LONDON metropolitan university

Annual Report and Accounts

for the year ending 31.07.2009

Report and Financial Statements for the year ended 31 July 2009

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 2009

Interim Vice-Chancellor and Chief Executive *	A C Morris MA FCA FSS (appointed 29.06.09)
Acting Vice-Chancellor and Chief Executive	Dr R P T Aylett MA PhD (appointed 24.03.09) (resigned 29.06.09)
Vice-Chancellor and Chief Executive	B A Roper BSc Econ (Hons) MA (Econ) D.Univ (Hon) (resigned 17.03.09)
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 Grant Thornton House Melton Street Euston Square London NW1 2EP
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 Akin & Law LLP 376 City Road London EC1V 2QA Seddons Solicitors 5 Portman Square London W1H 6NT
Property Advisors	Drivers Jonas LLP 85 King William Street London EC4N 7BL

* Professor Malcolm Gillies was appointed Vice-Chancellor and Chief Executive with effect from 25 January 2010 and Alfred Morris resigned on 23 January 2010.

Senior Officers and Advisers as at 31 July 2009

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
Loss Assessors	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 2009

	Date of Appointment
Peter Anwyl – Chair (F, G [chair] J [chair])	01.08.02
Dr Robert Aylett (F, EB, G, E) (Acting Vice-Chancellor and Chief Executive)	24.03.09
Graham Castle (F, W)	12.10.99
Stephan John (EB [chair], J, A)	31.10.03
Katia Kramer (E, G)	01.09.08
Jeremy Mayhew (G, J)	28.03.00
Bob Morgan (G, E)	12.12.02
Prof Zenobia Nadirshaw (RE, W, A)	12.10.05
Raj Patel (EB, F)	01.03.03
Abdul Rahim (F[chair], G)	01.08.02
Finlay Scott (A [chair])	24.04.03
Sir Michael Snyder	12.10.99
Sarah Tyacke (F, W)	31.01.03

The following changes to Board membership took place after 1 August 2009:

Appointments:	
Professor Malcolm Gilles (F, G) (Vice Chancellor and Chief Executive)	25.01.10
Yeashir Ahmed (E, S)	02.09.09
Philip Bignell (A [Chair])	18.11.09
Kay Dudman (E)	01.10.09
Rob Hull (A, G)	10.02.10
Tony Millns (G, Chair)	30.09.09
Alfred Morris (F, G)	17.09.09

Prior to his appointment to the Board, Philip Bignell served on the Audit Committee in a co-opted capacity.

Resignations:	Date of Resignation
Dr Robert Aylett (F, EB, G, E) (Acting Vice Chancellor and Chief Executive)	28.09.09
Katia Kramer (E, G)	07.10.09
Brian Roper (E, EB, F, G, R, RE) (Vice Chancellor and Chief Executive)	17.03.09
Finlay Scott (A [chair])	22.10.09
Alfred Morris (F,G)	21.01.10
Graham Castle	29.01.10

Brian Roper resigned as Vice Chancellor and Chief Executive and as a member of the Board on 17 March 2009. Dr Robert Aylett was appointed as Acting Vice Chancellor and Chief Executive and member of the Board on 24 March 2009. Dr Aylett resigned as Acting Vice Chancellor and Chief Executive on 29 June 2009 and resigned as a member of the Board on 28 September 2009.

Alfred Morris was appointed Interim Vice Chancellor and Chief Executive on 29 June 2009 and was appointed as a member of the Board on 17 September 2009. He resigned on 23 January 2010.

Professor Malcolm Gillies was appointed Vice-Chancellor and Chief Executive on 25 January 2010.

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 2009, 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:

Christopher Howe (A) – resigned 01.10.09
Cherrill Scheer (G) – resigned 31.01.09

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
	(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 2009 £m	2008 £m
Consolidated Income & Expenditure Account		
Funding council grants	66.5	65.5
Tuition fees and education contracts	72.4	65.6
Research grants and contracts	4.0	4.4
Other income	12.3	12.8
Endowment income and investment income	2.6	2.9
Total Income	**157.8**	**151.2**
Profit on sale of freehold residential property	**22.7**	-
Expenditure	**(171.1)**	**(163.8)**
Surplus/(deficit) for the year	**9.4**	**(12.6)**

	As at 31 July 2009 £m	2008 £m
Consolidated Balance Sheet		
Fixed assets	160.5	140.7
Endowment asset investments	1.0	1.2
Current assets	43.5	46.1
Current liabilities	(44.5)	(32.4)
Non-current liabilities and provisions	(53.2)	(59.8)
Pension liability	(77.2)	(42.6)
Total Net Assets	**30.1**	**53.2**
Represented by:		
Deferred capital grants	61.9	60.2
Endowments	1.0	1.2
Reserves	(32.8)	(8.2)
	30.1	**53.2**

Other Key Statistics

	2009	2008
Consolidated increase/(decrease) in Cash Flow	1.9	(0.8)
Consolidated recognised losses	(24.8)	(20.4)
Student numbers	31,614	30,960
Average employee numbers (full time equivalent)	2,296	2,446

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 2009.

