £70,000 during the year. These are grouped as follows:

	University of North London 2002 No.	London Guildhall University 2002 No.	Merged Figures 2002 No.	2003 No.
£70,000 to £80,000	5	1	6	19
£80,001 to £90,000	2	1	3	2
£90,001 to £100,000	1	-	1	5
£100,001 to £110,000	1	-	1	4
£130,001 to £140,000	-	1	1	-
£140,001 to £150,000	-	-	-	1
£150,001 to £160,000	1	-	1	-
£160,001 to £170,000	-	-	-	1

Notes to the Financial Statements

	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
8. Other Operating Expenses				
Residence & catering	2,381	107	2,488	2,901
Consumables & laboratories	735	454	1,189	1,053
Books & periodicals	831	870	1,701	1,637
Student travel & awards	1,523	248	1,771	652
Energy & water	632	588	1,220	1,428
Repairs & maintenance	809	1,660	2,469	2,429
Operating leases - property	1,444	3,198	4,642	5,327
Operating leases - equipment	106	-	106	168
External auditors' remuneration (audit)	54	66	120	121
Internal auditors' remuneration (audit)	53	31	84	82
External auditors' remuneration (other)	48	93	141	9
Internal auditors' remuneration (other)	-	-	-	33
Staff related costs	2,672	2,137	4,809	5,277
Postage and telecommunications	577	571	1,148	1,574
IT maintenance	643	1,065	1,708	1,606
Publicity	786	401	1,187	1,511
Facilities cost	880	1,025	1,905	2,175
Consultancy and subscriptions	1,258	1,184	2,442	2,679
Franchise costs	922	606	1,528	1,373
Enhanced pension liabilities	581	(243)	338	980
Merger related costs	598	354	952	980
Print costs	1,800	805	2,605	3,037
Rates	25	327	352	320
Examination expenses	88	206	294	336
Insurance	274	157	431	564
Other expenses	2,427	2,436	4,863	2,671
	<u>22,147</u>	<u>18,346</u>	<u>40,493</u>	<u>40,923</u>

9. Interest Payable

Finance lease	501	10	511	462
Unwinding of discount in respect of the enhanced pensions provision	-	-	-	138
Interest payable on bank loans, overdrafts and other loans:				
Repayable within 5 years	(10)	-	(10)	6
Repayable wholly or partly in more than 5 years	809	958	1,767	1,868
	<u>1,300</u>	<u>968</u>	<u>2,268</u>	<u>2,474</u>

Notes to the Financial Statements

10. Tangible Fixed Assets (University)

	Academic		Freehold Property		Under Alterations & Improvements		Short Leasehold Property		Long Leasehold Property		Equipment		Total
	£'000	Residential	Residential	Construction	Academic	Residential	Academic	Residential	£'000	Owned	Leased	£'000	
Cost													
At 1 August 2002	55,600	7,570	5,572	5,711	7,339	350	350	-	27,863	501	-	110,506	
University of North London	33,943	7,570	1,197	-	7,339	350	350	-	22,757	-	-	73,156	
London Guildhall University	21,657	-	4,375	5,711	-	-	-	-	5,106	501	-	37,350	
Additions	2,085	-	10,252	2,480	-	-	-	-	2,115	-	-	16,932	
Disposals	-	-	(35)	-	-	-	-	-	(204)	-	-	(239)	
Transfer to the University of North London Ltd.	(7,713)	-	-	-	-	-	-	-	-	-	-	(7,713)	
At 31 July 2003	49,972	7,570	15,789	8,191	7,339	350	350	-	29,774	501	-	119,486	
Depreciation													
At 31 July 2002	6,805	764	-	761	1,844	350	350	-	21,357	401	-	32,282	
University of North London	4,277	764	-	-	1,844	350	350	-	18,793	-	-	26,028	
London Guildhall University	2,528	-	-	761	-	-	-	-	2,564	401	-	6,254	
Charge for year	940	98	-	410	280	-	-	-	3,078	100	-	4,906	
Eliminated on disposals	-	-	-	-	-	-	-	-	(82)	-	-	(82)	
Transfer to the University of North London Ltd.	(897)	-	-	-	-	-	-	-	-	-	-	(897)	
At 31 July 2003	6,848	862	-	1,171	2,124	350	350	-	24,353	501	-	36,209	
Net Book Value at 31 July 2003	43,124	6,708	15,789	7,020	5,215	-	-	-	5,421	-	-	83,277	
Net Book Value at 31 July 2002													
University of North London	48,795	6,806	5,572	4,950	5,495	-	-	-	6,506	100	-	78,224	
London Guildhall University	29,666	6,806	1,197	-	5,495	-	-	-	3,964	-	-	47,128	
Cost of land included in above	5,982	3,816	435	-	1,174	-	-	-	-	-	-	11,407	
Alterations and Improvements													
The alterations and improvements total can be allocated to the various categories of fixed assets as follows:													
Net Book Value at 31 July 2003	2,745	-	-	-	3,289	-	986	-	-	-	-	7,020	

