LONDON metropolitan university

Annual Report and Accounts

for the year ending 31. 07. 2007

Report and Financial Statements for the year ended 31 July 2007

Contents

London Metropolitan 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
Tel: 020 7423 0000
Email: www.londonmet.ac.uk

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

Senior Officers and Advisers as at 31 July 2007

Vice-Chancellor and Chief Executive	B A Roper BSc Econ (Hons) MA (Econ) D.Univ (Hon)
Deputy Vice-Chancellor Academic	Dr R P T Aylett MA PhD
Deputy Vice-Chancellor Research and Development	C G Topley BSc
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	Grant Thornton UK LLP The Explorer Building Fleming Way Manor Royal Crawley RH10 9GT
Internal Auditors	Kingston City Group 3rd Floor Millennium House 21 Eden Street Kingston upon Thames Surrey KT1 1BL
Solicitors	Ashurst Broadwalk House 5 Appold Street London EC2A 2HA Eversheds Senator House 85 Queen Victoria Street London EC4V 4JL Ogun @ Law 391 City Road London EC1V 1NE

Senior Officers and Advisers as at 31 July 2007 (continued)

Bankers	Barclays Bank Plc Holloway & Kingsland Business Centre London E8 2JK
	Standard Chartered Bank Plc 1st. Floor H-2 Connaught Circus New Delhi 110 001 India
	Standard Chartered Bank Plc Dhaka Main Branch 2, Dilkusha C/A Dhaka 1000 Bangladesh
	Standard Chartered Bank (Pakistan) Ltd New Garden Town Branch 1/4 Usman Block New Garden Town Lahore Pakistan
	Standard Chartered Bank (Nigeria) Ltd 105B Ajose Adeogun Street P.M.B. 80038 Victoria Island, Lagos Nigeria
	Bank of China Dongzhimen Branch No. 35 Dongzhimenwai Dajie Dongcheng District Beijing 100027 China
Insurers	AON Ltd Clarkson House Canterbury Kent CT1 2YT
	Zurich Municipal Southwood Crescent Farnborough Hampshire GU14 0NJ
Endowment Investment Managers	New Star Investment Funds 1 Knightsbridge Green London SW1X 7NE
Endowment Investment Custodians	Fidelity Investments Oakhill House Hildenborough Tonbridge Kent TN11 9DZ

Members of the Board of Governors as at 31 July 2007

	Date of Appointment
P Anwyl – Chair (F [chair], G [chair], J [chair], P, R [chair])	01.08.02
B Roper (E, EB, F, G, P, R) (Vice-Chancellor and Chief Executive)	01.08.02
J Alsbury (E)	16.03.07
G Castle (F, P [chair], R, W)	12.10.99
J Gabriel (E, W)	01.10.05
J Haworth (F, G, P, R)	01.08.02
S John (EB [chair], J)	31.10.03
J Mayhew (G, J)	12.10.99
B Morgan (G, E)	12.12.02
Prof Z Nadirshaw (F)	12.10.05
R Patel (EB, P)	01.03.03
A Rahim (EB, F, G)	01.08.02
F Scott (A)	24.04.03
A Shohid (S, G)	16.07.06
M Snyder (A [chair])	12.10.99
S Tyacke (F)	31.01.03

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

		Date of Resignation
Sir John Carter (F, N, P, R)	13.10.98	01.01.07
P Bignell (A)	01.10.05	09.03.07
S Bromwich (E)	05.12.05	13.03.07
A Clark (A)	01.10.05	13.03.07
L Ife (P)	01.08.02	09.03.07
Dame Barbara Mills (F, W)	01.10.99	09.03.07
C Scheer (N)	12.12.02	13.03.07
Cllr B Smith	07.11.05	09.03.07
T Thompson (E)	07.10.05	13.03.07

In their capacity as Directors, none of the governors held any interest in any contract with the University. Six of the directors, who served during the year, have contracts with the University in their capacity as employees. None of the Directors had a beneficial interest in any group company.

In addition, the following non-governors continued to serve throughout the year in a co-opted capacity on committees of the Board:

P Bignell (A)
C Howe (A)
C Scheer (G)

KEY:

(A)	Member of Audit Committee
(E)	University Employee
(EB)	Member of Enterprises Board
(F)	Member of Finance and Human Resources Committee
(G)	Member of Governance Committee
(J)	Member of Joint Standards Board
(P)	Member of Property Sub-Committee
(R)	Member of Remuneration Sub-Committee
(S)	Students' Union Representative
(W)	Member of Women's Library Council

Financial Highlights

	Year to 31 July 2007 £m	Restated 2006 £m
Consolidated Income & Expenditure Account		
Funding council grants	65.8	79.3
Tuition fees and education contracts	56.9	47.1
Research grants and contracts	4.1	5.0
Other income	15.5	15.4
Endowment income and interest receivable	0.8	1.1
Total income	**143.1**	**147.9**
Profit on sale of freehold residential property	**32.9**	-
Expenditure	**(155.3)**	**(160.2)**
Surplus/(deficit) for the year	**20.7**	**(12.3)**
Consolidated Balance Sheet		
Fixed Assets	123.8	127.9
Endowment Asset Investments	1.2	1.1
Current Assets	53.9	20.8
Current Liabilities	(37.0)	(37.6)
Non-Current Liabilities and Provisions	(43.8)	(38.0)
Pension Liability	(35.6)	(53.8)
Total Net Assets	**62.5**	**20.4**
Represented by:		
Deferred Grants	46.3	43.1
Endowments	1.2	1.1
Reserves	15.0	(23.8)
	62.5	**20.4**

Other Key Statistics

	2007	Restated 2006
Consolidated Increase in Cash Flow	0.6	0.2
Consolidated Recognised Gains/(Losses)	38.9	(7.3)
Student Numbers	32,837	34,938
Average Employee Numbers (full time equivalent)	2,451	2,517

Financial Highlights

Analysis of Sources of Income and Expenditure by Category

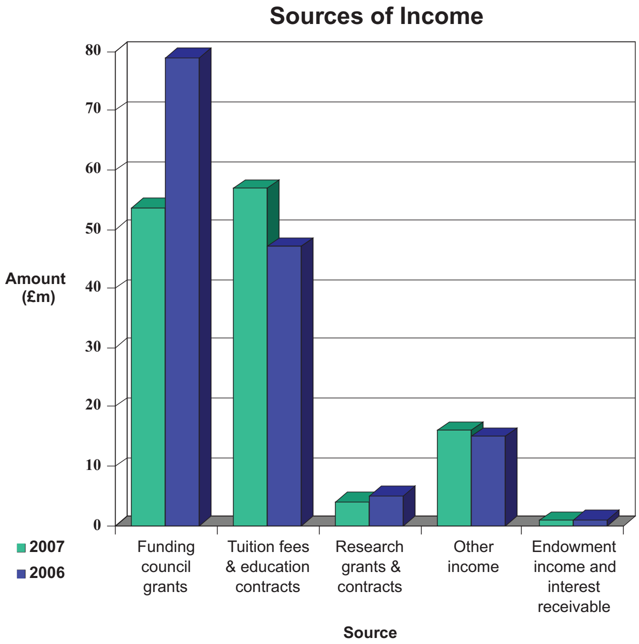
Funding council grants
Includes recurrent and specific grants received from Government funding bodies; HEFCE, TDA and LSC.

Tuition fees and education contracts
Tuition fee income received from various sources; students, local education authorities and for short courses.

Research grants and contracts
Income from sponsors in relation to the University's research activities.

Other income
All other income earned by the University, for example trading income and rents receivable.

Endowment income and interest receivable
Endowments are bequests and gifts. The income is dividends and interest earned on endowments and interest earned on University bank accounts.

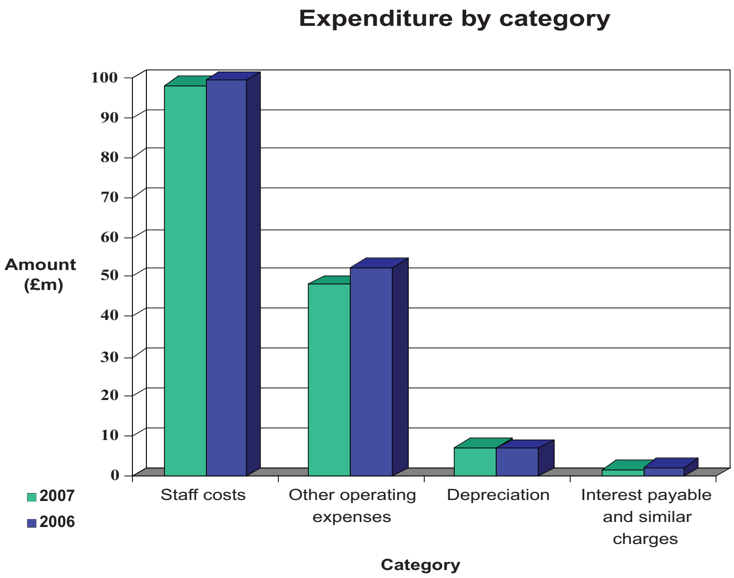


Staff costs
Expenditure incurred on staff wages and salaries, including employers' national insurance and pension contributions.

Other operating expenditure
All other non - wages and salaries expenditure incurred by the University.

Depreciation
Allocation of the cost of an asset over its useful life. The depreciation charge in the financial statements is the charge for that particular year.

Interest payable and similar charges
Interest payable on external borrowings and bank overdrafts.



