LONDON metropolitan university

Annual Report and Accounts

for the year ending 31.07.2008

Report and Financial Statements for the year ended 31 July 2008

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
www.londonmet.ac.uk

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

Senior Officers and Advisers as at 31 July 2008

Vice-Chancellor and Chief Executive	B A Roper BSc Econ (Hons) MA (Econ) D.Univ (Hon) (resigned 17.03.09)
Acting Vice-Chancellor and Chief Executive	Dr R P T Aylett MA PhD (appointed 24.03.09)
Deputy Vice-Chancellor Academic	Dr R P T Aylett MA PhD
Deputy Vice-Chancellor Research and Development	Prof P Lister MSc PhD MBCS FIET CEng
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 2008 (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 Tower Branch 1/4 Usman Block New Garden Town Lahore Pakistan
	Standard Chartered Bank Nigeria Limited 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
	Thompson & Bryan Ltd 1345 High Road Whetstone London N20 9HR
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 2008

	Date of Appointment
Peter Anwyl – Chair (F, G [chair] J [chair] R [chair])	01.08.02
Graham Castle (F, R, W)	12.10.99
Stephan John (EB [chair], J)	31.10.03
Jeremy Mayhew (G, J)	12.10.99
Bob Morgan (G, E)	12.12.02
Prof Zenobia Nadirshaw (F, RE, W)	12.10.05
Raj Patel (EB, F)	01.03.03
Abdul Rahim (F[chair], G, R)	01.08.02
Finlay Scott (A)	24.04.03
Sir Michael Snyder (A [chair])	12.10.99
Sarah Tyacke (F)	31.01.03

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

		Date of Resignation
Brian Roper (E, EB, F, G, R, RE) (Vice Chancellor and Chief Executive)	01.08.02	17.03.09
Jon Alsbury (E)	16.03.07	25.03.08
Prof John Gabriel (E, W)	01.10.05	01.05.08
John Haworth (F, G, R)	01.08.02	29.09.08
Abu Shohid (E, G, S)	16.07.06	30.07.08

Brian Roper resigned as Vice Chancellor and Chief Executive on 17 March 2009. Robert Aylett was appointed as Acting Vice Chancellor and Chief Executive on 24 March 2009, and was appointed to the Board on that date.

Katia Kramer (E) was appointed to the Board of Governors on 1 September 2008.

Sir Michael Snyder resigned as chair of the Audit Committee on 24 September 2008. Finlay Scott was appointed as chair of the Audit Committee on 24 September 2008.

In their capacity as Directors, none of the governors held any interest in any contract with the University. Four of the directors, who served during the year to 31 July 2008, 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:

Philip Bignell (A)
Christopher Howe (A)
Cherrill 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
	(R)	Member of Remuneration Sub-Committee
	(RE)	Member of the University's Research Ethics Committee
	(S)	Students' Union Representative
	(W)	Member of Women's Library Council

Financial Highlights

	Year to 31 July	
		Restated
	2008	2007
	£m	£m
Consolidated Income & Expenditure Account		
Funding council grants	65.5	62.9
Tuition fees and education contracts	65.6	56.9
Research grants and contracts	4.4	4.1
Other income	12.8	15.5
Endowment income and investment income	2.9	0.8
Total Income	**151.2**	**140.2**
Profit on sale of freehold residential property	-	**32.9**
Expenditure	**(163.8)**	**(155.3)**
(Deficit)/surplus for the year	**(12.6)**	**17.8**
	As at 31 July	
Consolidated Balance Sheet		
Fixed assets	140.7	123.8
Endowment asset investments	1.2	1.2
Current assets	46.1	53.9
Current liabilities	(32.4)	(33.7)
Non-Current liabilities and provisions	(59.8)	(50.0)
Pension liability	(42.6)	(35.6)
Total Net Assets	**53.2**	**59.6**
Represented by:		
Deferred grants	60.2	46.3
Endowments	1.2	1.2
Reserves	(8.2)	12.1
	53.2	**59.6**

Other Key Statistics

Consolidated (decrease)/increase in Cash Flow	(0.8)	0.6
Consolidated recognised (losses)/gains	(20.4)	36.0
Student numbers	30,960	32,837
Average employee numbers (full time equivalent)	2,446	2,451

Financial Highlights

Analysis of Sources of Income and Expenditure by Category

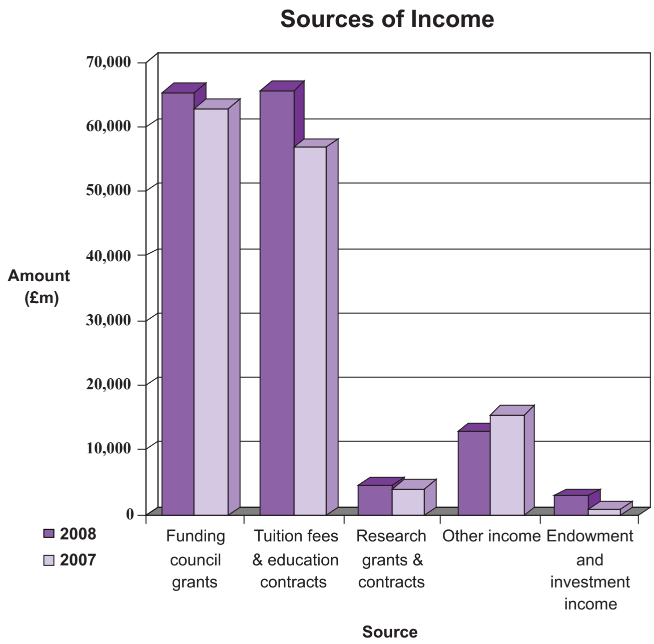
Funding council grants
Includes recurrent and specific grants received from Government funding bodies; HEFCE, TDA and LSC.

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

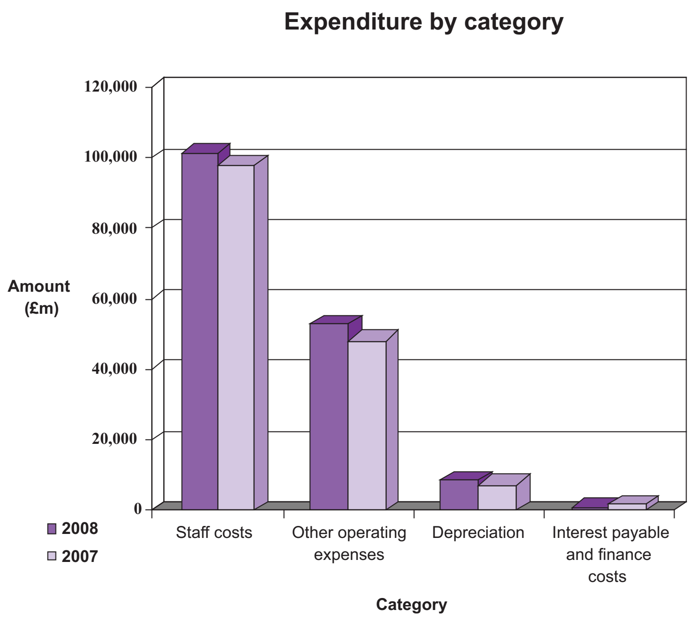


Staff costs
Expenditure incurred on staff wages and salaries, including employer's national insurance and pension contributions.

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 finance costs
Interest payable on external borrowings and bank overdrafts.



Financial Highlights

Consolidated Net Assets

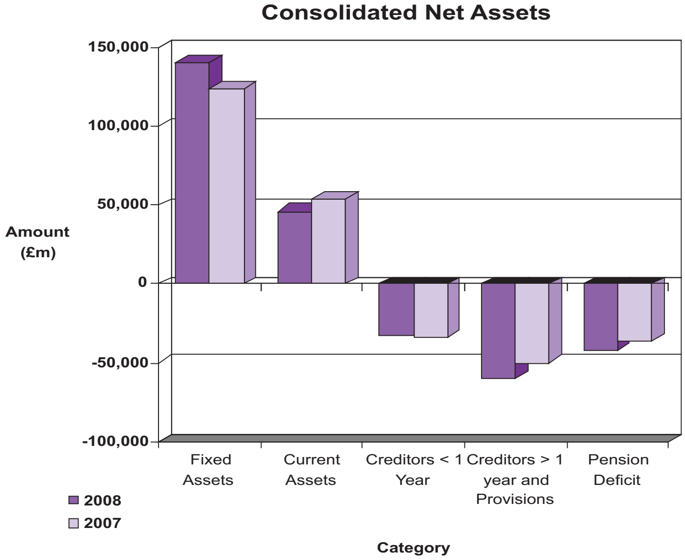
Fixed Assets
Includes freehold property, leasehold property and owned equipment.