Notes to the Financial Statements

11. Tangible Fixed Assets (Group)

Cost	Academic		Freehold Property		Under Alterations & Improvements		Short Leasehold Property		Long Leasehold Property		Equipment		Total
	£'000	£'000	Residential	Construction	£'000	£'000	Academic	Residential	£'000	£'000	Owned	Leased	
At 1 August 2002	56,866	7,570	7,570	5,572	5,711	7,339	350	350	1,175	1,175	29,468	501	114,552
University of North London	35,209	7,570	7,570	1,197	-	7,339	350	350	-	-	23,771	-	75,436
London Guildhall University	21,657	-	-	4,375	5,711	-	-	-	1,175	1,175	5,697	501	39,116
Additions	2,084	-	-	10,252	2,503	-	-	-	-	-	2,213	-	17,052
Disposals	-	-	-	(35)	(15)	-	-	-	-	-	(272)	-	(322)
At 31 July 2003	58,950	7,570	7,570	15,789	8,199	7,339	350	350	1,175	1,175	31,409	501	131,282
Depreciation													
At 1 August 2002	6,941	764	764	-	761	1,844	350	350	70	70	22,660	401	33,791
University of North London	4,413	764	764	-	-	1,844	350	350	-	-	19,527	-	26,898
London Guildhall University	2,528	-	-	-	761	-	-	-	70	70	3,133	401	6,893
Charge for year	1,135	98	98	-	473	280	-	-	18	18	3,202	100	5,306
Eliminated on disposals	-	-	-	-	-	-	-	-	-	-	(149)	-	(149)
At 31 July 2003	8,076	862	862	-	1,234	2,124	350	350	88	88	25,713	501	38,948
Net Book Value at 31 July 2003	50,874	6,708	6,708	15,789	6,965	5,215	-	-	1,087	1,087	5,696	-	92,334
Net Book Value at 31 July 2002	49,925	6,806	6,806	5,572	4,950	5,495	-	-	1,105	1,105	6,808	100	80,761
University of North London	30,796	6,806	6,806	1,197	-	5,495	-	-	-	-	4,244	-	48,538
London Guildhall University	19,129	-	-	4,375	4,950	-	-	-	1,105	1,105	2,564	100	32,223
Cost of land included in above	5,982	3,816	3,816	435	-	1,174	-	-	-	-	-	-	11,407
Alterations and Improvements													
The alterations and improvements total can be allocated to the various categories of fixed assets as follows:													
Net Book Value at 31 July 2003	2,690	-	-	-	-	3,289	-	-	986	986	-	-	6,965

Notes to the Financial Statements

11. Tangible Fixed Assets (Group) (Continued)

The Learning Centre

The amounts shown under 'Short Leasehold Property Academic' in notes 10 and 11 relate wholly to a property known as 'The Learning Centre' against which a lease was signed on 29 September 1995. The building is leased to the University for 25 years with options to buy at a fixed price after 10, 20 or 25 years. The lease has been accounted for in accordance with the procedure prescribed in SSAP 21.

The Women's Library

The Women's Library, formerly the Fawcett Library, is the UK's most extensive library on all aspects of women in society, and has an international reputation as a research resource. It was established in 1926 and moved to London Guildhall University in 1977. It contains over 60,000 books and pamphlets dating from 1600, and including three main collections: The Cavendish Bentick Collection, The Sadd Brown Library, and the Josephine Butler Society Library. In addition it has over 2,500 periodical titles, over 300 archival collections, a large visual materials collection and many other resources. These collections are not included in the assets of London Metropolitan University.

Jewry Street

London Metropolitan University occupies premises in Jewry Street, which are not included in the statement above. The building is held rent free under a right of use from Sir John Cass's Foundation by virtue of a charity Commission Scheme dated 24 April 1970, under section 18 of the Charities Act 1960. The insured value for 2002/03 is £11.4m.

Assets under construction

The assets included in 'Assets Under Construction' are The Science Centre (£1,935 k), The Graduate Centre (£ 2,407 k) and Goulston Street (£ 11,447 k).

12. Investments

Group	Status	University of North	London Guildhall	Merged	Impairment	2003
		London	University			
		2002	2002	2002	in value	£'000
		£'000	£'000	£'000	£'000	£'000
CVCP Properties plc	University holds small (<20%) shareholding	33	31	64	-	64
		<u>33</u>	<u>31</u>	<u>64</u>	<u>-</u>	<u>64</u>
CVCP Properties plc	University holds small (<20%) shareholding	33	31	64	-	64
London Metropolitan University Enterprises Ltd	Wholly-owned subsidiary	450	-	450	(100)	350
London Metropolitan University Student Centre Ltd	Wholly-owned subsidiary	1,700	-	1,700	(642)	1,058
LGU Enterprises Ltd (LGUE)	Wholly-owned subsidiary Holding Company	-	-	-	-	-
University of North London Ltd	Wholly-owned subsidiary Holding Company	-	-	-	-	-
Metropolitan New Media Limited (MNM)	Wholly-owned subsidiary	-	517	517	(94)	423
		<u>2,183</u>	<u>548</u>	<u>2,731</u>	<u>(836)</u>	<u>1,895</u>

Notes to the Financial Statements

12. Investments (Continued)

CVCP Properties plc

CVCP Properties plc was set up by the Committee of Vice Chancellors and Principals (now known as Universities UK) to buy and manage their headquarters.

Subsidiary Companies

All of the subsidiary companies are registered and incorporated in England.