Financial Highlights

Consolidated Net Assets

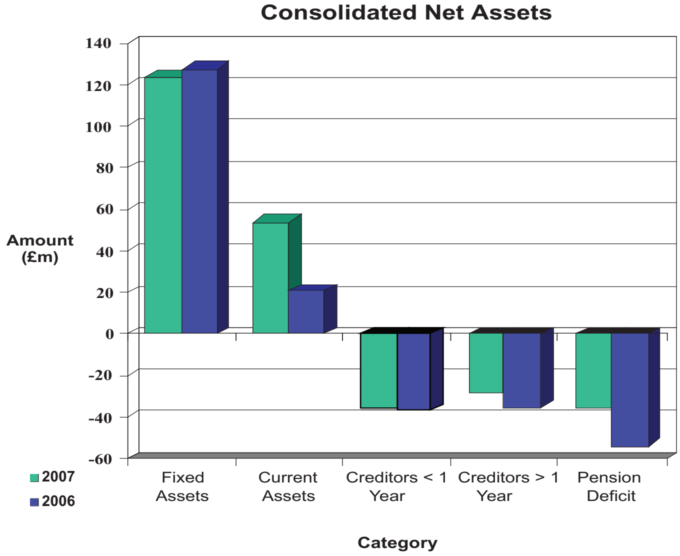
Fixed Assets
Includes freehold property, leasehold property and owned equipment.

Current Assets
Comprises stock, debtors, short-term deposits and cash at bank and in hand.

Creditors < 1 Year
Includes trade creditors, accruals, deferred income and other creditors.

Creditors > 1 Year
Comprises bank mortgages, HEFCE loans, finance lease obligations and deferred HEFCE revenue grants.

Pension Deficit
The London Pension Fund Authority ("LPFA") FRS 17 pension deficit.



This chart excludes Endowment Asset Investments and Provisions for Liabilities.

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

The Governors have pleasure in presenting the company's annual report and audited financial statements for the year ended 31 July 2007.

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, with 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.

MISSION STATEMENT

London Metropolitan University is committed to providing excellent educational and knowledge transfer services, engaging with real-world issues, transforming individuals in society, and enabling students to achieve their potential and London to succeed as a world city.

Our full mission statement can be found on the University's website: www.londonmet.ac.uk/about/mission.cfm

OPERATING AND FINANCIAL REVIEW

During 2006/07 the University was working within the financial parameters set in the business plan 2005-2010. This plan addressed the need to reduce the University's cost base in line with reductions in income arising from a decline in student numbers.

Although the University did not achieve the student numbers assumed in the business plan, staff cost savings following the voluntary severance scheme which took place in 2005/06, combined with strong cost-control and an ongoing programme of value-for-money reviews designed to deliver savings in non-staff operating costs, allowed us to return to operating surplus earlier than assumed in the business plan.

However, a data audit, carried out by HEFCE in Autumn 2007, caused re-examination of the funding status of some groups of students, who had not satisfied all the conditions required to permit the University to include them in their funding return to HEFCE. As a result, approximately 7,500 students have been treated as not eligible for funding by HEFCE. Post year end adjustments have therefore been made to our 2005/06 and 2006/07 teaching grant. 2005/06 grant has been reduced by £3.3m and a provision has been made for a £13.5m reduction in our 2006/07 grant.

These unfunded students satisfactorily completed approximately 14,000 modules and part completed over 5,000 modules. 28% of the students have subsequently received an award.

A comparison with the targets set in the business plan is as follows:

	Actual	Business Plan
	£'m	**£'m**
Income	156.6	161.5
Operating costs	(155.1)	(160.9)
Operating surplus	1.5	0.6
Restructuring costs	(0.2)	(2.5)
Profit on sale of student hall	33.0	-
Surplus/(Deficit)	34.3	(1.9)
Post year-end adjustment to teaching grant	(13.5)	-
Surplus	20.8	1.9

The first of our planned disposals of student halls took place at the end of the year, delivering proceeds of £37.5m and a net profit after deducting the net book value of the property and transaction costs, of £33m. This forms part of our strategy to strengthen the University's balance sheet and to generate funding for re-investment in our academic estate.

The overall surplus for the year was £20.7m, 14.5% of income, compared with a restated deficit of £12.3m in 2005/06.

Net assets, excluding the FRS 17 pension deficit, increased from £74.1m to £98.1m, an increase of 32.4%. The FRS 17 pension deficit reduced from £53.8m in 2006 to £35.6m (a reduction of 34%) principally as a result of actuarial gains and higher pension contribution payments by the University.

INCOME AND EXPENDITURE

The following tables compare 2006/07 performance against 2005/06.

Income

Source of Income	**Year to 31 July**	**Restated**	**Movement**
	2007	**2006**	
	£'000	**£'000**	**%**
Funding Council grants	65,766	79,255	(17.0)
Tuition fees and education contracts	56,875	47,111	20.7
Research grants and contracts	4,148	4,964	(16.4)
Other income	15,540	15,467	0.5
Endowment income and interest receivable	762	1,145	(33.4)
Total Income	**143,091**	**147,942**	**(3.3)**

Total income has fallen by 3.3% (£4.9m) over the 2005/06 figure.

After the adjustment referred to above, Funding Council grants showed a reduction of 17.0%.

Income from tuition fees and education contracts has shown a marked increase of 20.7%. 2006/07 was the first year that the University charged the maximum amount of tuition fees for home and EU students, whilst income from overseas students remained constant.

Income from research grants and contracts fell by 16%, as a number of EU and Central Government projects were completed during the year.

Other operating income has remained constant. Overall, the loss of £1m revenue grant from the Corporation of London and declines in sales of materials being offset by increases in trading and miscellaneous income.

Income from endowments and interest receivable has fallen by 33.4% mainly due to an overall reduction over the course of the financial year in money held in high interest short term deposit accounts as the University continued to fund its own capital programme.

Expenditure

Category of Expenditure	**Year to 31 July**		**Movement**
	2007	**2006**	
	£'000	**£'000**	%
Staff costs	98,024	99,216	(1.2)
Other operating expenses	48,304	51,732	(6.6)
Depreciation	7,308	7,249	0.8
Interest payable	1,701	1,998	(14.8)
Total Expenditure	**155,337**	**160,195**	**(3.0)**

Total expenditure has fallen by 3.0% (£4.9m) in line with the budget. The University has actively been involved in encouraging all departments to make cost savings where possible.

Staff costs have fallen in line with expectations following the voluntary severance scheme during the 2005/06 financial year, and an FRS 17 surplus in the current financial year. A 3% pay settlement was awarded in August 2006 together with a 1% incremental increase in February 2007. Contributions to the Teachers Pension Scheme ("TPS") and the London Pension Fund Authority ("LPFA") also increased in January 2007 and April 2007 respectively.

Other operating expenses have shown a decrease of 6.6% (£3.4m). In 2005/06 the University incurred £2.7m in redundancy pay as a result of the voluntary severance scheme. These costs fell to £0.3m in 2006/07. In addition in 2005/06 there was a higher than average repairs and maintenance expenditure because new maintenance contractors were appointed. This resulted in an acceleration of work in that year. In 2006/07 repairs and maintenance expenditure has reverted to more average levels.

Exceptional Item

The exceptional item comprises of the sale of Tufnell Park Hall in July 2007. The sale gave the University a profit on disposal of £32.9m.

In summary, the results for the year were broadly in line with budgetary expectations and the University's business plan (detailed on page 11).

BALANCE SHEET

The consolidated net assets of the Group at 31 July 2007 stand at £62.5m, an increase of £42.2m over 2006. This figure is after taking into account a pension deficit of £35.6m, in accordance with FRS17 'Retirement benefits' which was adopted in 2006.

Fixed Assets

Expenditure during the year on fixed assets was £6.5m, bringing the total net book value of land, buildings and equipment to £123.8m, reflecting the progress on the University's ambitious capital programme. This expenditure has been funded by the utilisation of cash balances (£4.0m) and by capital grants (£2.5m).

The University also sold Tufnell Park Hall as detailed above.

The most recent valuation of the group's properties, prepared by Nelson Bakewell Limited as at 28 February 2004 on an existing use basis, was £83.2m.

Endowment Assets

The value of endowment assets increased during the year by £86k primarily due to the increase in the market value of endowment investments.

Current Assets

Trade debtors have fallen by £593k owing largely to a strengthening of credit control and improved debt management.

Prepayments and accrued income have increased by £1.6m. The largest increases are due to the deferment of costs relating to future building sales together with an increase in income accruals on a number of externally funded University projects.

Short term deposits have shown a significant increase of £32.5m due to the temporary investment of sales proceeds following the disposal of Tufnell Park Hall.

Creditors

Creditors falling due within one year have fallen by £562k.

Amounts due after more than one year have fallen by £7.7m as a result of payments and the release of part of the deferred HEFCE revenue grants.

The University has not taken out any additional loans and is continuing to pay its existing loan obligations.

Provisions for Liabilities

As described above, the University has made a provision of £13.5m for holdback of teaching grant by the Funding Council.

Deferred Capital Grants

Deferred capital grants have continued to grow in line with the University's capital programme.

CAPITAL PROJECTS

During 2006/07, the University commenced a programme of refurbishment of its existing estate to improve its condition and fitness for purpose. Specific projects completed during the year include the refurbishment of the Ladbroke House Learning Centre, Stapleton House and parts of the Tower building complex; legislative compliance work around the whole of the estate; and work in preparation for the move of the department of Computing, Communications Technology and Mathematics at North campus from Eden Grove to facilities in the Tower building vacated by the department of Health and Human Sciences following the opening of the Science Centre at the start of the year.

Construction of the new Metropolitan Works facility at Commercial Road, which will extend our digital manufacturing capacity, commenced during the year and is planned to open during 2007/08.

Projects planned for 2007/08 include further refurbishment work throughout the estate, with a major investment in classroom IT teaching support equipment, and a major upgrade of our computer infrastructure, currently in the design phase.

FINANCIAL STRATEGY

The University operates a financial strategy which aims to produce an operating surplus in order to generate cash for re-investment. Specific targets are set as part of the business planning process, as follows:

- Achieving the operating surplus as a percentage of total income as set out in the business plan, subject to review in the annual budget-setting cycle to reflect changes in the external environment.
- Achieving an annually determined level of development funding.
- Reducing the proportion of teaching grant as a percentage of income.
- Improving liquidity.

TREASURY MANAGEMENT

Day-to-day cash and short-term investments are managed through rolling annual cash-flow forecasts which are updated every month. Capital expenditure and cash generation is considered as part of the normal five-year planning and annual budget cycles, so that any future borrowing requirements can be identified and negotiated well in advance of need.