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 and Provisions
Comprises bank mortgages, HEFCE loans, finance lease obligations, deferred HEFCE revenue grants, HEFCE holdback and provisions for liabilities and charges.

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



This chart excludes Endowment Asset Investments

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

The Board of Governors have pleasure in presenting the company's annual report and audited financial statements for the year ended 31 July 2008.

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.

The Board of Governors have examined financial forecasts based upon these audited financial statements and estimates of income, expenditure and cashflow for the foreseeable future. Cost reduction plans are currently being implemented and these forecasts demonstrate that, although the University will incur planned deficits on its income and expenditure account in 2008/09 and 2009/10, it is expected to return to surplus in 2010/11. Based upon review of these forecasts, the Board of Governors is satisfied that these financial statements are properly prepared on a Going Concern basis. Please refer to the "Future Developments" and "Risk and Risk Management" sections on pages 11 and 12.

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, http://www.londonmet.ac.uk/about/mission.cfm

OPERATING AND FINANCIAL REVIEW

During 2007/08 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. Progress in implementing the plan was significantly affected during the year as a result of student funding issues as described below. Although this was first identified in Autumn 2007, the amount of adjustment was not settled until March 2009.

Retrospective Grant Adjustments

A data audit, carried out by HEFCE in Autumn 2007, led to reclassification of the funding status of some groups of students, who had not satisfied all the conditions required for inclusion as fundable students under HEFCE's teaching grant methodology. A significant number of students had not attempted the final assessment on all of the modules they were expecting to complete when they enrolled at the University and, as such, are not eligible for funding under the grant criteria although most are able to progress with their studies under the University's academic regulations.

Post year end adjustments were made in our financial statements for the year ended 31 July 2007 for the estimated impact of this on our 2005/06 and 2006/07 teaching grant. The 2005/06 grant was reduced by £3.3m and a provision made for a £13.5m reduction of our 2006/07 grant.

The data adjustments were identified too late for the reduction to our 2007/08 grant to be determined in advance of payment by HEFCE so a retrospective adjustment to our 2007/08 grant has been made in these financial statements.

The total repayment of the grant to HEFCE was agreed with them in March 2009 in the amount of £3.3m for 2005/06, £16.4m for 2006/07 and £16.8m for 2007/08, an overall repayment of £36.5m. The 2006/07 agreed repayment is £2.9m more than the amount provided for in the 2006/07 financial statements and this is included in these financial statements as a prior year adjustment.

A comparison with the targets for 2007/08 set in the business plan is as follows:

	Actual	**Business Plan**
	£'m	**£'m**
Income	168.0	169.3
Operating costs	(161.9)	(163.6)
Operating surplus	6.1	5.7
Restructuring costs	(1.9)	(2.7)
Surplus/(deficit)	4.2	3.0
Post year-end adjustment to teaching grant	(16.8)	-
(Deficit)/surplus	(12.6)	3.0

The £1.3m shortfall on budgeted income mainly results from lower tuition fee income. Cost containment initiatives put in place in the year resulted in offsetting expenditure savings against budget of £1.7m. The operating surplus (before grant adjustment) was £0.4m better than budget.

After grant adjustment, the overall deficit for the year was £12.6m, (8.3)% of income, compared with a restated surplus of £17.8m, 12.7% of income in 2006/07. The figures for 2006/07 include the sale of a student hall which generated a profit on disposal of £33m.

INCOME AND EXPENDITURE

The following tables compare 2007/08 and 2006/07 performance.

Income

Source of Income	Year to 31 July		Movement
		Restated	
	2008	2007	
	£'000	£'000	%
Funding Council grants	65,453	62,875	4.1
Tuition fees and education contracts	65,605	56,875	15.3
Research grants and contracts	4,442	4,148	7.1
Other income	12,826	15,540	(17.5)
Endowment and investment income	2,848	762	273.8
Total Income	**151,174**	**140,200**	**7.8**

Total income has increased by 7.8% (£11.0m) over the 2006/07 figure.

Funding Council grants (after retrospective grant adjustments) increased by 4.1% (£2.6m). Funding Council grants for 2007/08 were higher than budget due to reclassification of some grants, which were previously included in other income.

Income from tuition fees and education contracts increased by 15.3% (£8.7m) as two cohorts of home and EU undergraduate students were charged the £3,075 uplifted tuition fees, compared to one cohort paying £3,000 in 2006/07. Income from overseas students remained constant.

Income from research grants and contracts increased by 7.1% (£0.3m), due to new UK government funded and EU funded projects.

Other income fell by 17.5% (£2.7m). This is in part due to lower student accommodation rental income following the sale of Tufnell Park Hall at the end of 2006/07, and partly results from the cessation of additional bench and studio charges for undergraduate students, now consolidated into tuition fees.

Endowment and investment income increased to £2.8m from £0.8m in 2006/07 as a result of income earned on the cash balances boosted by the proceeds of sale of Tufnell Park Hall.

Expenditure

Category of Expenditure	Year to 31 July		Movement
	2008	2007	
	£'000	£'000	%
Staff costs	101,577	98,024	3.6
Other operating expenses	52,701	48,304	9.1
Depreciation	8,474	7,308	16.0
Interest payable and other finance costs	1,021	1,701	(40.0)
Total Expenditure	**163,773**	**155,337**	**5.4**

Total expenditure increased by 5.4% (£8.4m) compared with 2006/07.

Staff costs increased in line with expectation by 3.6%. Two pay settlements were awarded during the financial year, 3% in August 2007 and 3% in May 2008, with a resultant increase in staff costs of £4.6m. This was offset by savings of £1.0m achieved through reduced FTE numbers.

Other operating expenses increased by 9.1% (£4.4m). The increase is primarily due to higher bursary payments of £2.0m as there are now two cohorts of eligible students; increased repairs and maintenance costs of £1.2m and additional restructuring costs of £2.8m relating to voluntary severance and related payments. Expenses relating to student accommodation fell by £0.6m due to the sale of Tufnell Park Hall.

Interest payable and other finance costs fell by 40% (£0.7m) primarily due to the University repaying two euro bank loans in May 2008, together with a reduction in the net charge on the pension scheme.

BALANCE SHEET

The consolidated net assets of the Group at 31 July 2008 were £53.2m, a decrease of £6.5m compared to 31 July 2007. This figure is after taking into account a pension deficit of £42.6m on the LPFA scheme, in accordance with FRS17 'Retirement Benefits'.

Net assets excluding the pension fund deficit increased from £95.2m to £95.7m. The pension deficit increased by 19.7%, from £35.6m in 2007 to £42.6m in 2008, principally as a result of actuarial losses recognised in the pension scheme.

Fixed Assets

Expenditure during the year on fixed assets was £15.9m, bringing the total net book value of land, buildings and equipment to £140.7m (2007: £123.8m). This expenditure included £3.1m spent on the construction of the Metworks building (partly financed by a European Regional Development grant), £7.2m on improvements to existing University buildings (partly financed by HEFCE grant) and £4.7m spent on fixtures, fittings and computer equipment.

Following a change required by the Statement of Recommended Practice "Accounting in Further and Higher Education" (the 2007 SORP), which was revised in 2007, the University included its Jewry Street building within Fixed Assets for the first time this year. The building is occupied rent free by the University under a right of use from the Sir John Cass's Foundation. The 2007 SORP requires that an existing use value be attributed to the building. This was estimated at £9.5m as at 1 October 2008, based upon a valuation carried out by Drivers Jonas LLP.

The most recent valuation of the group's other 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 decreased during the year by £57k to £1.1m primarily due to the decrease in the market value of endowment investments.

Current Assets

Group trade debtors (fees and miscellaneous debt) remained at £6.0m which represents 7.2% of income (excluding grant and investment income) compared with 7.9% in 2006/07. This demonstrates our continued commitment to maintaining strong credit control and debt management procedures.