London Metropolitan University Enterprises Ltd

The principal business activities of London Metropolitan University Enterprises Ltd are the provision of research, short courses, and consultancy services; the operation of a print centre, production of microwave equipment and the provision of bespoke computer courses. The deficit for this subsidiary is £ nil (2002: £101k) and the net assets are £ 350k (2002: £350k).

London Metropolitan University Student Centre Ltd

The principal business activities of London Metropolitan University Student Centre Ltd are the promotion of events in the Student Centre and the operation of the student shop and two bars at the Holloway Road site. The deficit for this subsidiary is £ 18k (2002: Surplus £7k) and the net assets are £ 1,058k (2002: £1,076k).

Metropolitan New Media Ltd

The principal business activity of Metropolitan New Media Ltd (MNM) was the provision of training courses in multimedia and information technology. Its activities were transferred to London Metropolitan University Enterprises Ltd with effect from 1 May 2003. The deficit for this subsidiary is £94k (2002: £165k) and the net assets are £ 423k (2002: £635k).

University of North London Ltd

The building known as New Benwell Road was retained by the University of North London Ltd upon the merger due to legal reasons. Expenditure and Income associated with this building is reported in the accounts of University of North London Ltd. The surplus for this subsidiary is £Nil (2002: £1,541k) and the net assets are £4,242k (2002: £25,509k).

LGU Enterprises Ltd

The company did not trade in 2002/03 or 2001/02, but continues to hold a bank account on which it incurs charges. The company receives income in the form of loan repayments on behalf of the University. The surplus for this subsidiary is £ Nil (2002: £Nil) and the net assets are £2k (2002: £2k).

Notes to the Financial Statements

	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
13. Endowments				
University and Group Endowment Assets				
Market Value at 1 August	193	552	745	804
Additions	9	87	96	63
Disposals	-	-	-	(2)
Appreciation / (Depreciation)	(5)	(25)	(30)	23
Income	9	23	32	22
Transferred to Income & Expenditure Account	(16)	(23)	(39)	(17)
Market Value at 31 July	<u>190</u>	<u>614</u>	<u>804</u>	<u>893</u>
Represented by:				
Fixed interest stocks	132	-	132	130
Equities	19	-	19	20
Cash and short term investments	39	25	64	83
Shares in Edinburgh Managed Growth Fund	-	597	597	657
(Creditors) / Debtors	-	(8)	(8)	3
	<u>190</u>	<u>614</u>	<u>804</u>	<u>893</u>
Representing:				
Specific:				
Special Trust Funds	52	388	440	474
Sinking Fund	-	208	208	219
General:				
Other Funds	138	18	156	200
	<u>190</u>	<u>614</u>	<u>804</u>	<u>893</u>
The Special Trust funds as at 31 July 2003 included:				
The Women's Library Trust Fund				261
The Wood Brothers Prize Fund				17
The Sadd Brown Library Trust Fund				18
The Women's History Fellowship Trust Fund				71
The Kaufman Awards Fund				7
The Teaching Studies Fund				43
Other				57
				<u>474</u>
14. Stocks				
University				
Goods purchased for resale	-	-	-	16
	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>
Group				
Work in progress	9	-	9	12
Goods purchased for resale	120	-	120	129
	<u>129</u>	<u>-</u>	<u>129</u>	<u>141</u>

Notes to the Financial Statements

	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
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15. Debtors

University

Amounts falling due within one year:

Trade debtors	1,555	2,171	3,726	3,448
Due from HEFCE	167	38	205	461
Loans to staff & students	46	96	142	108
Owed by subsidiaries	476	-	476	3,064
Other debtors	6	-	6	4
Prepayments & accrued income	1,137	1,391	2,528	3,699
	<u>3,387</u>	<u>3,696</u>	<u>7,083</u>	<u>10,784</u>

Group

Amounts falling due within one year:

Trade debtors	1,929	2,205	4,134	3,681
Due from HEFCE	167	38	205	461
Loans to staff & students	46	96	142	108
Other debtors	6	-	6	53
Prepayments & accrued income	1,143	1,415	2,558	3,810
	<u>3,291</u>	<u>3,754</u>	<u>7,045</u>	<u>8,113</u>

16. Creditors - amounts falling due within one year

University

Trade creditors	4,380	2,529	6,909	6,804
Deferred HEFCE grants and amounts owed to HEFCE	667	-	667	1,107
Taxation & pension contributions	1,451	-	1,451	2,524
Accruals for interest	229	169	398	251
Bank overdrafts	-	1,372	1,372	78
Loan repayments	897	145	1,042	1,654
Owed to subsidiaries	269	-	269	505
Finance lease obligations	68	120	188	95
Accruals & deferred income	2,044	4,845	6,889	8,625
Other	45	447	492	958
	<u>10,050</u>	<u>9,627</u>	<u>19,677</u>	<u>22,601</u>

Group

Trade creditors	4,566	2,507	7,073	7,045
Deferred HEFCE grants and amounts owed to HEFCE	667	-	667	1,107
Taxation & pension contributions	1,462	-	1,462	2,525
Accruals for interest	229	169	398	251
Bank overdrafts	111	1,372	1,483	111
Loan repayments	897	145	1,042	1,654
Finance lease obligations	68	120	188	108
Accruals & deferred income	2,175	4,895	7,070	8,992
Other	45	449	494	969
	<u>10,220</u>	<u>9,657</u>	<u>19,877</u>	<u>22,762</u>