The University's treasury management policy specifies that all surplus balances in excess of £1m are placed on short-term deposit after comparing quotes from our two firms of brokers and direct deposit-takers. Credit risk is managed by specifying minimum credit ratings of Standard & Poor's A-1+ (or equivalent) for deposits of up to one year and Standard & Poor's AA- (or equivalent) for deposits of more than one year and by limiting exposure to any single deposit-taker.

The University's foreign currency earnings represent a small proportion of its income and the overall exposure to exchange rate fluctuations is small.

STUDENT NUMBERS

Student numbers for the year 2006-07 are shown in the table below together with a comparison for the previous year.

Student numbers are taken from the returns submitted to HESA in November of each academic year.

	Year to 31 July	
	2007	**2006**
Full Time (Home/EU)	14,322	14,296
Full Time (Overseas)	3,361	3,533
Part Time	11,811	13,089
Short Course	3,343	4,020
Total	**32,837**	**34,938**

These student numbers include the unfunded students referred to above.

RESEARCH

The University has continued to operate a wide and varied research programme, supported partly from grant funding provided by HEFCE and partly by contract income from bids submitted to the Research Council and other funders.

RISK AND RISK MANAGEMENT

As for other UK universities, a significant proportion of our income is dependent on the number of students enrolled at the University. Changes in tuition fee and student funding regimes, changes in government policy for funding qualifications and fluctuations in the national and local demand for particular subjects, can have a direct impact on the resources available to the University from year-to-year.

The risks associated with this dependency are closely monitored and actively managed as part of the risk assessment process described on page 15.

FUTURE DEVELOPMENTS

In Autumn 2007, the University commenced a major strategic review. The significant reduction to our teaching grant described above will have an ongoing impact on our teaching grant estimate at approximately £20m per annum and has re-focused this review on the need to ensure the financial sustainability of the University whilst continuing to address the University's mission. The new strategic plan, to re-position the University, will be finalised in Autumn 2008.

Until this strategic plan is in place, the University continues to work within the business plan 2005-2010 and budgets for 2007-08 were set on that basis. Details of the 2005-10 business plan are as follows:

The business plan reflects the need for the University to plan all its activities so that, taken together, these remain sustainable over the period. The plan includes the estimated impact of changes currently underway in the higher education sector, including:

- The potential impact of the introduction of variable tuition fees and bursaries for full-time home and EU undergraduate students enrolling for the first time at the University from September 2006 onwards
- The impact of expected rises in employer pension contributions, including those required to recoup the deficit in the London Pension Fund Authority
- The impact of rises above the level of general inflation of certain other costs, particularly other staff costs and energy costs
- The need to continue to invest in the University's infrastructure, to improve the standard of facilities
- The need to set aside a substantial development fund, to be used to invest in new initiatives in both teaching and research.

The business plan demonstrates the need to reduce our cost base and, as part of our cost review, the University has planned further reductions of 70 posts over the two years to 2008/09.

Key figures in the business plan are as follows:

		Forecast	
	2007-08	**2008-09**	**2009-10**
	£m	**£m**	**£m**
Income	169.3	187.2	193.0
Operating costs	(163.6)	(183.0)	(185.9)
Operating surplus	5.7	4.2	7.1
Restructuring cost	(2.7)	(1.0)	-
Surplus	3.0	3.2	7.1

Decreases in student numbers below those assumed in the business plan for 2007/08 have caused the University to reduce its income budget for 2007/08 to £169.3m and its expenditure to £163.6m plus £2.7m provision for restructuring costs, delayed from 2006/07. The budget forecast surplus remains just above the business plan level, at £3.0m.

KEY RISKS

The University considers that the declines in student numbers, possible further holdback of grant resulting from resolution with the Funding Council of the funding status of some groups of students, and changes in Government policies such as the elimination of funding for "Equivalent and Lower Qualifications," present a significant risk to the stability of its current level of operation.

The University has significant concern that the way in which funding is provided to the sector and to students to encourage widening participation does not address the way in which many less affluent or less well-prepared students arrange their studies. In our experience many students find it difficult to maintain full-time study as they must fit study with the need to work and support family life. As a result, they find it necessary to change mid-year to part-time study. At present this can have a significant adverse effect on their personal income and can cause universities to lose all grant funding for those students. There is a significant risk that the University will no longer be able to afford to engage in the widening participation agenda to the previous extent.

As such, a full strategic review will commence in early 2008 which will consider the implications of these factors on the best size and shape of the University and develop strategies for change.

SUBSIDIARY TRADING COMPANIES

London Metropolitan University Enterprises Limited, has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. As the company made losses in both 2006/07 and 2005/06 no donations were made.

This company is fully consolidated into the 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. 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.

HUMAN RESOURCES

London Metropolitan University is committed to equality of opportunity in all aspects of its employment policy. Guidelines and procedures operate throughout the University 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. The University seeks to increase the number of black and ethnic minority people, women and people with disabilities that it employs where this is lower than the working population.

Our personnel policies and practices are aimed at responding proactively to changes in employment legislation and in promoting equality of opportunity in all areas of employment within the University, for example 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 has established a Joint Consultative and Negotiating Committee framework through which relevant issues are discussed and trade union representatives consulted.

In order to promote staff involvement of non-union members as well as union members in matters affecting the University, a Staff Representative Council has been created to discuss a wide range of University issues. Additionally, staff are elected by their colleagues to serve as members of the Board of Governors and on the Academic Board. 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 framework and conditions of service operating within the University contribute towards the achievement of the University's corporate objectives. The pay and conditions policies are kept under review to consider legislative changes, best practice and the general employment market.

For details on the remuneration of the University's governors (directors) and the Vice Chancellor and Chief Executive, please refer to Note 7 page 27.

The University reaches its employment decisions in line with 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.

EQUAL OPPORTUNITIES

London Metropolitan University is committed to equality of opportunity and treatment both as a provider of education and as an employer and to the production, implementation, review and monitoring of policies that promote equality for all those who study and work within the institution. London Metropolitan University values the diversity of its students and staff. It recognises that people from diverse backgrounds can bring new ideas and perceptions that help increase organisational efficiency and improve service.

The University recognises its commitment under the law and is committed to providing equality of opportunity by aiming to ensure that it follows legal requirements and good practice as recommended by the Commission for Racial Equality, the Equal Opportunities Commission, the Disability Rights Commission, the Chartered Institute of Personnel Development and Universities UK. It is the University's policy to treat all members of staff, students and applicants fairly and equitably regardless of gender, racial or cultural grounds, disability, age, marital status, religious beliefs, sexual orientation, trade union activity, or any other category where discrimination cannot be reasonably justified.

The full text of the University's Equality and Diversity Policy and other policies can be found on the University's website.

DONATIONS

The group makes no political or charitable donations.

AUDITORS

A resolution regarding the re-appointment of Grant Thornton UK LLP as auditors will be moved at the next Annual General Meeting.

By order of the Board.

J P McParland

Company Secretary

166-220 Holloway Road
London N7 8DB

25 June 2008

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 2007 are shown on page 4. 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 Companies Act 1985 and the Financial Memorandum with the Higher Education Funding Council for England (HEFCE) require 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 the group, and of the income and expenditure, cash flows and recognised gains and losses of the group for that period.

Under the University's rules the Board of Governors in discharging its overall responsibility requires the Finance and Human Resources 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.

It requires the audit committee to approve:

- the Statement of Corporate Governance
- the Report of the Governors; and
- the Independent Auditors report.

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

- the financial statements are prepared in accordance with the Accounts Direction issued by HEFCE, the Statement of Recommended Practice - Accounting for Further and Higher Education, applicable law, and United Kingdom Accounting Standards
- 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 HEFCE's Financial Memorandum and the Companies Act 1985. 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.

The auditors have been made aware of all relevant audit information. The Board have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Members of the Board are responsible for ensuring that funds from HEFCE are used only in accordance with the Financial Memorandum with HEFCE and any other conditions which 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 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 on Corporate Governance, issued in July 2003. The Combined Code brings together the guidance set out in the Cadbury, Greenbury and Hempel reports. 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 having regard to the Committee of University Chairmen's Governance Code of Practice, 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

As at 1 August 2006 the University's Board of Governors was comprised of 24 members. Currently it comprises of 16 governors. The categories of governor are as defined in the company Articles of Association and comprise Independent

Statement of Corporate Governance

Lay Governors, the Vice-Chancellor and Chief Executive, Staff Governors, one of whom is elected from the Academic Board, the President of the Student Union and a balance of membership defined under the Articles as Additional Co-opted Governors.

With the exception of the Vice-Chancellor and Chief Executive, the Academic Board Governors and the elected Staff Governors none of the Board are employees of the University. All Governors with the exception of the Vice-Chancellor and Chief Executive serve in a non-executive capacity. The University is a company limited by guarantee and the Governors are Directors and Members of the company. During the year as described in the paragraph of "Effectiveness of the Board" (page 16) the size and composition were changed to reduce the eventual size to 15 with each category of membership being reduced proportionately.

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 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.

The Board of Governors meets four times a year and has three formally constituted committees, namely Finance and Human Resources, Governance and Audit. Two sub-committees, the Remuneration Sub-Committee and the Property Sub-Committee, report to the Board through the Finance and Human Resources Committee. Membership of these committees is noted in the Annual Report (page 4). During the year the Board also constituted a Joint Standards Board with lay Governors for the purpose of assuring the Board of Governors on probity and standards of its academic awards.

These committees are fully non-executive, except that the Vice-Chancellor and Chief Executive is a member of the Finance and Human Resources Committee, its sub-committees and the Governance 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 internal and external auditors and HEFCE's audit service as they affect the University's business and monitors adherence with the regulatory requirements. Whilst the Vice-Chancellor and 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 Vice-Chancellor & 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 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 and is set out at the beginning of this section.

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 Governance Committee considers the appointment of independent and co-opted Governors.

The Audit Committee meets three times a year 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 Vice-Chancellor and 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 questions.