The financial statements have been prepared to comply with the Companies Act 2006 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 period to 31 July 2015. These forecasts indicate that, as a result of the Cost Improvement Plan put into place during 2008-09 and 2009-10, the University expects to reduce its operating deficit substantially in 2009-10.

Although the University is likely to be adversely affected by the economic downturn and resultant general pressure on public sector funding, some of which has already been reflected in recent Higher Education Funding Council for England (HEFCE) funding announcements, and which will affect all institutions in the sector, the Board is satisfied that the current review of the University's strategic plan will address the need for a further action plan to ensure the financial sustainability of the University.

Based upon their review of these forecasts, the Board is satisfied that these financial statements are properly prepared on a Going Concern basis. For the purpose of this going concern review, the Board has focused on the period to 31 July 2011. The financial forecasts of the University show that sufficient funding is in place to support the University's activities throughout the period of development of the strategic plan and associated sustainability action plan based on a range of assumptions which are set out on page 14 of this report. The Board considers that the use of the going concern basis is appropriate because, at the date of approval of the financial statements, they are not aware of any material uncertainties related to events or conditions that might cast significant doubt as at the date of approval of the financial statements about the ability of the University to continue as a going concern.

The principal creditor of the University is HEFCE, which was owed a total of £8.8m in respect of interest-free capital loans and £36.3m in respect of repayments of grant as at 31 July 2009. The repayment plan as agreed with HEFCE for these amounts is included in the financial forecasts reviewed by the Board.

Further information is given under the Future Developments section below.

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

FINANCIAL REVIEW

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 intended 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.

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. Post year end adjustments to provide in full for these amounts were made in our financial statements for 2007-08.

As a result of the data audit, HEFCE reduced the University's funding allocation for 2008-09 by a capped amount of £15m compared to 2007-08 and reduced the University's fundable student full-time equivalent number accordingly.

In the view of the University based upon our 2009 HESA return and associated validation work, the likelihood of any material adjustment to our 2008-09 grant is considered remote and on this basis no provision for retrospective grant adjustment has been made.

Income and Expenditure

Our operating plan and budget for 2008-09 and subsequent years was reviewed following confirmation of the amount of the grant repayment and the schedule for repayment. A cost improvement plan was put into immediate effect with target savings of £26m.

A comparison of the actual financial performance of the University for 2008-09 with budget is as follows:

	Actual £'000	Budget £'000
Operating deficit	**(7,343)**	**(11,421)**
Add:		
Restructuring costs	(5,915)	(2,000)
Profit on disposal of assets	22,657	23,329
Historical cost depreciation adjustment	104	104
Historical cost surplus	**9,503**	**10,012**

Good progress was made during the year in delivering cost savings with a direct improvement in our operating deficit compared to budget. Restructuring costs were higher than budget as provision was made for those staff who had decided by 31 July 2009 to leave the University after the year-end under the redundancy scheme.

The following tables compare 2008-09 and 2007-08 performance.

Income

Source of Income	Year to 31 July 2009 £'000	2008 £'000	Movement %
Funding Council grants	66,472	65,453	1.6
Tuition fees and education contracts	72,436	65,605	10.4
Research grants and contracts	3,947	4,442	(11.1)
Other income	12,340	12,826	(3.8)
Endowment and investment income	2,580	2,848	(9.4)
Total Income	**157,775**	**151,174**	**4.4**

Total income has increased by 4.4% (£6.6m) over the 2007-08 figure. The main elements of this increase are:

Funding Council grants increased by 1.6% (1.0m).

Income from tuition fees and education contracts increased by 10.4% (£6.8m) reflecting the charging of higher tuition fees (£3,145) for three cohorts of full-time home and European Union (EU) undergraduates compared with 2 cohorts in 2007-08, increased income (£1.7m) from overseas students and fewer fee adjustments for withdrawals.

Income from research grants and contracts decreased by 11.1% (£0.5m) reflecting the completion of a number of grant funded projects, with a lower value of new grants.