Prepayments and accrued income rose by £0.8m to £7.0m (2007: £6.2m) This increase is mostly due to £1.0m of deferred costs relating to the sale of James Leicester Hall and the Arcade Hall, which will be written off against the proceeds of those sales. Contracts were exchanged for the sale of both properties before the year end. The James Leicester Hall sale completed in November 2008 and we expect the Arcade sale to be completed in June 2009.

Net cash balances, including investments in short-term deposits, have decreased from £41.0m at 31 July 2007 to £32.5m at 31 July 2008 reflecting the early repayment of two euro loans and expenditure on the capital programme.

Creditors

Group creditors due within one year fell by £1.3m to £32.4m (2007: £33.7m), reflecting loan repayments and cost control.

Creditors falling due after more than one year (excluding the HEFCE Holdback) fell by £6.8m to £21.0m (2007: £27.8m) as a result of payments to reduce sterling loans, the repayment of two euro denominated loans totalling £0.9m sterling equivalent and the release of part of the deferred HEFCE revenue grants.

The University has agreed with HEFCE a schedule for repayment of grant. The long term portion of this repayment is in creditors falling due after more than one year and amounts to £36.3m (£16.5m was transferred from provisions for liabilities as restated in 2006/07 - note 19). The short term portion of £183k is included in creditors due within one year.

Deferred Capital Grants

Deferred capital grants have continued to grow in line with expenditure on the University's capital programme funded by HEFCE grant.

CAPITAL PROJECTS

During 2007/08, the University continued its programme of refurbishment of its existing estate to improve its condition and fitness for purpose. Specific projects completed during the year include legislative compliance work across the whole of the estate, the refurbishment of teaching space for the faculties of Computing, Health and Human Sciences and Research Institutes in the Tower building and the installation of a new boiler system for the Tower complex. There was also a significant investment in all teaching buildings to improve classroom audiovisual teaching support equipment.

Construction continued on the Metropolitan Works facility at Commercial Road (the "Metworks" building) which will extend our digital manufacturing capacity. The facility was scheduled to be opened in 2007/08, however a fire in June 2008 has delayed its opening. Remedial works required to the Commercial Road building as a result of the fire were completed in time for the building to re-open at the start of the Autumn term. We expect the full cost of these works to be covered by insurance claims. The Metworks building was officially opened on 4 February 2009.

Projects planned for 2008/09 include further refurbishment work throughout the estate, together with ongoing work on the building services capital replacement programme.

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.

STUDENT NUMBERS

Student numbers for the year 2007/08 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	
	2008	**2007**
Full Time (Home/EU)	12,831	14,322
Full Time (Overseas)	2,743	3,361
Part Time	12,949	11,811
Short Course	2,437	3,343
Total	**30,960**	**32,837**

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.

POST BALANCE SHEET EVENTS

The sale of James Leicester Hall was completed on 5 November 2008. Sale proceeds were £26.3m and the profit on sale before costs was £23.6m.

The University completed the purchase of The Arcade Hall in March 2009 for £24.1m. The sale of the Arcade Hall, initially planned to take place on the same day as purchase, has been delayed to allow the purchasers additional time to complete their funding requirements but is expected to complete in June 2009 with sales proceeds of £25.1m.

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.

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.

FUTURE DEVELOPMENTS

As stated above, the University commenced a full strategic review in Autumn 2007 and a new Strategic Plan 2009-19 was approved by the Board of Governors in November 2008.

The strategic plan built on the University's progress since its formation through the merger of London Guildhall University and the University of North London in 2002. The driver of the plan is the Academic Plan which sets out the overarching academic development of the University, with teaching, learning and assessment, research and enterprise, employer engagement and student experience at its core. It focuses on the individual, personalised experience of the student, with a professional, customer-focussed approach on the part of the University staff and systems.

By the end of the 10-year plan, the University aims to be:

- Recognised as among the UK's most innovative, responsive and successful new Universities.
- Recognised as a 'research-intensive' institution offering excellent taught courses accessible to all, with its research and teaching performance benchmarked against national and international comparators
- Recognised as a pan-London institution and be visible globally according to a defined international strategy centred on key interdisciplinary themes led by applied research, initially in the fields of health, child and family, media and sustainability
- The University of choice for as broad a range of clients as possible.

The first period of the plan focuses on consolidation of student numbers, recognising the revised base of HEFCE fundable students. The reduction in our base grant requires a comprehensive cost improvement plan, which is being put into effect during 2008/09 and 2009/10 with the aim of bringing costs back into balance with income during 2009/10 and generating surpluses for reinvestment in the University from 2010/11 onwards.

Academic investment will be funded by efficiency gains; funding for teaching and research will be distributed to academic departments, faculties and institutes according to performance.

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 and on these students meeting the funding requirements of grant-making bodies. 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 current economic climate causes additional risk to all our income streams, as the impact of the recession is felt by our students, their sponsors, our commercial and other customers and as government spending on higher education is contained.

To respond to this risk and to address the need for expenditure reductions and the reduction in our grant income to reflect the re-basing of our fundable student numbers, the University has initiated a cost reduction plan as described above. Proposals to reduce the workforce by 550 posts were announced in March 2009 and consultation is currently underway.

The risks associated with achievement of the cost improvement plan are regularly assessed by the Strategic Programmes Office and reported to the Executive Group and Board of Governors of the University.

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. In 2007/08 the company made a surplus of £119k (2006/07: deficit £222k) which has been retained within the company to improve reserves. Corporation tax payable will be offset against tax losses brought forward from previous years.

This company is fully consolidated into the Group accounts, as are the University's non-trading subsidiaries.

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 aims 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 30.

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 Equality and Human 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

Statement of Corporate Governance

DIRECTORS

All Governors of the University are also Directors of the company. The names of Governors who served on the Board of Governors during the year ended 31 July 2008 are shown on page 4. The Board of Governors 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 of Governors consider that they 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 of Governors 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 tothe Committee of University Chairmen's Governance Code of Practice, have been tailored to the circumstances of theUniversity and its response is as follows:

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

As at 1 August 2007 the University's Board of Governors comprised 16 members. The categories of governor are as defined in the company Articles of Association and comprise Independent 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 Lay 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.

The matters specially reserved to the Board for decision areset out in the Articles of Association of the University and an agreed schedule of matters which only the Board candetermine. Under the Financial Memorandum withHEFCE, the Board holds to itself the responsibilities for thestrategic 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. The Remuneration Sub-Committee reports to the Board through the Finance and Human Resources Committee. Membership of this committee 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 meets 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 at least 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.

Statement of Corporate Governance

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 14. 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 14 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 earlier 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.

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.

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 2007/08 and further work on implementation will take place throughout 2008/09.

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.

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.

Peter Anwyl

P Anwyl
Chair

Dr R P T Aylett
Acting Vice-Chancellor and Chief Executive

Report of the Independent Auditors to the Board of Governors of London Metropolitan University

We have audited the group and University financial statements (the financial statements) of London Metropolitan University for the year ended 31 July 2008 which comprise the principal accounting policies, the consolidated income and expenditure account, the consolidated University balance sheet, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes 1-36. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the 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 governing body those matters we are required to state to it 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 Board of Governors for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE MEMBERS OF THE UNIVERSITY'S BOARD OF GOVERNORS AND AUDITORS

The Board of Governor's responsibilities for preparing the report of the Governors and the financial statements in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and the 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 2007 Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England (funding council), the Training and Development Agency for Schools and the Learning and Skills Council.

We report to you our opinion as to whether the information given in the Report of the Governors is consistent with the finanacial 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 Corporate Governance Statement and consider the implications for our report if we become aware of any misstatement within them or material inconsistencies within the financial statements.