There is considerable opportunity for the Governors to request additional information through membership of 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 and co-opted Governors, following recommendations by the Governance Committee against agreed criteria.

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

The Articles of Association determine the composition of, appointment to, tenure of and removal from membership of the Board of Governors. 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 considers and recommends the annual remuneration of the Vice-Chancellor and Chief Executive and those staff specified in the Articles of Association.

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

External professional advice is sought when required.

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 University's position and prospects

The role of the Finance and Human Resources Committee and the responsibilities of the Governors are outlined on page 13. 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 Financial Statements.

The Financial Statements are presented in a format which is in accordance with the SORP: Accounting for Further and Higher Education.

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 13 and the response to the specific issues identified in the Turnbull report.

Control environment and control activities

An internal audit programme is agreed by the Audit Committee every year. This programme is carried out by an internal audit consortium, Kingston City Group, of which the University is a member. The internal auditors 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 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 Audit Committee and the Finance and Human Resources Committee, in accordance with their respective responsibilities as set out early in this report prior to recommendation 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.

This process is regularly reviewed by the Board 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.

The University's risk register was updated to reflect the Strategic Plan and departmental plans, which are reviewed annually by the Risk Committee. 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, considers risk as part of its regular meetings.

During the year the University decided to implement a comprehensive software package for Risk Management throughout the institution and the benefits of implementation will be seen in 2007/08. This package will be used to record and update the risk register as part of the 2007/08 departmental planning process.

The Business Continuity Plan, covering all aspects of the University's buildings, will be integrated with the implementation of the electronic Risk Management System to ensure that it is embedded at department level with Risk Management and Monitoring.

Statement of Corporate Governance

The University's internal auditors reviewed risk management procedures and reported their findings to the Audit Committee. Work to implement their recommendations has been ongoing in 2006/07 and further work on implementation will take place throughout 2007/08.

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 terms of reference of the Audit Committee are well established and are in full accordance with the Accountability and Audit: HEFCE Code of Practice.

The provision of external audit was the subject of a tendering exercise in 2004 and the successful bidder submitted proposals for a period of 5 years. Reappointment is considered annually and the Audit Committee make a recommendation to the Annual General Meeting in accordance with the requirements of the Companies Act.

Effectiveness of the Board

The Board, in accordance with the guidance of the Committee of University Chairmen, undertook a review of the effectiveness of the Governing Body. This review commenced in 2004/05 and was concluded in September 2005. The outcomes were reported to the Board in October 2005 and actions, including a review of and changes to the Articles of Association have been implemented during the year. Final approval of a revised Memorandum and Articles and a re-constituted Board was obtained from the Privy Council in December 2006. The resultant changes to the Board composition were implemented in the spring of 2007.

Compliance

From the foregoing, the University believes that it has complied with the governance requirements throughout the year.

Publication of the financial statements on the University's website

The financial statements are published on the University's website. The maintenance and integrity of the website is the responsibility of the Vice-Chancellor and Chief Executive. The external auditors accept no responsibility for the accuracy of the financial statements that appear 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.

P Anwyl
Chair

B A Roper
Vice-Chancellor and Chief Executive

25 June 2008

Report of the Independent Auditors' to the Members of the Governing Body of London Metropolitan University

We have audited the financial statements of London Metropolitan University for the year ended 31 July 2007 which comprise the principal accounting policies, the consolidated income and expenditure account, the consolidated statement of historical cost surplus/(deficit) for the year, the consolidated and University balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and notes 1 to 34 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.

This report is made solely to the members of the University Board of Governors, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the members of the University Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the members of the University Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE MEMBERS OF THE BOARD OF GOVERNORS AND AUDITORS

As described in the statement of responsibilities of the Board of Governors of the London Metropolitan University, the Board is responsible for the preparation of 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 law, and United Kingdom Accounting Standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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, monies expended out of funds from whatever source administered by the University for specific purposes were properly applied for those purposes and where relevant managed in accordance with appropriate legislation and whether monies expended out of funds provided by the Higher Education Funding Council for England, the Training and Development Agency for Schools and the Learning and Skills Council were applied in accordance with the financial memorandum and any other terms and conditions attached thereto.

We also report to you our opinion as to whether the information given in the Report to the Governors is consistent with the financial statements. In addition we also report to you if, in our opinion, the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Report of the Governors and the Statement of Corporate Governance and consider the implications for our report if we become aware of any apparent misstatement within it. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and the HEFCE Code of Practice. 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:

i) the financial statements give a true and fair view of the state of affairs of the London Metropolitan University and the group as at 31 July 2007, and of the surplus of income over expenditure, of the group for the year then ended; the Financial Statements have been properly prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice-Accounting for Further and Higher Education; and the information given in the Report of the Governors is consistent with the financial statements.

ii) in all material respects, income from the Higher Education Funding Council for England, the Learning and Skills Council and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the institution have been applied only for the purposes for which they were received.

iii) in all material respects, funds have been applied in accordance with the financial memorandum dated December 2003 and where appropriate in accordance with the Financial Memorandum with the Higher Education Funding Council for England.

Grant Thornton UK LLP

GRANT THORNTON UK LLP

REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
Gatwick 11 July 2008

Consolidated Income & Expenditure Account for the year ended 31 July 2007

	Notes	2006/07 £'000	Restated 2005/06 £'000
Income			
Funding council grants	*1*	65,766	79,255
Tuition fees and education contracts	*2*	56,875	47,111
Research grants and contracts	*3*	4,148	4,964
Other income	*4*	15,540	15,467
Endowment income and interest receivable	*5*	762	1,145
Total income		**143,091**	**147,942**
Expenditure			
Staff costs	*6*	98,024	99,216
Other operating expenses	*8*	48,304	51,732
Depreciation	*10*	7,308	7,249
Interest payable and similar charges	*9*	1,701	1,998
Total expenditure		**155,337**	**160,195**
(Deficit) for the year on continuing operations after depreciation of assets at valuation and tax		**(12,246)**	**(12,253)**
Surplus on sale of freehold residential property	*10*	32,976	-
Surplus/(deficit) for the year on continuing operations after disposal of assets		**20,730**	**(12,253)**
Surplus for the year retained within general reserves/(deficit) sustained for the prior year	*20*	**20,730**	**(12,253)**

Consolidated statement of historical cost surplus/(deficit) for the year

	Notes	2006/07 £'000	Restated 2005/06 £'000
Surplus/(deficit) for the year on continuing operations before and after tax		**20,730**	**(12,253)**
Difference between historical cost depreciation charge and the actual charge calculated on valuation of assets	*20*	104	104
Historical cost surplus/(deficit)		**20,834**	**(12,149)**

Consolidated Balance Sheet

as at 31 July 2007

	Notes	2007 £'000	Restated 2006 £'000
Fixed Assets			
Tangible assets	*10*	123,780	127,797
Investments	*12*	64	64
		123,844	**127,861**
Endowment Asset Investments	*13*	**1,205**	**1,119**
Current Assets			
Stock	*14*	82	71
Debtors	*15*	12,866	12,780
Short term deposits		39,000	6,500
Cash at bank and in hand		1,954	1,400
		53,902	20,751
Creditors			
Amounts falling due within one year	*16*	(37,010)	(37,572)
Net Current Assets/(Liabilities)		**16,892**	**(16,821)**
Total Assets less Current Liabilities		**141,941**	**112,159**
Creditors			
Amounts falling due after more than one year	*17*	(27,846)	(35,515)
Provisions for Liabilities	*18*	(15,977)	(2,497)
Total Net Assets Excluding Pension Deficit		**98,118**	**74,147**
Pension deficit	*22*	(35,574)	(53,762)
Total Net Assets Including Pension Deficit		**62,544**	**20,385**
Represented by:			
Deferred Capital Grants	*19*	**46,334**	**43,115**
Endowments	*13*	**1,205**	**1,119**
Reserves			
Revaluation reserve	*20*	3,802	3,906
General reserve excluding pension deficit		46,777	26,007
Pension deficit		(35,574)	(53,762)
General reserve including pension deficit	*20*	11,203	(27,755)
Total Reserves		**15,005**	**(23,849)**
Total Funds		**62,544**	**20,385**

The financial statements on pages 18 to 48 were approved by the Board of Governors of London Metropolitan University on 25 June 2008 and were signed on its behalf by:

P Anwyl
Chair

BA Roper
Vice-Chancellor and Chief Executive

University Balance Sheet

as at 31 July 2007

	Notes	2007 £'000	Restated 2006 £'000
Fixed Assets			
Tangible assets	*11*	120,518	124,636
Investments	*12*	387	616
		120,905	**125,252**
Endowment Asset Investments	*13*	**1,205**	**1,119**
Current Assets			
Stock	*14*	35	46
Debtors	*15*	11,734	11,930
Short term deposits		39,000	6,500
Cash at bank and in hand		1,275	1,123
		52,044	**19,599**
Creditors			
Amounts falling due within one year	*16*	(36,066)	(36,384)
Net Current Assets/(Liabilities)		**15,978**	**(16,785)**
Total Assets less Current Liabilities		**138,088**	**109,586**
Creditors			
Amounts falling due after more than one year	*17*	(27,846)	(35,515)
Provisions for Liabilities	*18*	**(15,977)**	**(2,497)**
Total Net Assets Excluding Pension Deficit		**94,265**	**71,574**
Pension deficit	*22*	(35,574)	(53,762)
Total Net Assets Including Pension Deficit		**58,691**	17,812
Represented by:			
Deferred Capital Grants	*19*	**43,253**	**41,338**
Endowments	*13*	**1,205**	**1,119**
Reserves			
Revaluation reserve	*21*	3,802	3,906
General reserve excluding pension deficit	*21*	46,005	25,211
Pension deficit		(35,574)	(53,762)
General reserve including pension deficit	*21*	10,431	(28,551)
Total Reserves		**14,233**	**(24,645)**
Total Funds		**58,691**	**17,812**

The financial statements on pages 18 to 48 were approved by the Board of Governors of London Metropolitan University on 25 June 2008 and were signed on its behalf by:

Peter Anwyl

P Anwyl
Chair

B.A. Roper

BA Roper
Vice-Chancellor and Chief Executive

Consolidated Cash Flow Statement

for the year ended 31 July 2007

	Notes	2006/07 £'000	2005/06 £'000
Net Cash Inflow from Operating Activities	25	**6,255**	**428**
Returns on investments and servicing of finance	26	(895)	1,175
Net capital receipts/(expenditure)	27	35,263	(11,958)
Cash Inflow/(Outflow) before Use of Liquid Resources and Financing		**40,623**	**(10,355)**
Management of liquid resources	28	(32,501)	16,651
Financing	29	(7,568)	(6,063)
Increase in Cash in the year		**554**	**233**

Reconciliation of Net Cash Flow to Movement in Net Funds

	Notes	2006/07 £'000	2005/06 £'000
Increase in cash in the year		554	233
Cash outflow/(inflow) from liquid resources	28	32,501	(16,651)
Net cash outflows from repayment of loans	29	7,362	12,815
Capital repayments of finance leases	29	206	166
Change in net funds resulting from cash flows	30	40,623	(3,437)
Net debt brought forward from previous year	30	(30,353)	(26,916)
Net Funds/(Debt) at 31 July	30	**10,270**	**(30,353)**

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 July 2007

	Notes	2006/07 £'000	Restated 2005/06 £'000
Surplus/(deficit) for the year	*20*	**20,730**	**(12,253)**
Revaluation of endowment asset investments	*13*	81	116
Net additions/(disposals) to endowment asset investments	*13*	5	(215)
HEFCE reimbursement of principal element of inherited loan liabilities	*20*	-	6,918
Actuarial gain/(loss) recognised in the pension fund	*22*	18,124	(1,866)
Total recognised gains/(losses) relating to the financial year		**38,940**	**(7,300)**
Prior year adjustment - see note 20		(3,300)	
Total gains recognised since last published financial statements		**35,640**	
Reconciliation:			
Opening reserves and endowments as previously stated	*20*	(22,730)	(15,430)
Total recognised gains and losses for the year		38,940	(7,300)
Closing reserves and endowments	*20*	**16,210**	**(22,730)**

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

Modified 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 as adapted to the Statement of Recommended Practice (SORP) for Further and Higher Education, and in accordance with applicable UK accounting standards.

(B) Consolidation

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

Intra-group turnover and profits are eliminated fully upon consolidation.

Under the exemption in S230 of the Companies Act 1985, the University is not required to present its own Income and Expenditure account. The University surplus for the year ended 31 July 2007 is £20,730k (2006: £12,253k restated deficit).

(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 in income 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 scholarships, 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 potentially is 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 exclusively to charitable purposes. The University receives no similar exemption in respect of Value Added Tax (VAT). Unrecoverable VAT is included within the appropriate expenditure heading.

The University's subsidiary undertakings 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. A review of impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

(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.

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.

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. Such assets are included in fixed assets and are depreciated over the shorter of the lease term or their useful economic life.

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.

(iii) Assets held under operating leases
The annual rentals arising from operating leases are charged to operating profit over the lease term.

(iv) Heritage Assets
A heritage asset is an asset with historic or artistic qualities that is held and maintained principally for its contribution to knowledge and culture.

The University has a number of these assets in the form of books, pamphlets, periodicals and visual materials. These assets have no value attributed to them in the financial statements.

(v) 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:

Boiler System
25 years

Alterations and Building improvements
Over 20 years or their remaining expected economic useful life, if lower.

Computers and other equipment
Over 3, 5 or 10 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 Pension Fund Authority ("LPFA") scheme for non-academic staff.

The schemes are statutory, contributory, final salary schemes and are contracted out of the State Earnings-Related Pension Scheme. The LPFA scheme and the funds of the USS are valued every 3 years. The funds of the TPS 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 FRS17, except for the USS and the TPS for which contributions are charged directly to the income and expenditure account as if the schemes were defined contribution schemes.

(H) Investments
Investments in subsidiaries and associated undertakings are shown in the University's balance sheet at cost less any provision for impairment in their value.

Endowment Asset Investments are included in the University 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.

(K) Bad Debts Provision
Debtors are included in the financial statements 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) Financial Instruments
The University has considered FRS 25, 'Financial Instruments: disclosure and presentation', in these financial statements. FRS 25 has had no significant impact on the financial statements.

Notes to the Financial Statements

	2006/07 £'000	Restated 2005/06 £'000

1. Funding Council Grants

	2006/07 £'000	Restated 2005/06 £'000
Higher Education Funding Council for England		
Recurrent grant	53,750	62,585
Inherited property costs	3,831	3,831
Inherited pension liabilities	1,075	1,144
Reimbursement of debt charges	-	1,978
Restructuring grant	-	152
Other	2,308	2,818
Other Funding Bodies		
Learning and Skills Council grant	1,252	1,867
Training and Development Agency grant	1,894	1,892
Deferred Capital Grants Released	1,656	2,988
	65,766	**79,255**

2. Tuition Fees and Education Contracts

	2006/07 £'000	Restated 2005/06 £'000
Full-time students		
Home / EU students	24,860	16,852
Overseas students	20,205	19,959
Part-time students	11,810	10,300
	56,875	**47,111**

3. Research Grants and Contracts

	2006/07 £'000	Restated 2005/06 £'000
Research councils	1,098	941
UK based charities	520	331
European Commission	830	1,416
Other grants and contracts	1,700	2,276
	4,148	**4,964**

Notes to the Financial Statements

4. Other Income

	2006/07 £'000	2005/06 £'000
Other grants and contracts	62	242
Corporation of London grants	-	1,043
Consultancy	1,526	1,313
Trading project income	6,760	5,953
Sale of materials and other departmental income	649	1,235
Rental income and hire of facilities	265	194
Residence & catering income	3,533	3,485
Deferred capital grants released - non HEFCE	661	339
Miscellaneous income	2,084	1,663
	15,540	**15,467**

5. Endowment Income and Interest Receivable

	2006/07 £'000	2005/06 £'000
Income from specific endowment asset investments	18	22
Income from general endowment asset investments	7	9
Interest receivable	737	1,114
	762	**1,145**

6. Staff Costs

	2006/07 £'000	2005/06 £'000
Costs:		
Academic staff	57,448	54,112
Other staff	40,576	45,104
	98,024	**99,216**
Costs Comprise :		
Wages and salaries	81,210	81,145
Social Security costs	6,785	6,844
Other pension costs	10,029	11,227
	98,024	**99,216**

The average number of full time equivalent (FTE) employees (including senior post-holders) during the year was as follows:

	2006/07 FTE	2005/06 FTE
Academic staff	1,175	1,185
Other staff	1,276	1,332
	2,451	**2,517**

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. During the year 7 governors (2005/06: 7) were remunerated in their capacity as employees of the University. The figures below therefore relate entirely to staff governors and to sums received by them in their capacity as employees of the University.

	2006/07 £'000	2005/06 £'000
Directors' Emoluments		
Salaries	494	471
Benefits in kind	1	-
Pension contributions	68	62
	563	**533**
Highest Paid Director		
The Vice-Chancellor and Chief Executive		
Salary	241	219
Benefits in kind	1	-
	242	219
Pension contributions	34	30
	276	**249**

The pension contribution of the Vice-Chancellor and Chief Executive is in respect of employer's contributions to the TPS and is paid at the same rate as for other employees.

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:

	2006/07 No.	2005/06 No.
£70,000 to £80,000	12	8
£80,001 to £90,000	7	9
£90,001 to £100,000	3	2
£100,001 to £110,000	1	3
£110,001 to £120,000	1	-
£120,001 to £130,000	2	2
£130,001 to £140,000	2	-
£210,001 to £220,000	-	1
£240,001 to £250,000	1	-
	29	**25**

8. Other Operating Expenses

	2006/07 £'000	2005/06 £'000
Residences	3,210	2,955
Consumables & laboratories	1,679	1,734
Books & periodicals	1,931	1,760
Student travel & awards	2,608	1,310
Energy & water	2,673	1,658
Repairs & maintenance	3,604	4,889
Operating leases - property	4,552	4,374
Operating leases - equipment	196	243
External auditors' remuneration (audit)	86	84
Internal auditors' remuneration (audit)	127	125
External auditors' remuneration (other)	12	-
External auditors' remuneration (taxation)	-	3
Internal auditors' remuneration (other)	1	-
Other audit fees	18	25
Staff related costs	7,405	6,536
Restructuring costs	232	3,716
Postage and telecommunications	1,149	1,280
IT maintenance	1,401	1,326
Design and production of software	254	434
Publicity	1,974	1,766
Facilities cost	2,514	2,557
Consultancy and subscriptions	3,861	3,613
Franchise costs	1,300	1,320
Enhanced pension liabilities	1,075	1,056
Print costs	2,431	2,720
Rates	529	381
Examination and degree expenses	913	866
Insurance	640	731
Loan early redemption premium	-	1,862
Other expenses	1,929	2,525
Profit on sale of fixed asset	-	(117)
	48,304	**51,732**

9. Interest Payable and Similar Charges

	2006/07 £'000	2005/06 £'000
Finance lease	592	542
Pension finance interest	731	930
Unwinding of discount in respect of the enhanced pension provision	139	54
Interest payable on bank loans, overdrafts and other loans, repayable wholly or partly in less than 5 years	123	154
Interest payable on bank loans, overdrafts and other loans, repayable wholly or partly in more than 5 years	116	318
	1,701	**1,998**

10. Tangible Fixed Assets (Group)

	Freehold Land and Buildings Academic £'000	Residential £'000	Under Construction £'000	Alterations& Improvements £'000	Short Finance Leasehold Land and Buildings Academic £'000	Long Leasehold Building Academic £'000	Equipment Owned £'000	Total £'000
Cost/Valuation								
At 1 August 2006	76,400	7,490	26,831	18,425	7,339	1,175	47,123	184,783
Additions	794	-	1,072	1,420	-	-	3,232	6,518
Disposals	-	(3,710)	-	-	-	-	-	(3,710)
Transfers	25,673	-	(26,440)	767	-	-	-	-
At 31 July 2007	**102,867**	**3,780**	**1,463**	**20,612**	**7,339**	**1,175**	**50,355**	**187,591**
Depreciation								
At 1 August 2006	12,090	1,132	-	3,501	2,965	147	37,151	56,986
Charge for year	2,030	54	-	1,034	280	19	3,891	7,308
Eliminated on disposal	-	(483)	-	-	-	-	-	(483)
At 31 July 2007	**14,120**	**703**	**-**	**4,535**	**3,245**	**166**	**41,042**	**63,811**
Net Book Value at 31 July 2007	**88,747**	**3,077**	**1,463**	**16,077**	**4,094**	**1,009**	**9,313**	**123,780**
Net Book Value at 31 July 2006	**64,310**	**6,358**	**26,831**	**14,924**	**4,374**	**1,028**	**9,972**	**127,797**
Cost of land included in above	8,268	1,516	-	-	1,174	-	-	10,958

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 2007	**5,832**	**43**	**-**	**-**	**9,639**	**-**	**-**	**15,514**

On 27 July 2007 Tufnell Park Hall, a freehold residential property, was sold. This sale generated a surplus on disposal of £32,976k. This was comprised as follows: Sales proceeds £37,503k, less book value at disposal £3,227k, less costs associated with the disposal £1,300k.