Notes to the Financial Statements

17. Creditors - amounts falling due after more than one year

	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
University and Group				
Inherited loan liabilities (unsecured)				
Principal payable within two to five years	517	452	969	1,036
Principal payable after five years	<u>3,424</u>	<u>2,977</u>	<u>6,401</u>	<u>6,115</u>
	<u>3,941</u>	<u>3,429</u>	<u>7,370</u>	<u>7,151</u>
Bank mortgages (secured)				
Principal payable within two to five years	3,674	1,708	5,382	5,476
Principal payable after five years	<u>2,946</u>	<u>4,754</u>	<u>7,700</u>	<u>6,519</u>
	<u>6,620</u>	<u>6,462</u>	<u>13,082</u>	<u>11,995</u>
HEFCE Loan (interest free, unsecured)				
Principal payable within two to five years	-	1,400	1,400	1,796
Principal payable after five years	<u>-</u>	<u>224</u>	<u>224</u>	<u>1,726</u>
	<u>-</u>	<u>1,624</u>	<u>1,624</u>	<u>3,522</u>
Finance lease obligations (secured)				
Principal payable within two to five years	596	-	596	747
Principal payable after five years	<u>6,837</u>	<u>-</u>	<u>6,837</u>	<u>6,590</u>
	<u>7,433</u>	<u>-</u>	<u>7,433</u>	<u>7,337</u>
Total	<u>17,994</u>	<u>11,515</u>	<u>29,509</u>	<u>30,005</u>

Bank Mortgages include (a) mortgages repayable in quarterly instalments until September 2008 and September 2016 at fixed rates of interest of 6.6% and 6.7% respectively (b) Euro denominated mortgages repayable in quarterly instalments until October 2017 at 1.25% and 1.5% over EURBOR, currently 3.72% and 3.97% respectively. Mortgages detailed in (a) and (b) are secured on the University's Holloway Road site and Stapleton House and (c) a mortgage repayable in annual instalments until October 2017 at a fixed rate of interest until 29 September 2003 of 9.4% whereupon it reverted to the lenders base rate plus 1%. This mortgage is secured on Commercial Road and Tower Hill.

The HEFCE loan is repayable over a period of 10 years in annual instalments. Repayments are due to commence in 2003/4.

Notes to the Financial Statements

	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
18. Provisions for Liabilities and Charges				
Enhanced Pensions				
At 1 August	817	1,715	2,532	2,294
Increase / (Decrease)	49	(104)	(55)	402
Unwinding of discount	-	-	-	138
Provision utilised in year	(44)	(139)	(183)	(161)
As at 31 July	<u>822</u>	<u>1,472</u>	<u>2,294</u>	<u>2,673</u>
Building Contracts				
At 1 August	402	-	402	712
Increase / (Decrease)	310	-	310	(23)
As at 31 July	<u>712</u>	<u>-</u>	<u>712</u>	<u>689</u>
Other				
At 1 August	-	-	-	115
Provision utilised in year	-	115	115	(115)
As at 31 July	<u>-</u>	<u>115</u>	<u>115</u>	<u>-</u>
Total				
At 1 August	1,219	1,715	2,934	3,121
Increase / (Decrease)	359	(104)	255	379
Unwinding of discount	-	-	-	138
Provision utilised in year	(44)	(24)	(68)	(276)
As at 31 July	<u>1,534</u>	<u>1,587</u>	<u>3,121</u>	<u>3,362</u>

The pension provision is in respect of pension enhancements payable to staff who took early retirement pre - 1994.

The building contracts provision is in respect of work carried out on the University's estate for which no final claim has been agreed with the contractor.

All figures relate to the University except £46k (2002: £22k) of the building contracts provision which relates to London Metropolitan University Enterprises Ltd and £17k (2002:£33k) which relates to the London Metropolitan University Student Centre Ltd.

Notes to the Financial Statements

	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
19. Deferred Capital Grants				
HEFCE				
As at 1 August				
Buildings	11,384	2,850	14,234	16,298
Equipment	385	73	458	600
	<u>11,769</u>	<u>2,923</u>	<u>14,692</u>	<u>16,898</u>
Cash Received				
Buildings	-	2,643	2,643	5,127
Equipment	64	338	402	404
Adjustment	-	-	-	23
	<u>64</u>	<u>2,981</u>	<u>3,045</u>	<u>5,554</u>
Released to Income & Expenditure Account				
Buildings	(361)	(218)	(579)	(453)
Equipment	(145)	(115)	(260)	(263)
	<u>(506)</u>	<u>(333)</u>	<u>(839)</u>	<u>(716)</u>
As at 31 July				
Buildings	11,023	5,275	16,298	20,995
Equipment	304	296	600	741
	<u>11,327</u>	<u>5,571</u>	<u>16,898</u>	<u>21,736</u>