BASIS OF AUDIT OPINION

We have conducted our audit in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and the Audit Code of Practice issued by the funding council. 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 preparing the financial statements and whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

We planned and have performed our audit so as to obtain all the information and explanations we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we have 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, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the group as at 31 July 2008 and of the group's deficit of income over expenditure for the year then ended.

ii) the financial statements have been properly prepared in accordance with the Companies Act 1985 and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

iii) the information given in the Report of the Governors is consistent with the financial statements.

iv) in all material respects, income from the funding council, the Training and Development Agency for Schools and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2008 have been applied for the purposes for which they were received.

v) in all material respects, income during the year ended 31 July 2008 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the funding council, the funding agreement with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
GATWICK
Date: 18 June 2009

Consolidated Income & Expenditure Account for the year ended 31 July 2008

	Notes	2007/08 £'000	Restated 2006/07 £'000
Income			
Funding council grants	*1*	65,453	62,875
Tuition fees and education contracts	*2*	65,605	56,875
Research grants and contracts	*3*	4,442	4,148
Other income	*4*	12,826	15,540
Endowment and investment income	*5*	2,848	762
Total income		**151,174**	**140,200**
Expenditure			
Staff costs	*6*	101,577	98,024
Other operating expenses	*8*	52,701	48,314
Depreciation	*10*	8,474	7,308
Interest payable and other finance costs	*9*	1,021	1,701
Total expenditure		**163,773**	**155,347**
Deficit for the year on continuing operations after depreciation of assets at valuation and tax		**(12,599)**	**(15,147)**
Surplus on sale of freehold residential property	*10*	-	32,976
(Deficit)/surplus for the year on continuing operations after disposal of assets		**(12,599)**	**17,829**
(Deficit)/surplus for the year transferred to accumulated income in endowment funds	*13*	(24)	10
(Deficit)/surplus for the year retained within general reserves	*21*	**(12,623)**	**17,839**

All items of income and expenditure arise from continuing operations.

Consolidated Statement of Historical Cost Surplus for the Year for the year ended 31 July 2008

	Notes	2007/08 £'000	Restated 2006/07 £'000
(Deficit)/surplus for the year on continuing operations before and after tax		**(12,599)**	**17,829**
Difference between historical cost depreciation charge and the actual charge calculated on valuation of assets	*21*	104	104
Historical cost (deficit)/surplus for the year		**(12,495)**	**17,933**

Consolidated Balance Sheet

as at 31 July 2008

	Notes	2008 £'000	Restated 2007 £'000
Fixed Assets			
Tangible assets	10	140,663	123,780
Investments	12	64	64
		140,727	**123,844**
Endowment Asset Investments	13	**1,148**	**1,205**
Current Assets			
Stock	14	72	82
Debtors	15	13,578	12,866
Investments	16	31,347	39,000
Cash at bank and in hand		1,130	1,954
		46,127	53,902
Creditors			
Amounts falling due within one year	17	(32,447)	(33,710)
Net Current Assets		**13,680**	**20,192**
Total Assets less Current Liabilities		**155,555**	**145,241**
Creditors			
Amounts falling due after more than one year	18	(57,389)	(31,146)
Provisions for Liabilities	19	(2,451)	(18,868)
Total Net Assets Excluding Pension Liability		**95,715**	**95,227**
Net pension liability	23	(42,557)	(35,574)
Total Net Assets Including Pension Liability		**53,158**	**59,653**
Represented by:			
Deferred Capital Grants	20	**60,201**	**46,334**
Endowments			
Expendable		443	424
Permanent		705	781
	13	**1,148**	**1,205**
Reserves			
General reserve excluding pension liability		30,668	43,886
Pension liability	23	(42,557)	(35,574)
General reserve including pension liability	21	(11,889)	8,312
Revaluation reserve	21	3,698	3,802
Total Reserves		**(8,191)**	**12,114**
Total Funds		**53,158**	**59,653**

The financial statements on pages 19 to 51 were approved by the Board of Governors of London Metropolitan University on 15 June 2009 and were signed on its behalf by:

P Anwyl
Chair

Dr R P T Aylett
Acting Vice-Chancellor and Chief Executive

University Balance Sheet

as at 31 July 2008

	Notes	2008 £'000	Restated 2007 £'000
Fixed Assets			
Tangible assets	*11*	134,335	120,518
Investments	*12*	364	387
		134,699	**120,905**
Endowment Asset Investments	*13*	**1,148**	**1,205**
Current Assets			
Stock	*14*	30	35
Debtors	*15*	14,063	11,734
Investments	*16*	31,347	39,000
Cash at bank and in hand		894	1,275
		46,334	52,044
Creditors			
Amounts falling due within one year	*17*	(31,596)	(32,766)
Net Current Assets		**14,738**	**19,278**
Total Assets less Current Liabilities		**150,585**	**141,388**
Creditors			
Amounts falling due after more than one year	*18*	(57,389)	(31,146)
Provisions for Liabilities	*19*	(2,451)	(18,868)
Total Net Assets Excluding Pension Liability		**90,745**	**91,374**
Net pension liability	*23*	(42,557)	(35,574)
Total Net Assets Including Pension Liability		**48,188**	**55,800**
Represented by:			
Deferred Capital Grants	*20*	**56,134**	**43,253**
Endowments			
Expendable		443	424
Permanent		705	781
	13	**1,148**	**1,205**
Reserves			
General reserve excluding pension liability		29,765	43,114
Pension liability	*23*	(42,557)	(35,574)
General reserve including pension liability	*22*	(12,792)	7,540
Revaluation reserve	*22*	3,698	3,802
Total Reserves		**(9,094)**	**11,342**
Total Funds		**48,188**	**55,800**

The financial statements on pages 19 to 51 were approved by the Board of Governors of London Metropolitan University on 15 June 2009 and were signed on its behalf by:

Peter Anwyl

P Anwyl
Chair

Dr R P T Aylett
Acting Vice-Chancellor and Chief Executive

Consolidated Cash Flow Statement

for the year ended 31 July 2008

	Notes	2007/08 £'000	2006/07 £'000
Net cash Inflow from operating activities	26	6,288	5,524
Returns on investments and servicing of finance	27	1,257	(164)
Capital (expenditure)/receipts and financial investments	28	(8,475)	35,263
Management of liquid resources	29	7,630	(32,501)
Financing	30	(7,524)	(7,568)
(Decrease)/increase in cash in the year		**(824)**	**554**

Reconciliation of Net Cash Flow to Movement in Net Funds

	Notes	2007/08 £'000	2006/07 £'000
(Decrease)/increase in cash in the year		(824)	554
Change in short term deposits	29	(7,630)	32,501
Change in debt: loans	30	7,278	7,362
Change in debt: finance leases	30	246	206
Change in net debt	31	(930)	40,623
Net debt brought forward from previous year	31	10,270	(30,353)
Net Funds at 31 July	31	**9,340**	**10,270**

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 July 2008

	Notes	2007/08 £'000	Restated 2006/07 £'000
Surplus for the year as originally stated	*21*	-	20,730
Prior year adjustment - see note 21		-	(2,891)
Restated surplus for the year		-	17,839
Deficit for the year		(12,623)	-
Revaluation of endowment asset investments	*13*	(98)	81
Net additions to endowment asset investments	*13*	41	5
Actuarial (loss)/gain recognised in the pension fund	*21*	(7,682)	18,124
Total recognised (losses)/gains relating to the financial year		**(20,362)**	**36,049**
Reconciliation:			
Opening reserves and endowments as previously stated	*21*	13,319	(22,730)
Total recognised gains and losses for the year		(20,362)	36,049
Closing reserves and endowments	*21*	**(7,043)**	**13,319**

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

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007, for the first time in 2007/08, and in accordance with applicable accounting standards.

There has been minimal impact of the 2007 SORP on the financial statements, with exception of the following:

- The inclusion in tangible fixed assets (see note 10) of premises in Jewry Street, at existing use value.
- Changes in the accounting treatment of endowments applicable from 1 August 2007 have been incorporated and the comparative period has been restated accordingly.

(B) Basis of 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 transactions are eliminated on 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 deficit for the year ended 31 July 2008 is £12,753k (2007 restated surplus: £17,812k).

(C) Income Recognition

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

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. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount.

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.

Endowments and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowments in the balance sheet.

Changes in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, are added to or subtracted from the funds concerned and shown in the balance sheet by adjusting the relevant endowment asset and fund. These changes are reported in the statement of total recognised gains and losses.

The University acts as an agent in the collection and payment of training bursaries from the Training and Development Agency for Schools and of Access Funds from the Higher Education Funding Council for England. Related payments received from the Training and Development Agency for Schools and the Higher Education Funding Council for England and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in notes 32 and 33 to the accounts.

(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.

Principal Accounting Policies

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 (deemed cost).