Land and buildings are included in the accounts at either historical or revalued cost which reflects the policies adopted by the pre-merger institutions of the University of North London and the London Guildhall University following the introduction of FRS 15.

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

The Learning Centre
The amounts shown under 'Short Leasehold Property Academic' relate to a property known as 'The Learning Centre' against which a finance lease was signed on 20 January 1995. The building is leased to the University for 25 years with options to buy at a fixed price after 15 or 20 years. The lease has been accounted for in accordance with the procedure prescribed in SSAP 21.

Jewry Street
London Metropolitan University occupies premises in Jewry Street, which are not included in the statement above. The building is occupied 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 University also has the obligation to repair and maintain the building. The existing use value as at 28 February 2003 was estimated at £9.9m.

Assets under construction
During 2006/07 £25,673k was transferred out of Freehold Property 'Assets Under Construction' to Freehold Property 'Academic'. This relates to the Science Centre building which was completed in September 2006 and formally opened in November 2006.

11. Tangible Fixed Assets (University)

	Freehold Academic £'000	Freehold Residential £'000	Land and Buildings Under Construction £'000	Alterations& Improvements £'000	Short Finance Leasehold Land and Buildings Academic £'000	Equipment Owned £'000	Total £'000
Cost / Valuation							
At 1 August 2006	76,400	7,490	26,831	17,707	7,339	44,763	180,530
Additions	794	-	595	1,449	-	3,119	5,957
Disposals	-	(3,710)	-	-	-	-	(3,710)
Transfers	25,673	-	(26,440)	767	-	-	-
At 31 July 2007	**102,867**	**3,780**	**986**	**19,923**	**7,339**	**47,882**	**182,777**
Depreciation							
At 1 August 2006	12,090	1,132	-	3,410	2,965	36,297	55,894
Charge for year	2,030	54	-	999	280	3,485	6,848
Eliminated on disposal	-	(483)	-	-	-	-	(483)
At 31 July 2007	**14,120**	**703**	**-**	**4,409**	**3,245**	**39,782**	**62,259**
Net Book Value at 31 July 2007	**88,747**	**3,077**	**986**	**15,514**	**4,094**	**8,100**	**120,518**
Net Book Value at 31 July 2006	**64,310**	**6,358**	**26,831**	**14,297**	**4,374**	**8,466**	**124,636**
Cost of land included in above	8,268	1,516	-	-	1,174	-	10,958

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 2007	**5,832**	**43**	**-**	**-**	**9,639**	**-**	**15,514**

The University owns a number of Heritage assets which have been detailed below:

The Women's Library
The Women's Library is widely acknowledged to be 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 includes 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.

TUC Collection
The TUC Library Collection, established in 1922, was transferred to the London Metropolitan University in 1996. The holdings include reference and historical works on the trade union movement, union publications from the UK and overseas, documents relating to working conditions and industrial relations in various industries and countries, and material collected from the various campaigns and policy areas in which the TUC has been involved since its foundation in 1868. The TUC collection is housed in the Learning Centre, Holloway Road.

Irish History Archive
The Archive collections consist of materials donated in a number of different media over the last twenty years, from special collections, the most significant of which are the Paul Hill Prison Letters (1974-89), to Community, Articles and Student Collections. The original collections were inherited by the University from the Irish in Britain History Group in 1989 and have been substantially augmented since.

The Frederick Parker Collection
The Collection is made up of a chairs exhibit and archives. The Collection is one of Britains foremost study collections of British chairs from 1600 to the present day. There are 167 chairs in the Collection of which 140 are on view. Archives include photographs of every Frederick Parker model made between 1872 and 1939, some on glass plates; the complete range of reference books and many drawings of proposed items for specific customers. The Collection is housed at Metropolitan Works, Commercial Road.

12. Investments

	1 August 2006 £'000	Impairment in value £'000	31 July 2007 £'000
Group			
CVCP Properties plc	64	-	64
	64	**-**	**64**
University			
CVCP Properties plc	64	-	64
London Metropolitan University Enterprises Limited	209	(209)	-
Shoreditch Consortium Limited	-	-	-
Metropolitan New Media Limited	343	(20)	323
	616	**(229)**	**387**

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. The University has a small shareholding in the company.

Subsidiaries
All of the subsidiary undertakings below are registered and incorporated in England and are wholly owned by the University.

London Metropolitan University Enterprises Limited
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 in 2006/07 is £222k (2005/06: £141k) and the net assets at 31 July 2007 are £3,067k (2006: £1,985k). Of the deficit, £262k relates to two of the company's operating units, Metropolitan New Media and IT Learning Exchange, which ceased operations during 2006/07.

Metropolitan New Media Limited
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 only remaining activity is the payment of rent on our Shoreditch building pending the transfer of the lease to the University. The deficit for this subsidiary in 2006/07 is £20k (2005/06: £17k) and the net assets at 31 July 2007 are £323k (2006: £343k).

Shoreditch Consortium Limited
The principal business activity of Shoreditch Consortium Ltd is to undertake work commissioned by the BBC for its Digital Curriculum service. The deficit for this subsidiary in 2006/07 is £12k (2005/06: £nil) and the net assets at 31 July 2007 are (£12k) (2006: £nil).

	2007 £'000	2006 £'000

13. Endowments

	2007 £'000	2006 £'000
University and Group Endowment Assets		
Balance at 1 August	1,119	1,218
Transfer in: Design Trust	-	70
Disposal: Sinking Fund	-	(155)
Capital appreciation of endowment asset investments	77	116
Revenue appreciation of endowment asset investments	17	16
Increase/(decrease) in cash balances	51	(109)
(Decrease) in debtor balances	(59)	(38)
Increase in creditor balances	-	1
Balance at 31 July	**1,205**	**1,119**
Represented by:		
Fixed interest stocks	120	125
Unit Trusts	30	28
Cash and short term investments	77	26
Shares in Managed Growth Fund	966	869
Design Trust debtors	12	71
Total	**1,205**	**1,119**

	2007 £'000 Specific	2007 £'000 General	2007 £'000 Total	2006 £'000 Specific	2006 £'000 General	2006 £'000 Total
University and Group Endowment Reserves						
Balance at 1 August	899	220	1,119	1,026	192	1,218
Additions	11	4	15	82	25	107
Disposals: Sinking Fund	-	-	-	(337)	-	(337)
Appreciation of endowment asset investments	76	5	81	112	4	116
Income for year	18	7	25	22	9	31
Expenditure for year	(22)	(13)	(35)	(6)	(10)	(16)
Balance at 31 July	**982**	**223**	**1,205**	**899**	**220**	**1,119**
Representing:						
Special Trust Funds	982	-	982	899	-	899
Other Funds	-	223	223	-	220	220
	982	**223**	**1,205**	**899**	**220**	**1,119**
The Special Trust Funds as at 31 July included:						
The Women's Library Trust Fund	468	-	468	410	-	410
The Wood Brothers Prize Fund	31	-	31	27	-	27
The Sadd Brown Library Trust Fund	33	-	33	29	-	29
The Women's History Fellowship Trust Fund	125	-	125	110	-	110
The Kaufman Awards Fund	1	-	1	10	-	10
The Teaching Studies Fund	50	-	50	49	-	49
The Lord Limerick Memorial Bursary Fund	99	-	99	98	-	98
The Maggie Sanderson Memorial Fund	11	-	11	11	-	11
The Maureen Castens Prize Fund	6	-	6	5	-	5
The Tom Walsh Prize Fund	5	-	5	-	-	-
The Design Trust	62	-	62	71	-	71
Other	91	-	91	79	-	79
	982	**-**	**982**	**899**	**-**	**899**

Notes to the Financial Statements

14. Stocks

	2007 £'000	2006 £'000
Group		
Work in Progress	18	5
Goods purchased for resale	64	66
	82	**71**
University		
Goods purchased for resale	**35**	**46**

15. Debtors

	2007 £'000	2006 £'000
Group		
Amounts falling due within one year:		
Trade debtors	6,044	6,637
Due from HEFCE	96	973
Loans to staff and students	124	135
Other debtors	442	487
Prepayments and accrued income	6,160	4,548
	12,866	**12,780**
University		
Amounts falling due within one year:		
Trade debtors	5,643	5,695
Due from HEFCE	96	973
Loans to staff and students	124	135
Owed by subsidiaries	100	492
Other debtors	92	338
Prepayments and accrued income	5,679	4,297
	11,734	**11,930**

16. Creditors - amounts falling due within one year

	2007 £'000	Restated 2006 £'000
Group		
Trade creditors	8,859	9,345
Deferred HEFCE grants and amounts owed to HEFCE	9,102	9,333
Taxation and pension contributions	4,567	3,928
Bank mortgage and HEFCE loans	2,619	2,559
Finance lease	246	205
Accruals	5,201	5,481
Deferred income	6,305	6,611
Other	111	110
	37,010	**37,572**