Notes to the Financial Statements

	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
19. Deferred Capital Grants (Continued)				
Other				
As at 1 August				
Buildings	-	6,306	6,306	5,782
Equipment	-	34	34	-
	<u>-</u>	<u>6,340</u>	<u>6,340</u>	<u>5,782</u>
Cash Received				
Buildings	-	100	100	163
Equipment	-	-	-	-
Adjustment	-	(488)	(488)	863
	<u>-</u>	<u>(388)</u>	<u>(388)</u>	<u>1,026</u>
Released to Income & Expenditure Account				
Buildings	-	(136)	(136)	(174)
Equipment	-	(34)	(34)	-
	<u>-</u>	<u>(170)</u>	<u>(170)</u>	<u>(174)</u>
As at 31 July				
Buildings	-	5,782	5,782	6,634
Equipment	-	-	-	-
	<u>-</u>	<u>5,782</u>	<u>5,782</u>	<u>6,634</u>
Total as at 31 July				
Buildings	11,023	11,057	22,080	27,629
Equipment	304	296	600	741
	<u>11,327</u>	<u>11,353</u>	<u>22,680</u>	<u>28,370</u>

All figures relate to both the University and the Group except £4,242k (2002: £ Nil) which relates to a deferred capital grant from HEFCE for New Benwell Road in the accounts of the University of North London Ltd.

Notes to the Financial Statements

	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
20. Movement on University Reserves				
Revaluation Reserve				
As at 1 August	110	486	596	531
Transfer from general reserve	-	-	-	(4,160)
Reimbursement of principal on inherited loan	-	90	90	204
Transfer to general reserve - depreciation	-	(155)	(155)	(155)
As at 31 July	<u>110</u>	<u>421</u>	<u>531</u>	<u>(3,580)</u>
General Reserve				
As at 1 August	12,370	9,986	22,356	23,764
Transfer to revaluation reserve	-	-	-	4,160
Transfer from revaluation reserve - depreciation	-	155	155	155
Surplus / (Deficit) for the year	1,541	69	1,610	1,543
Decrease / (Increase) in outstanding value of Euro Loans	(29)	-	(29)	-
Subsidiary and Associate adjustment	-	(328)	(328)	(2)
As at 31 July	<u>13,882</u>	<u>9,882</u>	<u>23,764</u>	<u>29,620</u>
Endowments				
As at 1 August	193	552	745	804
Net movement in endowments (note 13)	(3)	62	59	89
As at 31 July	<u>190</u>	<u>614</u>	<u>804</u>	<u>893</u>

Following the merger of London Guildhall University and the University of North London, London Metropolitan University re-assessed its revaluation reserve to bring the two previous accounting policies into agreement and comply with the SORP: Accounting for Higher and Further Education. As a result, a transfer has been made from the general reserve to ensure that the debit balance on the revaluation reserve on merger was equal to the remaining value at that date of the loans inherited from the London Residuary Body in 1989, net of credit for revaluation in London Guildhall University.

Notes to the Financial Statements

	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
21. Movement on Consolidated Reserves				
Revaluation Reserve				
As at 1 August	110	486	596	531
Transfer from general reserve	-	-	-	(4,160)
Reimbursement of principal on inherited loan	-	90	90	204
Transfer to general reserve - depreciation	-	(155)	(155)	(155)
As at 31 July	<u>110</u>	<u>421</u>	<u>531</u>	<u>(3,580)</u>
General Reserve				
As at 1 August	11,740	9,940	21,680	23,717
Transfer to revaluation reserve	-	-	-	4,160
Transfer from revaluation reserve - depreciation	-	155	155	155
Surplus / (Deficit) for the year	1,447	464	1,911	2,344
Decrease / (Increase) in outstanding value of Euro Loans	(29)	-	(29)	-
As at 31 July	<u>13,158</u>	<u>10,559</u>	<u>23,717</u>	<u>30,376</u>
Endowments				
As at 1 August	193	552	745	804
Net movement in endowments (note 13)	(3)	62	59	89
As at 31 July	<u>190</u>	<u>614</u>	<u>804</u>	<u>893</u>

Following the merger of London Guildhall University and the University of North London, London Metropolitan University re-assessed its revaluation reserve to bring the two previous accounting policies into agreement and comply with the SORP: Accounting for Higher and Further Education. As a result, a transfer has been made from the general reserve to ensure that the debit balance on the revaluation reserve on merger was equal to the remaining value at that date of the loans inherited from the London Residuary Body in 1989, net of credit for revaluation in London Guildhall University.

Notes to the Financial Statements

22. PENSION ARRANGEMENTS

The University participates in the London Pension Fund Authority (LPFA) Pension Fund for non-academic employees and the Teachers Pension Scheme (TPS) and the Universities Superannuation Scheme Limited (USS) for academic employees.

A. THE LONDON PENSION FUND

The London Pension Fund Authority provides members with benefits related to pay and service at rates which are defined under the Local Government Pension Scheme Regulations 1997. To finance these benefits assets are accumulated in the Fund and held separately from the assets of the University.

The University pays contributions to the Fund at rates determined by the Fund's actuaries, based on regular actuarial reviews of the financial position of the Fund.

The University's contribution to the LPFA Fund for 2002/03 was £2,092,239 (2001/02: £1,707,510).

The pension cost, which includes the liability for pension increases, has been determined in accordance with the advice from the London Pension Fund Authority's actuaries, Hymans Robertson, and is based on an actuarial valuation as at 31st March 2001 using the projected unit method. The most significant actuarial assumptions were:-

	March 2001 % p.a	Real % p.a
Investment Return/		
Discount Rate	6.30-6.60%	3.50-3.80%
Pay Increases	4.30%	1.50%
Price Inflation/		
Pension Increases	2.80%	-

The valuation of assets has been taken at market value at the valuation date but adjusted to allow for average market levels during the 12 months prior to the valuation date using appropriate market indices. The value of assets so derived may be described as a *smoothed market value*.