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) Assets used by the University

A value is attributed to the benefit of assets for which the University does not own and for which no annual rental is paid, and are capitalised, with a corresponding credit to deferred capital grants, and thereafter depreciated over the period of use.

(v) Assets acquired or modified with the aid of specific grants

Where buildings are acquired or modified with the aid of specific grants, they are capitalised and depreciated. The related grants are credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related asset on a straight line basis, consistent with the depreciation policy.

(vi) Repairs and maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

(vii) 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.

(viii) 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 5 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the related grant credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

(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 and Contingent Liabilities

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.

Contingent liabilities are where either the obligation is possible rather than present, or the outflow of economic benefit is possible rather than probable or there is an inability to measure the economic outflow; these are disclosed by way of a note.

(K) Bad Debt 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.

(N) Accounting for Charitable Donations

(i) Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resource can be measured with sufficient reliability.

(ii) Endowment funds

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments.

Notes to the Financial Statements

	2007/08 £'000	Restated 2006/07 £'000

1. Funding Council Grants

	2007/08 £'000	Restated 2006/07 £'000
Higher Education Funding Council for England		
Recurrent grant	51,860	50,859
Inherited property costs	3,831	3,831
Inherited pension liabilities	1,096	1,075
Other	3,156	2,308
Other Funding Bodies		
Learning and Skills Council grant	1,090	1,252
Training and Development Agency grant	2,177	1,894
Deferred Capital Grants Released		
Buildings	1,573	1,180
Equipment	670	476
	65,453	**62,875**

2. Tuition Fees and Education Contracts

	2007/08 £'000	Restated 2006/07 £'000
Full-time students		
Home / EU students	32,415	24,860
Overseas students	20,558	20,205
Part-time students	12,632	11,810
	65,605	**56,875**

3. Research Grants and Contracts

	2007/08 £'000	Restated 2006/07 £'000
Research councils	827	1,098
UK based charities	713	520
European Commission	1,099	830
Other grants and contracts	1,803	1,700
	4,442	**4,148**

Notes to the Financial Statements

	2007/08 £'000	2006/07 £'000

4. Other Income

	2007/08 £'000	2006/07 £'000
Other grants and contracts	33	62
Consultancy	1,055	1,526
Trading project income	6,500	6,760
Sale of materials and other departmental income	1,002	649
Rental income and hire of facilities	196	265
Residence & catering income	2,254	3,533
Deferred capital grants released - non HEFCE	742	661
Miscellaneous income	1,044	2,084
	12,826	**15,540**

5. Endowment Income and Investment Income

	2007/08 £'000	2006/07 £'000
Income from expendable endowment investments	15	11
Income from permanent endowment asset investments	17	14
Income from short-term investments	2,816	737
	2,848	**762**

6. Staff Costs

	2007/08 £'000	2006/07 £'000
Costs:		
Academic staff	58,105	57,448
Other staff	43,472	40,576
	101,577	**98,024**
Costs Comprise :		
Wages and salaries	83,992	81,210
Social Security costs	6,930	6,785
Other pension costs	10,655	10,029
	101,577	**98,024**

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

	2007/08 FTE	2006/07 FTE
Academic staff	1,206	1,175
Other staff	1,240	1,276
	2,446	**2,451**

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 5 governors (2006/07: 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, on a pro rata basis for their period in office.

	2007/08 £'000	2006/07 £'000
Directors' Emoluments		
Salaries	459	494
Benefits in kind	1	1
Pension contributions	64	68
	524	**563**
Highest Paid Director		
The Vice-Chancellor and Chief Executive		
Salary	239	241
Benefits in kind	1	1
	240	242
Pension contributions	34	34
	274	**276**

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:

	2007/08 No.	2006/07 No.
£70,001 to £80,000	19	12
£80,001 to £90,000	6	7
£90,001 to £100,000	7	3
£100,001 to £110,000	1	1
£110,001 to £120,000	0	1
£120,001 to £130,000	0	2
£130,001 to £140,000	0	2
£140,001 to £150,000	2	0
£150,001 to £160,000	2	0
£230,001 to £240,000	1	0
£240,001 to £250,000	0	1
	38	**29**

8. Other Operating Expenses

	2007/08 £'000	2006/07 £'000
Halls of residence	2,615	3,210
Consumables and laboratory materials	1,538	1,679
Books and periodicals	1,970	1,931
Student travel and awards	4,782	2,608
Energy and water	2,479	2,673
Repairs and maintenance	4,785	3,604
Operating leases - property	4,380	4,552
Operating leases - equipment	183	196
External auditors' remuneration (audit)	98	86
Internal auditors' remuneration (audit)	223	127
External auditors' remuneration (other)	6	12
Internal auditors' remuneration (other)	3	1
Other audit fees	-	18
Staff related costs	7,601	7,405
Restructuring costs	2,841	232
Postage and telecommunications	1,132	1,149
IT maintenance	1,449	1,401
Publicity	2,070	1,974
Facilities cost	2,590	2,514
Legal, consultancy and subscriptions	3,685	3,861
Franchise costs	1,168	1,300
Enhanced pension liabilities	1,096	1,075
Print costs	1,937	2,431
Rates	377	529
Examination and degree expenses	797	913
Insurance	486	640
Other expenses	2,410	2,193
	52,701	**48,314**

9. Interest Payable and Other Finance Costs

	2007/08 £'000	2006/07 £'000
Interest payable on bank loans, overdrafts and other loans, repayable wholly or partly in less than 5 years	90	123
Interest payable on bank loans, overdrafts and other loans, repayable wholly or partly in more than 5 years	63	116
Finance lease	651	592
Net charge on pension scheme	80	731
Unwinding of discount in respect of the enhanced pension provision	137	139
	1,021	**1,701**

10. Tangible Fixed Assets (Group)

	Freehold Land and Buildings				Short Finance Leasehold	Long Leasehold		
	Academic £'000	Residential £'000	Under Construction £'000	Alterations & Improvements £'000	Land & Buildings Academic £'000	Building Academic £'000	Equipment Owned £'000	Total £'000
Cost/Valuation								
At 1 August 2007	102,867	3,780	1,463	20,612	7,339	1,175	50,355	187,591
Additions	351	-	8,056	2,798	-	-	4,652	15,857
Transfer in - Jewry Street	-	-	-	-	-	9,500	-	9,500
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	(684)	684	-	-	-	-
At 31 July 2008	**103,218**	**3,780**	**8,835**	**24,094**	**7,339**	**10,675**	**55,007**	**212,948**
Depreciation								
At 1 August 2007	14,120	703	-	4,535	3,245	166	41,042	63,811
Charge for year	2,038	54	-	1,203	280	210	4,689	8,474
Eliminated on disposal	-	-	-	-	-	-	-	-
At 31 July 2008	**16,158**	**757**	**-**	**5,738**	**3,525**	**376**	**45,731**	**72,285**
Net Book Value at 31 July 2008	**87,060**	**3,023**	**8,835**	**18,356**	**3,814**	**10,299**	**9,276**	**140,663**
Net Book Value at 31 July 2007	**88,747**	**3,077**	**1,463**	**16,077**	**4,094**	**1,009**	**9,313**	**123,780**
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 2008	**9,001**	**39**	**-**	**-**	**8,625**	**691**	**-**	**18,356**

Land and buildings are included in the accounts at either historical or revalued amount 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 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 has the obligation to repair and maintain the building. Previously the University did not include the existing use value in the above statement, however in 2007/08 as a result of new guidance contained in the 2007 SORP, the existing use value as at 1 October 2008 of £9.5m has been included in the statement above. A corresponding entry has been made to deferred capital grants (see note 20 on page 40).

Assets under construction
In 2007/08 £3,208k was spent on a purpose-designed building for Metropolitan Works located next to the University's existing Commercial Road building. Work is scheduled for completion in 2009.