Other income fell by 3.8% (£0.5m). This decrease is primarily due to lower residence and catering income following the sale of James Leicester Hall in November 2008.

Endowment and investment income decreased by 9.4% (£0.2m) to £2.6m mainly as a result of lower interest rates.

Expenditure

Category of Expenditure	Year to 31 July 2009 £'000	2008 £'000	Movement %
Staff costs	101,427	101,577	(0.1)
Other operating expenses	58,235	52,701	10.5
Depreciation	8,463	8,474	(0.1)
Interest payable and other finance costs	2,908	1,021	184.8
Total Expenditure	**171,033**	**163,773**	**4.4**

Total expenditure (including restructuring costs) increased by 4.4% (£7.3m) compared with 2007-08. Total expenditure before restructuring costs rose by 2.6% (£4.2m) compared with 2007-08. The main elements are:

Staff costs remained flat at £101.5m, however after allowing for the FRS17 pension cost adjustment they rose by £722k, as savings from reduced Full-Time Equivalent (FTE) numbers were exceeded by pay awards which averaged 5.9% including a 1.5% increase for incremental progression.

Other operating expenses (excluding restructuring costs) increased by 4.9% (£2.5m). The increase is primarily due to bursary payments increasing by £2.2m as more students are now eligible for the scheme; agency staff costs increasing by £1m as vacancies were held open pending restructuring and payments to franchise colleges increasing by £1.3m as a result of a new Connected Institution Agreement with the British College of Osteopathic Medicine. There were decreases elsewhere, most notably in the operating expenditure incurred by the halls of residence which fell by £1m due to the sale of James Leicester Hall in November 2008. Other operational savings of approximately £0.9m were achieved by tight cost control as departments were asked to restrict spending to essential items.

Interest payable and other finance costs increased by £1.9m primarily due to the FRS17 net interest charge on the University's London Pension Fund Authority (LPFA) pension scheme.

Report of the Governors

Balance Sheet

The consolidated net assets of the Group at 31 July 2009 were £30.1m, a decrease of £23.1m compared to 31 July 2008.

This figure is after taking into account a pension deficit of £77.2m on the LPFA scheme, in accordance with FRS17 'Retirement Benefits'. The pension deficit increased by 81.3%, from £42.6m in 2008 to £77.2m in 2009, principally as a result of actuarial losses mainly caused by a change in the discount rate used to discount the present value of scheme liabilities.

Net assets excluding the pension fund deficit increased from £95.7m to £107.3m.

Fixed Assets

Expenditure during the year on fixed assets was £31.0m, bringing the total net book value of land, buildings and equipment to £160.4m (2008: £140.7m). This expenditure includes £24.6m for the purchase of the Arcade Hall of Residence, building refurbishment totalling £1.1m, building legislative compliance works of £1.2m, other building works totalling £5.1m and equipment additions of £2.6m. They were reduced by the net book value of James Leicester Hall of £2.3m, sold during the year, and depreciation charged in the year of £8.4m.

The most recent valuation of the group's properties, carried out to ensure that there was no diminution in the carrying amount of the assets, was prepared by Drivers Jonas LLP as at 31 July 2009 on an existing use basis (or in the case of the Arcade hall of residence, market value). The total value of the properties was £148.5m.

Endowment Assets

The value of endowment assets decreased during the year by £184k to £964k primarily due to the decrease in the market value of endowment investments.

Current Assets

Group trade debtors (fees and miscellaneous debt) decreased by £0.5m to £5.5m (2008: £6.0m) which represents 6.2% of income (excluding grant and investment income) compared with 7.2% in 2007-08. This demonstrates our continued commitment to maintaining strong credit control and debt management processes.

Prepayments and accrued income fell by £3.0m to £3.9m (2008: £6.9m). This decrease mostly arises from reviews of third stream projects at the year-end to ensure that timing of income is matched with expenditure on projects bridging the year-end.

Net cash balances, including investments in short-term deposits, have increased marginally from £32.5m at 31 July 2008 to £33.1m at 31 July 2009.

Creditors

Group creditors due within one year increased by £12.1m to £44.5m (2008: £32.4m), the most significant item being accruals, which increased by £4.7m. This relates to redundancy payments for staff leaving the University under the voluntary redundancy scheme. Deferred income rose by £0.5m to £5.7m.