The actuarial valuation as at 31 March 2001 showed that the market value of the Fund's assets attributable to the University was estimated at approximately £79.65m and that the actuarial value of those assets represented 106.6% of the value of the benefits that have accrued to the University's pensioners, deferred pensioners and current members based upon past service but allowing for assumed pay increases and pension increases.

In accordance with SSAP24 the University has contacted the actuaries of the fund to determine the size of prepayment or accrual that should be included in the University accounts (i.e. to spread the surplus or deficit over the average service lives of employees). No additional asset or liability has been created as the University believes that it would be imprudent to do so, given the possible deficit now on the fund, under an

actuarial method of valuation. As the fund will be revalued on 31 March 2004, the University will review this area in 2003/04.

The actuaries undertook further calculations at 31 July 2002, and 31 July 2003 for the purpose of providing information required to be disclosed under the accounting standard on Retirement Benefits (FRS17) and these are detailed on pages 37 and 38.

Notes to the Financial Statements

LONDON PENSION FUND – FRS 17 STATEMENTS

The University participates in a defined benefit scheme in the UK, operated by the London Pension Fund Authority. A full actuarial valuation was carried out at 31 July 2003 by a qualified independent actuary. The major assumptions used by the actuary were as follows:

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

Fund assets

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

	Long term rate of return expected at 31 July 2002	Value at 31 July 2002 £000	Long term rate of return expected at 31 July 2003	Value at 31 July 2003 £000
Equities	8.0%	983,200	8.0%	1,052,900
Bonds	5.5%	182,580	5.5%	169,800
Property	6.0%	-	6.0%	65,800
Cash	4.0%	17,000	3.5%	-
Total		<u>1,182,780</u>		<u>1,288,500</u>

Net pension asset/liability

The following amounts at 31 July 2003 related to London Metropolitan University measured in accordance with the requirements of FRS 17:

	2002 £000	2003 £000
Estimated employers assets	67,740	70,230
Present value of scheme liabilities	(85,390)	(104,720)
Present value of unfunded liabilities	(2,810)	(3,020)
Total value of liabilities	<u>(88,200)</u>	<u>(107,740)</u>
Net Pension liability	<u>(20,460)</u>	<u>(37,510)</u>

Impact on the income and expenditure reserve

If the above amounts had been recognised in the financial statements, the University's net assets and the income and expenditure reserve at 31 July would be as follows:

	2002 £000	2003 £000
Net assets excluding pension liability	47,732	56,059
Pension liability	<u>(20,460)</u>	<u>(37,510)</u>
Net assets including pension liability	<u>27,272</u>	<u>18,549</u>
General reserve excluding pension liability	23,717	30,376
Pension liability	<u>(20,460)</u>	<u>(37,510)</u>
General reserve including pension liability	<u>3,257</u>	<u>(7,134)</u>

Notes to the Financial Statements

Income and expenditure effect of accounting for pension costs under FRS17

Additionally, if the pension costs had been recognised in accordance with FRS17 the following components of the pensions charge would have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31 July 2003:

	2002 £'000	2002 £'000	2003 £'000	2003 £'000
Analysis of amounts charged to income and expenditure account				
Current service cost		2,840		2,970
Past service cost		260		-
Curtailement and settlements		10		-
Financing:				
- Expected return on pension fund assets	4,560		5,240	
- Interest on fund liabilities	<u>(4,870)</u>		<u>(5,150)</u>	
		310		(90)
Net income and expenditure account cost		<u>3,420</u>		<u>2,880</u>

Analysis of amounts recognised in the statement of total recognised gains and losses

Actual return less expected return on pension fund assets	(17,060)	(4,810)
Experience gains and losses arising on fund liabilities	(2,910)	(1,820)
Changes in assumptions underlying the present value of fund liabilities	8,780	(12,700)
Total actuarial loss recognised	<u>(11,190)</u>	<u>(19,330)</u>

Movement in the University's share of the fund's deficit

In total the movement in the University's share of the fund's deficit during the year is made up as follows:

	2002 £'000	2003 £'000
Deficit on fund at 1 August 2002	(7,500)	(20,460)
Movements in year:		
- current service cost	(2,840)	(2,970)
- contributions	1,630	2,240
- past service cost	(260)	-
- settlements and curtailments	(10)	-
- other	20	2,920
- net return on assets	(310)	90
- actuarial loss	(11,190)	(19,330)
Deficit on fund at 31 July 2003	<u>(20,460)</u>	<u>(37,510)</u>

Experience gains and losses in the year

The experience gains and losses for the year ended 31 July 2003 were as follows:

	2002 £'000	2003 £'000
Difference between the expected and actual return on fund assets	(17,060)	(4,810)
Value of assets	67,740	70,230
Percentage of scheme assets	(25.2%)	(6.8%)
Experience gains and losses on fund liabilities	(2,910)	(1,820)
Present value of liabilities	85,390	107,740
Percentage of the present value of fund liabilities	(3.4%)	(1.7%)
Total amount recognised in the statement of total recognised gains and losses	(11,190)	(19,330)
Present value of liabilities	85,390	107,740
Percentage of the present value of the fund liabilities	(13.1%)	(17.9%)

Notes to the Financial Statements

B. THE TEACHER'S PENSION SCHEME

The Teacher's Pension Scheme (TPS) is a statutory, contributory, final salary scheme.