11. Tangible Fixed Assets (University)

	Freehold Land and Buildings				Short Finance			
	Academic £'000	Residential £'000	Under Construction £'000	Alterations & Improvements £'000	Leasehold Land & Buildings Academic £'000	Long Leasehold Building Academic £'000	Equipment Owned £'000	Total £'000
Cost / Valuation								
At 1 August 2007	102,867	3,780	986	19,923	7,339	-	47,882	182,777
Additions	351	-	4,848	2,741	-	-	4,422	12,362
Transfer in - Jewry Street	-	-	-	-	-	9,500	-	9,500
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	(684)	684	-	-	-	-
At 31 July 2008	**103,218**	**3,780**	**5,150**	**23,348**	**7,339**	**9,500**	**52,304**	**204,639**
Depreciation								
At 1 August 2007	14,120	703	-	4,409	3,245	-	39,782	62,259
Charge for year	2,038	54	-	1,166	280	190	4,317	8,045
Eliminated on disposal	-	-	-	-	-	-	-	-
At 31 July 2008	**16,158**	**757**	**-**	**5,575**	**3,525**	**190**	**44,099**	**70,304**
Net Book Value at 31 July 2008	**87,060**	**3,023**	**5,150**	**17,773**	**3,814**	**9,310**	**8,205**	**134,335**
Net Book Value at 31 July 2007	**88,747**	**3,077**	**986**	**15,514**	**4,094**	**-**	**8,100**	**120,518**
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 2008	**8,418**	**39**	**-**	**-**	**8,625**	**691**	**-**	**17,773**

The University owns a number of Heritage assets which have been detailed below and are not included in the balance sheet of London Metropolitan University

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 onwards, 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.

TUC Collection

The TUC Library Collection, established in 1922, was transferred to the University of North London 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 Irish History Archive collection consists of materials donated in a number of different media over the last twenty years, the most significant of which is the Paul Hill Prison Letters (1974-89). 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 Frederick Parker Collection is made up of a chairs exhibit and associated archives. The Collection is one of Britain's 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 their reference books and many drawings of proposed items for specific customers. The Collection is housed at Metropolitan Works, Commercial Road.

12. Investments

	1 August 2007 £'000	Impairment in value £'000	31 July 2008 £'000
Group			
CVCP Properties plc	64	-	64
	64	**-**	**64**
University			
CVCP Properties plc	64	-	64
London Metropolitan University Enterprises Limited	-	-	-
Shoreditch Consortium Limited	-	-	-
Metropolitan New Media Limited	323	(23)	300
	387	(23)	**364**

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 building. 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 and including the operation of a print centre, production of microwave equipment and the provision of bespoke computer courses. The surplus for this subsidiary in 2007/08 is £119k (2006/07: deficit £222k) and the net assets at 31 July 2008 are £4,172k (2007: £3,067k).

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 2007/08 is £23k (2006/07: £20k) and the net assets at 31 July 2008 are £300k (2007: £323k).

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 surplus for this subsidiary in 2007/08 is £12k (2006/07: deficit £12k) and the net assets at 31 July 2008 are £nil (2007: (£12k)).

13. Endowments

	2008 £'000	Restated 2007 £'000
University and Group Endowment Assets		
Balance at 1 August	1,205	1,119
Capital (depreciation)/appreciation of endowment asset investments	(98)	81
Revenue appreciation of endowment asset investments	17	15
Increase in cash balances held for endowment funds	23	49
Increase/(decrease) in debtor balances	1	(59)
Balance at 31 July	**1,148**	**1,205**
Represented by:		
Fixed interest stocks	121	120
Unit Trusts	25	30
Cash and short term investments	100	77
Shares in Managed Growth Fund	890	966
Design Trust debtors	12	12
Total	**1,148**	**1,205**

	Restricted Permanent £'000	Restricted Expendable £'000	2008 £'000	Restated 2007 £'000
University and Group Endowment Reserves				
Balance at 1 August				
Capital	715	384	1,099	1,049
Accumulated income	66	40	106	70
	781	424	1,205	1,119
New endowments	-	17	17	15
Investment income	17	15	32	25
Expenditure	(1)	(7)	(8)	(35)
	16	8	24	(10)
(Decrease)/increase in market value of investments	(92)	(6)	(98)	81
Balance at 31 July	**705**	**443**	**1,148**	**1,205**
Represented by:				
Capital	623	393	1,016	1,100
Accumulated income	82	50	132	105
	705	**443**	**1,148**	**1,205**

Top ten endowment funds by value:	2008 £'000	Restated 2007 £'000
The Women's Library Trust Fund	423	468
The Women's History Fellowship Trust Fund	113	125
The Lord Limerick Memorial Bursary Fund	104	99
The Rubber Fund	94	94
The Design Trust	64	63
The Teaching Studies Fund	51	50
The Library Fund	47	53
The Sadd Brown Library Trust Fund	29	33
The Wood Brothers Prize Fund	28	31
The ACLS Fund	19	19
	972	**1,035**

	2008 £'000	2007 £'000

14. Stocks

	2008 £'000	2007 £'000
Group		
Work in Progress	2	18
Goods purchased for resale	70	64
	72	**82**
University		
Goods purchased for resale	**30**	**35**

15. Debtors

	2008 £'000	2007 £'000
Group		
Amounts falling due within one year:		
Trade debtors	5,984	6,044
Due from HEFCE	193	96
Loans to staff and students	142	124
Other debtors	272	442
Prepayments and accrued income	6,987	6,160
	13,578	**12,866**
University		
Amounts falling due within one year:		
Trade debtors	5,455	5,643
Due from HEFCE	193	96
Loans to staff and students	142	124
Other debtors	117	92
Prepayments and accrued income	6,612	5,679
Amounts due from subsidiary companies	1,544	100
	14,063	**11,734**

16. Investments (Group and University)

	2008 £'000	2007 £'000
Deposits maturing:		
In one year or less	**31,347**	**39,000**

Investments comprise short term deposits with more than 24 hours maturity at the balance sheet date placed with bonus and building societies operating in the London market and licensed by the Financial Services Authority.

The interest rates for these deposits are fixed, with the exception of funds held on the call account, for the duration of the deposit at the time of placement.

At 31 July 2008 the weighted average interest rate of the fixed rate deposits was 5.98% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 26 days. The fair value of these deposits was not materially different from the book value.

17. Creditors - amounts falling due within one year

	2008 £'000	Restated 2007 £'000
Group		
Trade creditors	9,768	8,859
Deferred HEFCE grants and amounts owed to HEFCE	5,597	5,802
Taxation and pension contributions	3,649	4,567
Bank mortgage and HEFCE loans	1,844	2,619
Obligations under finance lease	296	246
Other creditors	175	111
Accruals	5,916	5,201
Deferred income	5,202	6,305
	32,447	**33,710**
University		
Trade creditors	9,488	8,207
Deferred HEFCE grants and amounts owed to HEFCE	5,597	5,802
Taxation and pension contributions	3,649	4,567
Bank mortgage and HEFCE loans	1,844	2,619
Obligations under finance lease	296	246
Other creditors	47	36
Accruals	5,458	5,036
Deferred income	5,051	6,116
Amounts due to subsidiary companies	166	137
	31,596	**32,766**

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

	2008 £'000	Restated 2007 £'000
University and Group		
Bank mortgages (secured)		
Principal payable within two to five years	414	954
Principal payable after five years	392	975
	806	1,929
HEFCE loans (interest free, unsecured)		
Principal payable within two to five years	3,796	4,996
Principal payable after five years	-	349
	3,796	5,345
Finance lease obligations (secured)		
Principal payable within two to five years	1,756	1,516
Principal payable after five years	4,538	5,074
	6,294	6,590
Deferred HEFCE revenue grant		
To be released within two to five years	10,151	13,829
To be released after five years	-	153
	10,151	13,982
HEFCE Holdback		
Payable within two to five years	26,342	3,300
Payable after five years	10,000	-
	36,342	3,300
Total	**57,389**	**31,146**

Bank mortgages represents the mortgage secured on Eden Grove which is repayable in quarterly instalments until September 2016 at a fixed rate of interest of 6.69%.

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.

The HEFCE holdback relates to overpayments of grant for the years 2005/06 to 2007/08 that were made to the University by HEFCE and represent an adjustment to core funding. The total amount of holdback is £36,525k, of which £183k has been transferred to Creditors - amounts falling due within one year (note 17) as this is due in 2008/09.