Creditors falling due after more than one year (excluding the HEFCE grant repayment) fell by £5.8m to £15.2m (2008: £21.0m) as a result of scheduled payments to reduce loans and the release of part of the deferred HEFCE revenue grant arising from the receipt of a lump sum in compensation for the previous annual reimbursement of costs arising from leases inherited on the formation of the University of North London and London Guildhall University in 1989.

The University has agreed with HEFCE a schedule for repayment of over-claimed recurrent grant. The long- term portion of this repayment is in creditors falling due after more than one year and amounts to £34.3m. The short- term portion of £2.0m is included in creditors due within one year.

Provisions for Liabilities

A redundancy provision of £953k has been included and relates to staff who were given notice of compulsory redundancy before 31 July 2009 and are due to be made redundant after this date. The provision is recorded at the best estimate of the expenditure required to settle the obligation.

Deferred Capital Grants

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

OPERATING REVIEW

LEARNING, TEACHING AND ASSESSMENT

Systems and arrangements for the design, delivery and assessment of taught provision were the subject of major review in 2007-08, as were the factors contributing to successful performance by students. This work, assisted by an external review of timetabling and related activity, continued through 2008-09. In particular, consideration was given to the credit architecture which frames taught awards at all levels, to the articulation of blended learning strategies at subject level, and to strategies for promoting and enhancing student success. A number of regulatory changes were introduced to support these programmes of work.

At the same time, particular attention has been paid to the maintenance of academic standards and to the quality of the students' learning experience. The University Awards Board reported to the Joint Standards Board (chaired by the Chair of the Board of Governors) on degree outcomes and on the probity with which degree-awarding powers are being exercised by the University. In addition, the Awards Board started to commission departmental/subject-specific academic audits, conducted independently by experienced external assessors, to enable the University to assure itself that its internal quality assurance mechanisms are effective and that academic standards are being maintained.

Student Numbers

Student numbers for the year 2008-09 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	
	2009	2008
Full Time (Home/EU)	13,250	12,831
Full Time (Overseas)	3,232	2,743
Part Time	9,898	12,949
Short Course	5,234	2,437
Total	**31,614**	**30,960**

Awards

The following summarises activity conducted through the University Awards Board in its 2008-09 cycle.

A total of 9,185 awards have been made through the Awards Board compared with a total of 9,501 in the whole of 2007-08. A small number of awards are still to be made in the 2008-09 cycle and the final figure will be similar to 2007-08.

In the major award categories the analysis of honours and masters degrees awarded is as follows:

Bachelors Degrees

	2008-9	%	2007-8	%
1st	345	9.5	343	8.8
2:1	1,378	37.9	1,468	37.8
2:2	1,504	41.4	1,642	42.3
3rd	285	7.8	247	6.4
Non Honours	123	3.4	183	4.7
Total	**3,635**		**3,883**	

The proportion of 1st and 2:1 honours degrees rose slightly from 46.6% to 47.4%.

Masters Awards

	2008-9	%	2007-8	%
Distinction	247	11.3	214	12.5
Merit	975	44.5	793	46.4
Pass	969	44.2	704	41.1
Total	**2,191**		**1,711**	

Both the volume of awards and the proportion of distinctions has improved in 2008-9.

Progression

55.2% of students progressed from Year 1 to Year 2 of Undergraduate Degrees in 2008-09 compared with 51.3% in 2007-08.

68.7% of students progressed from Year 2 to Year 3 compared with 63.4% in 2007-08.

Both higher progression rates mask slightly smaller total volumes that reflect the discontinuation of weak students at the end of 2007-08 (about 600) who did not therefore re-enrol in 2008-09.

Overseas activity

Overseas activities – both the recruitment of students to the UK and the exporting of University capabilities to overseas markets - remain crucial to the University, and the year saw a number of developments, notably in new markets in the Middle East.

Partnerships

Inside the UK, within the context of grant funding constraints, extant partnerships are being re-assessed for their strategic value, and new arrangements proposed where appropriate.

RESEARCH

The market for research during the period under review was dominated by the release of the 2008 Research Assessment Exercise (RAE) results, which included the adoption of a radical new system for scoring research activity and allocating Quality-Related (QR) funding. The results of the 2008 RAE brought a mixed, though largely positive, evaluation of the University's research activities. In terms of 'research power', London Metropolitan University was ranked 72nd out of 159.