The TPS is administered by the Teachers Pensions Agency in accordance with the Teachers' Pensions Regulations 1997, as amended.

Contributions are paid by the University and charged to the Income and Expenditure account at a current rate of 13.5% of teacher's salaries.

The Government Actuary (GA) performs a valuation of the fund not less than every five years. The last valuation of the fund covered the period 1st April 1996 to 31st March 2001. The GA's report dated March 2003 revealed that the total liabilities of the fund (pensions currently in payment and the estimated cost of future benefits) amounted to £142,880 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £142,880 million.

The financial assumptions in the GA report were that prices would increase by 3.5% and salaries by 2%, and the rate of return on investments would be 7%, and the rate of real earnings growth 1.5%.

The University's contribution to the TPS for 2002/3 was £3,302,714 (2001/02: £2,325,561).

Under definitions set out in Financial Reporting Standards 17: Retirement Benefits and SSAP24, the TPS scheme is a multi-employer pension scheme. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly the University has taken advantage of the exemption in FRS 17 and SSAP24 and has accounted for its contributions to the scheme as if it was a defined contribution scheme.

C. THE UNIVERSITIES SUPERANNUATION SCHEME LTD

The University participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the fund are held in a separate trustee-administered fund. Under definitions set out in Financial Reporting Standards 17: Retirement Benefits and SSAP24, the USS scheme is a multi-employer pension scheme. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly the University has taken advantage of the exemption in FRS 17 and SSAP24 and has accounted for its contributions to the scheme as if it was a defined contribution scheme. The cost recognised within the surplus/deficit for the year in the income and expenditure account is regarded as being equal to the contributions payable to the fund for the year. The latest actuarial valuation of the fund was at 31 March 2002. The assumptions which

have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 5% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the fund was £19,938 million (including an estimated £18 million in respect of outstanding bulk transfer payments due) and the value of the past service liabilities was £19,776 million leaving a surplus of assets of £162 million. The assets therefore were sufficient to cover 101% of the benefits which had accrued to members after allowing for expected future increases in earnings. The institution contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the institution contribution rate will 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 £82.5 million of the surplus. This left a past service surplus of £79.5 million (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. The next formal actuarial valuation is due at 31 March 2005 when the above rates will be reviewed.

The University's contribution to the USS for 2002/3 was £69,620 (2001/02 : £53,426) including outstanding contributions at the balance sheet date.

The contribution rate payable by the University was 14% of pensionable salaries.

Notes to the Financial Statements

	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
23. Capital Commitments				
Commitments contracted at 31 July	1,217	8,202	9,419	6,698
Authorised but not contracted at 31 July	-	-	-	25,983
	<u>1,217</u>	<u>8,202</u>	<u>9,419</u>	<u>32,681</u>

The figures relate to both the University and Group

24. Commitments Under Operating Leases

At 31 July the Group had annual commitments under non-cancellable operating leases as follows:

Land and buildings:				
Expiring in over five years	2,382	1,999	4,381	4,459
Other:				
Expiring between two and five years inclusive	106	-	106	196
	<u>2,488</u>	<u>1,999</u>	<u>4,487</u>	<u>4,655</u>

The figures relate to both the University and Group

25. Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities

Surplus on continuing operations	1,447	464	1,911	2,344
Depreciation	3,510	1,826	5,336	5,306
Loss on disposal of tangible fixed assets	153	-	153	153
Deferred capital grants released to income	(506)	(983)	(1,489)	(890)
Interest payable	1,300	968	2,268	2,474
(Increase) / decrease in stocks	30	-	30	(12)
Decrease / (increase) in debtors	691	878	1,569	(1,068)
Increase in creditors	1,449	3,894	5,343	3,725
Increase / (decrease) in provisions	315	(775)	(460)	241
Interest receivable	(121)	(369)	(490)	(626)
Reimbursement of debt charges	(472)	(898)	(1,370)	(644)
Donations Received	-	(36)	(36)	(36)
Other	-	1	1	-
Exchange Rate Loss	-	-	-	110
Adjustments to the Deferred Capital Grants	-	-	-	886
Net cash inflow from operating activities	<u>7,796</u>	<u>4,970</u>	<u>12,766</u>	<u>11,963</u>