	2007 £'000	Restated 2006 £'000
University		
Trade creditors	8,207	8,606
Deferred HEFCE grants and amounts owed to HEFCE	9,102	9,333
Taxation and pension contributions	4,567	3,928
Bank mortgage and HEFCE loans	2,619	2,559
Owed to subsidiaries	137	111
Finance lease	246	205
Accruals	5,036	5,420
Deferred income	6,116	6,193
Other	36	29
	36,066	**36,384**

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

	2007 £'000	2006 £'000
University and Group		
Bank mortgages (secured)		
Principal payable within two to five years	954	1,832
Principal payable after five years	975	1,179
	1,929	3,011
HEFCE loans (interest free, unsecured)		
Principal payable within two to five years	4,996	6,196
Principal payable after five years	349	698
	5,345	6,894
Finance lease obligations (secured)		
Principal payable within two to five years	1,516	1,296
Principal payable after five years	5,074	5,541
	6,590	6,837
Deferred HEFCE revenue grant		
To be released within two to five years	13,829	15,324
To be released after five years	153	2,490
	13,982	17,814
LPFA employers pension contribution		
Payable within two to five years	-	959
	-	959
Total	**27,846**	**35,515**

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 EURIBOR, currently 4.08%. These mortgages detailed in (a) and (b) are secured on the University's Tower complex and Stapleton House.

The HEFCE loans consist of (a) a loan for the construction of the Law Building drawn down in 2002/03 and repayable in annual equal instalments over a period of 10 years until June 2013 and (b) a loan for the construction of the Science Centre drawn down in 2004/05 and repayable in annual equal instalments over a period of 5 years until April 2011.

The HEFCE deferred revenue grant relates to the lump sums received in March 2004 and March 2005 to compensate the University for the cancellation of HEFCE's obligation to reimburse the University for the revenue costs associated with certain liabilities inherited on incorporation. These deferred revenue grants are being released over a period of 7.4 years.

18. Provisions for Liabilities and Charges (Group and University)

	2007 £'000	2006 £'000
HEFCE Holdback		
At 1 August	-	-
Increase	13,500	-
Provision utilised in year	-	-
At 31 July	13,500	-
Enhanced Pensions		
At 1 August	2,312	2,148
Increase	-	262
Unwinding of discount	139	54
Provision utilised in year	(159)	(152)
At 31 July	2,292	2,312
Building Contracts		
At 1 August	185	185
Provision utilised in the year	-	-
At 31 July	185	185
Total		
At 1 August	2,497	2,333
Increase	13,500	262
Unwinding of discount	139	54
Provision utilised in year	(159)	(152)
At 31 July	**15,977**	**2,497**

The University is in discussion with HEFCE over the approach to the determination of the funding status of some groups of students. As at the date that these financial statements were signed, data has been submitted to HEFCE showing an adjustment to core funding of £13.5m and a provision has been made for this amount. There is a possibility that this figure may be subject to change if HEFCE does not accept the parameters the University has used in its calculation. Were this unlikely situation to arise, a larger reduction in core funding is possible, up to the value of £16.0m. As such the amount not provided for could be up to the value of £2.5m.

The pension provision is in respect of pension enhancements payable to staff who took early retirement before 1994. Payments will be made over the lives of the pensioners concerned.

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.

19. Deferred Capital Grants

	HEFCE £'000	Other Grants £'000	Total £'000
Group			
At 1 August 2006			
Buildings	33,868	6,484	40,352
Equipment	1,200	1,563	2,763
	35,068	**8,047**	**43,115**
Cash Received			
Buildings	3,119	1,417	4,536
Equipment	643	384	1,027
	3,762	1,801	5,563
Released to Income & Expenditure Account			
Buildings	(1,180)	(256)	(1,436)
Equipment	(476)	(432)	(908)
	(1,656)	(688)	(2,344)
At 31 July 2007			
Buildings	35,807	7,645	43,452
Equipment	1,367	1,515	2,882
	37,174	**9,160**	**46,334**

The group total includes deferred capital grants awarded to London Metropolitan University Enterprises Limited.

	HEFCE £'000	Other Grants £'000	Total £'000
University			
At 1 August 2006			
Buildings	33,868	6,270	40,138
Equipment	1,200	-	1,200
	35,068	**6,270**	**41,338**
Cash Received			
Buildings	3,119	-	3,119
Equipment	643	-	643
	3,762	-	3,762
Released to Income & Expenditure Account			
Buildings	(1,180)	(191)	(1,371)
Equipment	(476)	-	(476)
	(1,656)	(191)	(1,847)
At 31 July 2007			
Buildings	35,807	6,079	41,886
Equipment	1,367	-	1,367
	37,174	**6,079**	**43,253**

	2007 £'000	Restated 2006 £'000

20. Movement on Consolidated Reserves

	2007 £'000	Restated 2006 £'000
Revaluation Reserve		
At 1 August	3,906	(2,908)
Reimbursement of principal on inherited loan	-	6,918
Transfer to general reserve - depreciation	(104)	(104)
At 31 July	**3,802**	**3,906**
General Reserve		
At 1 August as originally stated	(24,455)	(13,740)
Prior year adjustment	(3,300)	-
Restated balance at the beginning of the year	(27,755)	(13,740)
Transfer from revaluation reserve - depreciation	104	104
Surplus/(deficit) for the year	20,730	(12,253)
Actuarial gain/(loss) on pension fund	18,124	(1,866)
At 31 July	**11,203**	**(27,755)**
Endowments		
At 1 August	1,119	1,218
Net movement in endowments (note 13)	86	(99)
At 31 July	**1,205**	**1,119**
Total Reserves	**16,210**	**(22,730)**

Prior Year Adjustment

The prior year adjustment relates to a HEFCE holdback provision that reflects an adjustment to fundable student numbers following a data audit carried out by HEFCE on 2005/06 student data. The data audit was carried out in 2008 and as such necessitates the need to restate the 2006 year end.

21. Movement on University Reserves

	2007 £'000	Restated 2006 £'000
Revaluation Reserve		
At 1 August	3,906	(2,908)
Reimbursement of principal on inherited loan	-	6,918
Transfer to general reserve - depreciation	(104)	(104)
At 31 July	**3,802**	**3,906**
General Reserve		
At 1 August as originally stated	(25,251)	(14,537)
Prior year adjustment	(3,300)	-
Restated balance at the beginning of the year	(28,551)	(14,537)
Transfer from revaluation reserve - depreciation	104	104
Surplus/(deficit) for the year	20,754	(12,252)
Actuarial gain/(loss) on pension fund	18,124	(1,866)
At 31 July	**10,431**	**(28,551)**
Endowments		
At 1 August	1,119	1,218
Net movement in endowments (note 13)	86	(99)
At 31 July	**1,205**	**1,119**
Total University Reserves	**15,438**	**(23,526)**

22. Pension Arrangements

The University contributes to three defined benefit pension schemes; the LPFA, the TPS and the USS. The latter two are multi-employer schemes and as set out below are to be treated under FRS 17 as defined contribution schemes leaving the LPFA to be accounted for under FRS 17, as a defined benefit scheme.

A. THE LONDON PENSION FUND AUTHORITY

The London Pension Fund Authority (the Fund) 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 Fund for 2006/07 was £5,247,229 (2005/06: £4,312,192).

The contribution rate payable by the University increased from 19.6% to 24.9% of pensionable salaries from 1 April 2007 as part of the agreement reached with the Fund to phase contributions paid to the required average rate of 19.6% over a 3 year period to 31 March 2008.

The pension cost, which includes the liability for pension increases, has been determined in accordance with the advice from the Fund's actuaries, Hymans Robertson, and is based on an actuarial valuation as at 31 March 2004 using the projected unit method. The rates certified at the actuarial valuation as at 31 March 2004 applied from the year 2005/06. The main financial assumptions in the 2004 actuarial valuation were:-

Rate of investment return	6.3% per annum
Rate of salary increases	4.4% per annum
Rate of pension increases	2.9% per annum

The actuarial valuation as at 31 March 2004 showed that the market value of the Fund's assets attributable to the University was estimated at approximately £72.39m and that the actuarial value of those assets represented 74% 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.

The valuation showed that, with effect from 1 April 2005, the required level of long term contributions to be paid by the University to the Fund was 26.8% of pensionable payroll. This contribution rate is calculated to be sufficient to cover the employer's liabilities. This comprises of a future service rate of 12.7% of pensionable payroll, together with an increase in the future service rate of 14.1% of pensionable payroll to take account of a deficit position as at the valuation date.

The future service rate of contribution is the rate that, in addition to contributions paid by members, is sufficient to meet the liabilities arising in respect of service after the valuation. The addition to the future service rate reflects the deficit of the value of the University's notional share of the Fund's assets below its accrued liabilities, allowing, in the case of members in service, for future pay increases. The shortfall is spread over the average future service working lifetime of employees.

The actual contribution rate certified for the University is less than the future service rate as it is based on the 20 year spread recommended by the actuaries to the Fund.

The market value of the Fund's assets at the date of the most recent formal actuarial valuation was £1,419m which represented 74% of the Fund's accrued liabilities, allowing for future pay increases.

The next actuarial valuation is due as at 31 March 2007 and any change in certified contribution rates will take effect from 1 April 2008.

The actuaries undertook a further calculation at 31 July 2007 for the purpose of providing information required to be disclosed under the accounting standard on Retirement Benefits (FRS17) and these are detailed on pages 41 and 42.

22. Pension Arrangements (continued)

LONDON PENSION FUND AUTHORITY - FRS 17 STATEMENTS

The University participates in a defined benefit scheme in the UK, operated by the London Pension Fund Authority. A full FRS 17 actuarial valuation was carried out at 31 July 2007 by a qualified independent actuary.