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

	2008 £'000	Restated 2007 £'000
HEFCE Holdback		
At 1 August	16,391	-
Increase	-	16,391
Transfer to Creditors - amounts falling due after more than one year (note 18)	(16,391)	-
At 31 July	-	16,391
Enhanced Pensions		
At 1 August	2,292	2,312
Increase	-	-
Unwinding of discount	138	139
Provision utilised in year	(164)	(159)
At 31 July	2,266	2,292
Building Contracts		
At 1 August	185	185
Provision utilised in the year	-	-
At 31 July	185	185
Total		
At 1 August	18,868	2,497
Increase	-	16,391
Transfer to Creditors - amounts falling due after more than one year (note 18)	(16,391)	-
Unwinding of discount	138	139
Provision utilised in year	(164)	(159)
At 31 July	**2,451**	**18,868**

The transfer of the HEFCE holdback provision to Creditors - amounts falling due after more than one year (note 18) was made in 2007/08 following the conclusion of discussions with HEFCE in 2009, confirming the full amount of holdback arising from the overpayment of grant for the years 2005/06 to 2007/08, together with the timing of the repayments by the University.

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 assumptions for calculating the provision for enhanced pension costs under Financial Reporting Standard (FRS 17), Retirement benefits, are as follows:

	31 July 2008 Group
Discount rate	6.7%
Inflation	3.8%

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.

20. Deferred Capital Grants

	HEFCE £'000	Other Grants £'000	Total £'000
Group			
At 1 August 2007			
Buildings	35,807	7,790	43,597
Equipment	1,367	1,370	2,737
	37,174	**9,160**	**46,334**
Transfer in			
Jewry Street (see note 10)	-	9,500	9,500
Cash Received			
Buildings	4,915	1,215	6,130
Equipment	1,070	165	1,235
	5,985	1,380	7,365
Released to Income & Expenditure Account			
Buildings	(1,573)	(396)	(1,969)
Equipment	(670)	(359)	(1,029)
	(2,243)	(755)	(2,998)
At 31 July 2008			
Buildings	39,149	18,109	57,258
Equipment	1,767	1,176	2,943
	40,916	**19,285**	**60,201**

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 2007			
Buildings	35,807	6,079	41,886
Equipment	1,367	-	1,367
	37,174	**6,079**	**43,253**
Transfer in			
Jewry Street (see note 10)	-	9,500	9,500
Cash Received			
Buildings	4,915	-	4,915
Equipment	1,070	-	1,070
	5,985	-	5,985
Released to Income & Expenditure Account			
Buildings	(1,573)	(361)	(1,934)
Equipment	(670)	-	(670)
	(2,243)	(361)	(2,604)
At 31 July 2008			
Buildings	39,149	15,218	54,367
Equipment	1,767	-	1,767
	40,916	**15,218**	**56,134**

21. Movement on Consolidated Reserves

	2008 £'000	Restated 2007 £'000
General Reserve		
At 1 August	8,312	(27,755)
Transfer from revaluation reserve - depreciation	104	104
	8,416	(27,651)
Surplus for the year as originally stated	-	20,730
Prior year adjustment	-	(2,891)
Restated surplus for the year	-	17,839
Deficit for the year	(12,623)	-
Actuarial (loss)/gain on pension fund	(7,682)	18,124
At 31 July	**(11,889)**	**8,312**
Revaluation Reserve		
At 1 August	3,802	3,906
Transfer to general reserve - depreciation	(104)	(104)
At 31 July	**3,698**	**3,802**
Endowments		
At 1 August	1,205	1,119
Net movement in endowments (note 13)	(57)	86
At 31 July	**1,148**	**1,205**
Total Reserves	**(7,043)**	**13,319**

Prior Year Adjustment

The prior year adjustment of £2.9m relates to the correction of the estimated repayment to HEFCE of grant overpaid by them to the University in 2006/07. The actual amount to be repaid was agreed in March 2009. 2006/07 amounts are restated as follows:

Closing reserves as at 31 July 2007 as originally stated	11,203
Prior year adjustment	(2,891)
Adjusted closing reserves as at 31 July 2007	8,312
Adjustment to income and expenditure account for the year ended 31 July 2007:	
Decrease in HEFCE recurrent grant	2,891

22. Movement on University Reserves

	2008 £'000	Restated 2007 £'000
General Reserve		
At 1 August	7,540	(28,551)
Transfer from revaluation reserve - depreciation	104	104
	7,644	(28,447)
Surplus for the year as originally stated	-	20,754
Prior year adjustment	-	(2,891)
Restated surplus for the year	-	17,863
Deficit for the year	(12,754)	-
Actuarial (loss)/gain on pension fund	(7,682)	18,124
At 31 July	**(12,792)**	**7,540**
Revaluation Reserve		
At 1 August	3,802	3,906
Transfer to general reserve - depreciation	(104)	(104)
At 31 July	**3,698**	**3,802**
Endowments		
At 1 August	1,205	1,119
Net movement in endowments (note 13)	(57)	86
At 31 July	**1,148**	**1,205**
Total Reserves	**(7,946)**	**12,547**

23. 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 2007/08 was £5,367,469 (2006/07: £5,247,229). It is estimated that the University's contribution to the fund for 2008/09 is likely to be £5,568,550.

The contribution rate payable by the University for 2007/08 was 19.6%. Employees contributions were 6% of pensionable salary to 31 March. From 1 April 2008 the Fund introduced variable employee contribution rates dependent on the employees pensionable salary. These rates range from 5.5% to 7.5%.

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 2007 using the projected unit method. The rates certified at the actuarial valuation as at 31 March 2007 applied from the year 2007/08. The main financial assumptions in the 2007 actuarial valuation were:-

Rate of investment return 6.3% per annum

Rate of salary increases 5.2% per annum

Rate of pension increases 2.9% per annum

The actuarial valuation as at 31 March 2007 showed that the market value of the Fund's assets attributable to the University was estimated at approximately £113.94m and that the actuarial value of those assets represented 82% 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 2008, the required level of long term contributions to be paid by the University to the Fund was 18.2% 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 13.4% of pensionable payroll, together with an increase in the future service rate of 4.8% 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 £2,284m which represented 82% of the Fund's accrued liabilities, allowing for future pay increases.

The next actuarial valuation is due as at 31 March 2010 and any change in certified contribution rates will take effect from 1 April 2011.

The actuaries undertook a further calculation at 31 July 2008 for the purpose of providing information required to be disclosed under the accounting standard on Retirement Benefits (FRS17) and these are detailed on pages 44 and 45.

23. 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 2008 by a qualified independent actuary.

The major assumptions used by the actuary were as follows:

	2008	2007	2006
Rate of increase in salaries	5.3%	4.8%	4.6%
Rate of increase in pensions in payment	3.8%	3.3%	3.1%
Discount rate	6.7%	5.8%	5.1%
Inflation assumption	3.8%	3.3%	3.1%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2008 Years
Current pensioners	
Males	19.6
Females	22.5
Future Pensioners	
Males	20.7
Females	23.6

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

	Long term rate of return expected at 31 July 2008	Value at 31 July 2008 £'000	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
Equities	7.6%	1,312,800	7.9%	1,449,200	7.6%	1,225,500
Bonds	6.3%	440,200	6.6%	515,100	6.3%	386,500
Property	6.8%	499,900	7.0%	314,700	6.7%	238,800
Cash	4.8%	(8,600)	5.1%	75,300	4.8%	157,800
Total		**2,244,300**		**2,354,300**		**2,008,600**

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 2008 £'000	31 July 2007 £'000	31 July 2006 £'000	31 July 2005 £'000	31 July 2004 £'000
Fair value of employer assets	113,897	118,367	101,301	87,889	76,699
Present value of scheme liabilities	(153,391)	(151,056)	(152,120)	(135,225)	(112,445)
Present value of unfunded liabilities	(3,063)	(2,885)	(2,934)	(2,934)	(2,591)
Total value of liabilities	(156,454)	(153,941)	(155,063)	(138,159)	(115,036)
Net pension liability	(42,557)	(35,574)	(53,762)	(50,270)	(38,337)

Analysis of the amount charged to operating deficit/profit

	2007/08 £'000	2006/07 £'000
Current service costs	4,345	5,602
Interest on fund liabilities	9,026	8,006
Expected return on pension fund assets	(8,946)	(7,275)
Past service costs	1,462	-
Impact of curtailment and settlement	381	62
	6,268	6,395
Actual Return on Plan Assets	**(7,612)**	**12,402**