Notes to the Financial Statements

	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
26. Returns on Investments and Servicing of Finance				
Donations received	-	36	36	36
Interest paid	(1,300)	(968)	(2,268)	(2,474)
HEFCE reimbursement of interest payable	370	898	1,268	644
Income from endowments	16	23	39	17
Other interest received	105	346	451	609
Net cash inflow / (outflow)	<u>(809)</u>	<u>335</u>	<u>(474)</u>	<u>(1,168)</u>
27. Capital Expenditure				
Purchase of tangible fixed assets	(2,491)	(5,335)	(7,826)	(17,052)
Receipts from sale of tangible assets	50	61	111	20
Deferred capital grants received	64	3,081	3,145	5,694
Net cash inflow / (outflow)	<u>(2,377)</u>	<u>(2,193)</u>	<u>(4,570)</u>	<u>(11,338)</u>
28. Management of Liquid Resources				
(Increase) / decrease in short term deposits	(2,000)	(4,427)	(6,427)	935
Net cash inflow / (outflow)	<u>(2,000)</u>	<u>(4,427)</u>	<u>(6,427)</u>	<u>935</u>
29. Financing				
Debt due beyond one year:				
New long-term loans	-	1,624	1,624	1,898
Repayment of long term loans	(592)	(155)	(747)	(804)
Repayment of capital element of finance lease	(85)	(109)	(194)	(176)
HEFCE reimbursement of inherited debts	103	90	193	204
Other non-cash adjustments	-	(5)	(5)	-
	<u>(574)</u>	<u>1,445</u>	<u>871</u>	<u>1,122</u>

Notes to the Financial Statements

	As at 1 August 2002	Other Changes	Cashflows	As at 31 July 2003
30. Analysis of Changes in Net Funds				
Cash at bank and in hand	513	-	141	655
University of North London	352			
London Guildhall University	161			
Bank overdraft	(1,483)	-	1,372	(111)
University of North London	(111)			
London Guildhall University	(1,372)			
	<u>(970)</u>	<u>-</u>	<u>1,513</u>	<u>544</u>
University of North London	241			
London Guildhall University	(1,211)			
Short term deposits	10,923	-	(935)	9,988
University of North London	2,000			
London Guildhall University	8,923			
Debt due within 1 year	(1,166)	(1,001)	513	(1,654)
University of North London	(897)			
London Guildhall University	(269)			
Debt due after 1 year	(22,076)	1,235	(1,827)	(22,668)
University of North London	(10,561)			
London Guildhall University	(11,515)			
Finance leases	(7,501)	-	56	(7,445)
University of North London	(7,501)			
London Guildhall University	-			
	<u>(20,790)</u>	<u>234</u>	<u>(680)</u>	<u>(21,235)</u>
University of North London	(16,718)			
London Guildhall University	(4,072)			

Notes to the Financial Statements

	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
31. Access Funds				
Balance at 1 August	18	141	159	292
Funding Council Grant	1,479	1,111	2,590	2,677
Interest	15	12	27	43
Disbursed to students and administration	(1,387)	(1,097)	(2,484)	(2,785)
Balance at 31 July	<u>125</u>	<u>167</u>	<u>292</u>	<u>227</u>

Access Funds are paid to universities by HEFCE to provide financial help to students whose access to further or higher education might be inhibited by financial considerations or who, for whatever reason, including physical or other disabilities, face financial difficulties.

The grant from HEFCE is available solely for students, London Metropolitan University acts only as a paying agent. The grant and related disbursements are therefore excluded from the Income and Expenditure account.

32. Teacher Training Bursary Funds

	University of North London 2002 £'000	London Guildhall University 2002 £'000	Merged 2002 £'000	2003 £'000
Balance at 1 August	30	-	30	93
Funding Council Grant	1,081	-	1,081	1,220
Disbursed to students and administration	(1,018)	-	(1,018)	(1,201)
Balance at 31 July	<u>93</u>	<u>-</u>	<u>93</u>	<u>112</u>

Teacher Training Bursary Funds are paid to universities by the Teacher Training Agency (TTA) to provide financial support to students studying for a postgraduate qualification which leads to Qualified Teacher Status (QTS).

The grant from the TTA is available solely for students. The University acts only as a paying agent. The grant and related disbursements are therefore excluded from the Income and Expenditure account. This reflects a change in the previous accounting treatment. The 2002 figures are for illustrative purposes only, no prior year comparatives have been restated.

Notes to the Financial Statements

33. Contingent Liabilities

University

The University is in negotiation with contractors over final claims for building works. The University's professional advisers have indicated that there are very good grounds to consider that any significant payments on items not provided for in these accounts is unlikely. The amount claimed not provided for is £ 553,825 (2002: £ 668,000)

There are currently eighteen Industrial Tribunal claims against the University from part time staff who were unable to participate in the Teachers Pension Scheme prior to 1995 because of Government regulation. The University does not feel that it should be liable to pay pension compensation for these claims.

Metropolitan New Media Ltd

The contractual conditions applying to European Regional Development Fund (ERDF) revenue grant enable the Secretary of State for Trade and Industry to withhold payment or to require part or all of the grant to be repaid in the event of unsatisfactory progress towards completing projects for which grants were awarded or towards associated performance targets. Since the company's formation, a total of £ 632,000 has been received up to 31 July 2003 (£632,000 to 31 July 2002). No new grants were awarded or received in cash during the year. Any risk of having to repay any material sum is now regarded as past.

The company has been accounting for input VAT as fully recoverable. However, advice has been received which raises the possibility that a small proportion of input VAT recoverable may have to be treated as irrecoverable. The amount potentially repayable is estimated as unlikely to exceed £ 50,000.

34. Related Party Transactions

The University maintains a Register of Interests of all Governors and also specified Senior Officers. Further, policies incorporated into the University's Financial Regulations require staff to declare an interest and withdraw from any commercial discussions should a conflict of interest potentially arise. There were no such declarations in 2002/03.