The major assumptions used by the actuary were as follows:

	2007	2006	2005
Rate of increase in salaries	4.8%	4.6%	4.3%
Rate of increase in pensions in payment	3.3%	3.1%	2.8%
Discount rate	5.8%	5.1%	5.0%
Inflation assumption	3.3%	3.1%	2.8%

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

	Long term rate of return expected at 31 July 2007	Value at 31 July 2007 £'000	Long term rate of return expected at 31 July 2006	Value at 31 July 2006 £'000	Long term rate of return expected at 31 July 2005	Value at 31 July 2005 £'000
Equities	7.9%	1,449,200	7.6%	1,225,500	7.3%	1,389,000
Bonds	6.6%	515,100	6.3%	386,500	4.7%	169,800
Property	7.0%	314,700	6.7%	238,800	5.4%	119,600
Cash	5.1%	75,300	4.8%	157,800	4.5%	82,400
Total		**2,354,300**		**2,008,600**		**1,760,800**

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

	31 July 2007 £'000	31 July 2006 £'000
Assets allocated to employers	118,367	101,301
Present value of scheme liabilities	(151,056)	(152,120)
Present value of unfunded liabilities	(2,885)	(2,934)
Total value of liabilities	(153,941)	(155,063)
Net pension liability	**(35,574)**	**(53,762)**

Analysis of the amount charged to operating profit

	2006/07 £'000	2005/06 £'000
Current service cost	5,602	5,214
Past service costs	-	55
Impact of curtailment and settlement	62	460
Total operating charge	**5,664**	**5,729**

22. Pension Arrangements (continued)

Analysis of net return on pension fund	**2006/07 £'000**	**2005/06 £'000**
Expected return on pension Fund assets	7,275	6,076
Interest on Fund liabilities	(8,006)	(7,006)
Net Return	**(731)**	**(930)**

Analysis of amount recognised in statement of total recognised gains and losses		
Actual return less expected return on Fund assets	5,127	4,068
Experience gains/(losses) arising on Fund liabilities	408	(28)
Changes in assumptions	12,589	(5,906)
Actuarial gains/(losses) recognised in STRGL	**18,124**	**(1,866)**

Movement in the University's share of the Fund's deficit
The movement in the University's share of the Fund's deficit during the year is made up as follows:

At 1 August	(53,762)	(50,270)
Movements in year:		
- current service cost	(5,602)	(5,214)
- contributions	6,240	4,817
- contributions in respect of unfunded benefits	219	216
- past service costs	-	(55)
- impact of curtailment and settlements	(62)	(460)
- net return on assets	(731)	(930)
- actuarial gains / (losses)	18,124	(1,866)
At 31 July	**(35,574)**	**(53,762)**

Experience gains and losses in the year
The experience gains and losses for the year were as follows:

	2006/07 £000	**2005/06 £000**	**2004/05 £000**	**2003/04 £000**	**2002/03 £000**
Difference between the expected and actual return on Fund assets	5,127	4,068	9,078	45	(4,810)
Value of assets	118,367	101,301	87,889	76,699	70,230
Percentage of Fund assets	4.3%	4.0%	10.3%	0.1%	(6.8)%
Experience gains and (losses) on Fund liabilities	408	(28)	(2,436)	384	1,100
Present value of liabilities	153,941	155,063	138,159	115,036	107,740
Percentage of the present value of Fund liabilities	0.3%	0.0%	(1.8)%	0.3%	1.0%
Total amount recognised in the statement of total recognised gains and losses	18,124	(1,866)	(10,061)	276	(16,410)
Present value of liabilities	153,941	155,063	138,159	115,036	107,740
Percentage of the present value of the Fund liabilities	11.8%	(1.2)%	(7.3)%	0.2%	(15.2)%

22. Pension Arrangements (continued)

B. THE TEACHER'S PENSION SCHEME

The Teachers 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 rate of 13.5% of pensionable salaries. This rate increased to 14.1% from January 2007.

The University's contribution to the TPS for 2006/07 was £5,138,471 (2005/06: £4,929,173).

The Government Actuary (GA) performs a valuation of the scheme not less than every five years. The last valuation covered the period 1 April 2001 to 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500m. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240m. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

Under definitions set out in FRS 17 the TPS 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 accounted for its contributions to the scheme as if it was a defined contribution scheme.

C. THE UNIVERSITIES SUPERANNUATION SCHEME (USS)

The University participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P).

The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17, accounts for the scheme as if it were a defined contribution scheme.

The cost recognised in the income and expenditure account is regarded as being equal to the contributions payable to the scheme for the year.

The University's contribution to the USS for 2006/07 was £199,458 (2005/06:£152,997) including outstanding contributions at the balance sheet date.

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

The latest actuarial valuation of the scheme was at 31 March 2005. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investment (i.e. the valuation rate of interest), the rates of increase in salary and the pensions and the assumed rates of mortality. In relation to the past service liabilities the financial assumptions were derived from the market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum.

In relation to future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

At the valuation date, the value of the assets of the scheme was £21,740m and the value of the past service liabilities was £28,308m indicating a deficit of £6,568m. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if the USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005 the financial security of the scheme has improved and the actuary has estimated that the funding level has increased from 77% at 31 March 2005 to 91% at 31 March 2007. The improvements in the scheme's financial security is due primarily to the investment return on the scheme's assets since 31 March 2005 being higher than allowed for in the funding assumptions. On the FRS 17 basis, the actuary estimated that the funding level at 31 March 2007 was above 109% and on a buy-out basis was approximately 84%.

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

22. Pension Arrangements (continued)

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

	2007 £'000	2006 £'000

23. Capital Commitments

At 31 July the University and the Group had capital commitments as follows:

	2007 £'000	2006 £'000
Commitments contracted	4,988	4,112
Authorised but not contracted	10,815	18,040
	15,803	**22,152**

24. Commitments Under Operating Leases

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

	2007 £'000	2006 £'000
Land and buildings:		
Expiring within one year	-	390
Expiring between two and five years inclusive	-	34
Expiring in over five years	6,249	5,397
Other:		
Expiring in over five years	379	326
	6,628	**6,147**

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

	2006/07 £'000	2005/06 £'000
Surplus/(deficit) on continuing operations	20,730	(12,253)
Depreciation	7,308	7,249
Deferred capital grants released to income	(2,344)	(3,327)
Interest payable	1,701	1,998
(Increase)/decrease in stocks	(11)	12
Increase in debtors	(79)	(100)
(Decrease)/increase in creditors	(659)	8,224
Increase in provisions	13,480	164
Interest receivable	(762)	(1,145)
Reimbursement of debt charges	-	(1,978)
Donations received	(13)	(8)
Adjustment to endowments	(58)	83
Difference between pension charge and cash contributions	(64)	1,626
Exchange rate loss	2	-
Profit on sale of fixed asset	(32,976)	(117)
	6,255	**428**

	2006/07 £'000	2005/06 £'000

26. Returns on Investments and Servicing of Finance

	2006/07 £'000	2005/06 £'000
Donations received	13	8
Interest paid	(1,639)	(1,932)
HEFCE reimbursement of interest payable	-	1,978
Income from endowments	25	31
Other interest received	706	1,090
Net cash(outflow)/inflow	**(895)**	**1,175**

27. Net Capital Receipts/(Expenditure)

	2006/07 £'000	2005/06 £'000
Purchase of tangible fixed assets	(6,518)	(21,784)
Receipts from disposal of fixed assets	36,203	179
Deferred capital grants received	5,563	9,877
Endowments received	15	107
Endowments disposed	-	(337)
Net cash inflow/(outflow)	**35,263**	**(11,958)**

28. Management of Liquid Resources

	2006/07 £'000	2005/06 £'000
(Increase)/decrease in short term deposits	(32,500)	16,504
Movement in endowment cash investments	(1)	147
Net cash (outflow)/inflow	**(32,501)**	**16,651**

29. Financing

	2006/07 £'000	2005/06 £'000
Repayment of capital element of loans	(7,362)	(12,815)
Repayment of capital element of finance lease	(206)	(166)
HEFCE reimbursement of inherited debts	-	6,918
Net cash (outflow)	**(7,568)**	**(6,063)**

30. Analysis of Changes in Net Debt

	At 1 August 2006	Other Changes	Cashflows	At 31 July 2007
Cash at bank and in hand	1,400	-	554	1,954
Endowment asset investments	26	-	1	27
	1,426	-	555	1,981
Short term deposits	6,500	-	32,500	39,000
Debt due within 1 year	(2,559)	(2,619)	2,559	(2,619)
Debt due after 1 year	(28,678)	2,619	4,803	(21,256)
Finance leases	(7,042)	-	206	(6,836)
	(30,353)	-	40,623	**10,270**

During the financial year the University disposed of Tufnell Park Hall. The disposal proceeds from this sale totalled £37,503k. £37,000k of the proceeds was held in short term deposits for re-investment in accordance with the University's strategy. The remaining proceeds of £503k less disposal costs are in the main bank account.

31. Access Funds

	2006/07 £'000	2005/06 £'000
Balance at 1 August	207	203
Funding Council grant	1,125	1,510
Interest	36	30
Disbursed to students and administration	(1,088)	(1,536)
Balance at 31 July	**280**	**207**

Access Funds are paid to universities by HEFCE to provide financial assistance 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. The 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

	2006/07 £'000	2005/06 £'000
Balance at 1 August	103	259
Funding Council grant	1,647	1,285
Disbursed to students and administration	(1,605)	(1,441)
Balance at 31 July	**145**	**103**

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

The grant from the TDA 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.

33. Contingent Liabilities

The University is in discussion with HEFCE over the approach to the determination of the funding status of some groups of students. As at the date that these financial statements were signed, data has been submitted to HEFCE showing an adjustment to core funding of £13.5m and a provision has been made for this amount (Note 18). There is a possibility that this figure may be subject to change if HEFCE does not accept the parameters the University has used in its calculation. Were this unlikely situation to arise, a larger reduction in core funding is possible, up to the value of £16.0m. As such the amount not provided for could be up to the value of £2.5m.

The University is in negotiation with a contractor over a final claim 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 £361,308.

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 during the year.

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