23. Pension Arrangements (continued)

Analysis of amount recognised in statement of total recognised gains and losses	2007/08 £'000	2006/07 £'000
Actuarial return less expected return on Fund assets	(17,622)	5,127
Experience gains arising on Fund liabilities	10,480	408
Changes in assumptions	(540)	12,589
Actuarial (losses)/gains recognised in STRGL	**(7,682)**	**18,124**
Cumulative Actuarial Losses and Gains	**(1,209)**	**6,473**

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	(35,574)	(53,762)
Movements in year:		
- current service cost	(4,345)	(5,602)
- contributions	6,754	6,240
- contributions in respect of unfunded benefits	213	219
- past service costs	(1,462)	-
- impact of curtailment and settlements	(381)	(62)
- net return on assets	(80)	(731)
- actuarial (losses)/gains	(7,682)	18,124
At 31 July	**(42,557)**	**(35,574)**

Analysis of the movement in the present value of the Fund liabilities

At 1 August	153,941	155,063
Movement in year:		
- current service cost	4,345	5,602
- interest cost	9,026	8,006
- contributions by members	1,753	1,647
- actuarial (gains)	(9,940)	(12,919)
- past service costs	1,462	-
- impact on cutailment and settlements	381	62
- estimated unfunded benefits paid	(213)	(219)
- estimated benefits paid	(4,301)	(3,301)
At 31 July	**156,454**	**153,941**

Analysis of movement in the market value of the Fund assets

At 1 August	118,367	101,301
Movement in year:		
- expected rate of return on Fund assets	8,946	7,275
- contributions by members	1,753	1,647
- contributions by the employer	6,754	6,240
- contributions in respect of unfunded benefits	213	219
- actuarial (losses)/gains	(17,622)	5,205
- estimated unfunded benefits paid	(213)	(219)
- estimated benefits paid	(4,301)	(3,301)
At 31 July	**113,897**	**118,367**

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

	2007/08 £000	2006/07 £000	2005/06 £000	2004/05 £000	2003/04 £000
Experience gains and (losses) on Fund assets	(17,622)	5,127	4,068	9,078	45
Value of assets	113,897	118,367	101,301	87,889	76,699
Percentage of Fund assets	(15.5)%	4.3%	4.0%	10.3%	0.1%
Experience gains and (losses) on Fund liabilities	10,480	408	(28)	(2,436)	384
Present value of liabilities	156,454	153,941	155,063	138,159	115,036
Percentage of the present value of Fund liabilities	6.7%	0.3%	0.0%	(1.8)%	0.3%
Total amount recognised in the statement of total recognised gains and losses	(7,682)	18,124	(1,866)	(10,061)	276
Present value of liabilities	156,454	153,941	155,063	138,159	115,036
Percentage of the present value of the Fund liabilities	(4.9)%	11.8%	(1.2)%	(7.3)%	0.2%

23. Pension Arrangements (continued)

B. THE TEACHERS 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 2007/08 was £5,533,611 (2006/07: £5,138,471).

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 2007/08 was £246,271 (2006/07: £199,458) 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.

The assumed life expectation on retirement at age 65 are: Males 19.8 years Females 22.8 years

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 March 2005 the funding level of the scheme has undergone considerable volatility. The actuary has estimated that the funding level had increased to 91% at 31 March 2007 but that at 31 March 2008 it had fallen back to 77%. This fluctuation in the scheme's funding level is due to a combination of the volatility of the investment returns on the scheme's assets in the period since 31 March 2005 compared to the returns allowed for in the funding assumptions and also the changing gilt yields, which are used to place a value on the scheme's liabilities. These estimated funding levels are based on the funding levels at 31 March 2005, adjusted to reflect the fund's actual investment performance and changes in gilt yields (ie the valuation rate of interest). On the FRS17 basis, using a AA bond discount rate of 6% based on spot yields, the actuary estimated that the funding level at 31 March

23. Pension Arrangements (continued)

2008 was 104%. An estimate of the funding level measured on a buy-out basis was approximately 78%.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of pensionable salaries.

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

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 trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows.

In order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liability. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent appoach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers.

The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

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

	2008 £'000	2007 £'000

24. Capital Commitments

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

	2008 £'000	2007 £'000
Commitments contracted	3,930	4,988
Authorised but not contracted	11,462	10,815
	15,392	**15,803**

25. Commitments Under Operating Leases

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

	2008 £'000	2007 £'000
Land and buildings:		
Expiring in over five years	5,778	6,249
Other:		
Expiring in over five years	325	379
	6,103	**6,628**

26. Reconciliation of Consolidated Operating (Deficit)/Surplus to Net Cash Inflow from Operating Activities

	2007/08 £'000	Restated 2006/07 £'000
(Deficit)/surplus on continuing operations	(12,599)	17,829
Depreciation	8,474	7,308
Deferred capital grants released to income	(2,998)	(2,344)
Interest payable	1,021	1,701
Decrease/(increase) in stocks	10	(11)
Increase in debtors	(69)	(79)
Increase/(decrease) in creditors	32,523	(659)
(Decrease)/increase in provisions	(16,417)	16,371
Interest receivable	(2,848)	(762)
Donations received	(7)	(13)
Adjustment for non cash revenue appreciation of endowments	(17)	(48)
Difference between pension charge and cash contributions	(779)	(795)
Exchange rate (gain)/loss	(6)	2
Profit on sale of fixed asset	-	(32,976)
Net cash inflow from operating activities	**6,288**	**5,524**

	2007/08 £'000	2006/07 £'000

27. Returns on Investments and Servicing of Finance

	2007/08 £'000	2006/07 £'000
Donations received	7	13
Interest paid	(898)	(908)
Income from endowments	32	25
Other interest received	2,116	706
Net cash inflow/(outflow)	**1,257**	**(164)**

28. Net Capital (Expenditure) / Receipts and Financial Investment

	2007/08 £'000	2006/07 £'000
Purchase of tangible fixed assets	(15,857)	(6,518)
Receipts from disposal of fixed assets	-	36,203
Deferred capital grants received	7,365	5,563
Endowments received	17	15
Net cash (outflow)/inflow	**(8,475)**	**35,263**

29. Management of Liquid Resources

	2007/08 £'000	2006/07 £'000
Decrease/(increase) in investments	7,653	(32,500)
Movement in endowment cash investments	(23)	(1)
Net cash inflow/(outflow)	**7,630**	**(32,501)**

30. Financing

	2007/08 £'000	2006/07 £'000
Repayment of capital element of loans	(7,278)	(7,362)
Repayment of capital element of finance lease	(246)	(206)
Net cash (outflow)	**(7,524)**	**(7,568)**

31. Analysis of Changes in Net Debt

	At 1 August 2007	Other Changes	Cashflows	At 31 July 2008
Cash at bank and in hand	1,954	-	(824)	1,130
Endowment asset investments	27	-	23	50
	1,981	-	(801)	1,180
Short term investments	39,000	-	(7,653)	31,347
Debt due within 1 year	(2,619)	(1,844)	2,619	(1,844)
Debt due after 1 year	(21,256)	1,844	4,659	(14,753)
Finance leases	(6,836)	-	246	(6,590)
	10,270	-	(930)	**9,340**

32. Access Funds

	2007/08 £'000	2006/07 £'000
Balance at 1 August	280	207
Funding Council grant	834	1,125
Interest	33	36
Disbursed to students and administration	(1,111)	(1,088)
Balance at 31 July	**36**	**280**

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.

33. Teacher Training Bursary Funds

	2007/08 £'000	2006/07 £'000
Balance at 1 August	145	103
Funding Council grant	2,085	1 ,647
Disbursed to students and administration	(2,098)	(1,605)
Balance at 31 July	**132**	**145**

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.

34. Contingent Liabilities

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.

35. 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.

36. Post Balance Sheet Event

On the 5 November 2008 the University completed the sale of James Leicester Hall of Residence, a freehold property in Market Road, London N7 to UNITE Group Plc for the sum of £26.3m. The net book value of the property at 31 July 2008 was £2.7m producing a surplus before costs of £23.6m.

The University completed the purchase of The Arcade Hall in March 2009 for £24.1m. The sale of the Arcade Hall, initially planned to take place on the same day as purchase, has been delayed to allow the purchasers additional time to complete their funding requirements but is expected to complete in June 2009 with sales proceeds of £25.1m.

LONDON metropolitan university

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