The University's position in the research power rankings partly reflects the large number of academic staff whose research was submitted to the 2008 RAE - over 290 members of staff (260 FTE) and the 60th largest submission of the 159 universities submitted. However, the University's position in the research power rankings also reflects the high quality of much of its research activities, and while 'internationally recognised' research outputs were evident across all of the 21 subject areas to which these were submitted, outputs submitted to many of the subject areas fared even better. In particular, more than 10% of the outputs submitted to six subject areas (Communication, Cultural and Media Studies; Architecture and the Built Environment; Pure Mathematics; Education; Social Work and Social Policy and Administration; and American Studies and Anglophone Area Studies) were judged to be 'world-leading', while submissions to most of these subject areas, as well as submissions to five more (Economics and Econometrics; Allied Health Professions and Studies; European Studies; Drama, Dance and Performing Arts; and Town and Country Planning), also had a third or more of their research outputs judged as 'internationally excellent' or better. Moreover, the University's submissions in Education and European Studies were placed in the top 21% and 37%, respectively, of all submissions by UK universities in these subject areas, confirming the University's status as an international centre of excellence in these interdisciplinary fields.

These results revealed, for the first time, the full extent and diversity of research activity across the University and, as a result of the new scoring and QR funding allocation system, substantially increased the University's QR income (from less than £1m in 2001 to more than £4m in 2008-09). However, only two of the 21 submissions (to 'Education' and 'European Studies') were ranked in the top half of all submissions, and most of the submissions were marked down on the quality of the research environment. At the same time, pressure on funding may lead to a modification of the QR funding allocation formula in 2010 that would reduce the income awarded to the University. All of these challenges help to set the research agenda for the University.

The competitive and regulatory environment for research in 2008-09 was dominated by two issues: (i) ongoing consultation by HEFCE and the UK Research Councils on the design of the successor to the RAE (the 'Research Excellence Framework' or 'REF') and regulations for Research Council funding applications; and (ii) the acute downturn in the availability of research funding within the public, private and voluntary sectors.

Consultation on the REF methodology has focused research minds on the challenges of securing the publication of research outputs in high-impact journals while developing credible evidence of the impact of such research on the broader social and economic environment. Likewise, a radical change in the Economic and Social Research Council's (ESRC) approach to the accreditation and funding of doctoral training – which in future will be based at the institutional rather than departmental level and will require bids from multi-university consortia to reach the critical mass thresholds of students and disciplines required – has heralded a further substantive shift towards the concentration of research funding within UK Higher Education Institutions. This is mirrored by consultations along similar lines by the Engineering and Physical Sciences and Arts & Humanities Research Councils (EPSRC and AHRC), and by the EPSRC's suggestion that universities and/or individual academics would be unable to submit more than a fixed number of applications for research funding if they had exceeded a given quota of previous, unsuccessful applications. Ensuring that the University can develop suitable systems both internally (i.e. pre-submission quality review) and externally (i.e. successful research consortia) will be crucial for ensuring that it can continue to compete for research and research training support from the UK Research Councils in the future.

While the University's focus on applied research will stand it in good stead when addressing the proposed changes to the REF (in terms of the evaluation of social and economic impact) – and has enabled the University to maintain substantial external research income from a diverse range of sources despite the limited QR funding allocated under the 2001 RAE and the impact thereof on access to Research Council funding – the recent economic downturn in the private and voluntary sectors has severely impacted on the University's ability to maintain external research funding. With a projected decrease in public spending in research and training, the University will continue to struggle, as will many similar universities, to secure adequate external research income over the coming years.

The risks and uncertainties facing the University's research activities over the coming year are principally financial.

As described earlier, the University faces a possible substantive fall in the value of QR funding allocated from the 2008 RAE if, as currently under discussion by HEFCE, the funding allocation formula is revised to place a greater emphasis on research activity graded as 4* ('world-leading') or 3* ('internationally excellent') and downplayed that graded 2* ('internationally recognised' – at which much of the research submitted in 2008 by the University was graded). Although the direct financial risks of failing to secure ESRC accreditation for the University's doctoral training programmes (through a successful consortium bid in 2010) are small – given the modest number of ESRC PhD studentships annually awarded to the University over the past 5 years – the potential indirect impact on the University's reputation as a centre of excellence for doctoral training could be significant in a decline in applications from self- and externally-funded postgraduate research students. This might also influence the University's ability to secure similar accreditation from the EPSRC and AHRC should these Research Council's follow a similar model of accreditation, as currently under consultation. Finally, the potential impact of any constraints on applications for research funding to Research Councils from Universities with a track record of unsuccessful applications in the past (as considered by the EPSRC) could further limit the ability of the University to raise research income at a time when QR income had declined and income from non-public sources was severely compromised by the economic downturn.

There are three key performance indicators on which the University's performance in research will be based in 2009-10:

(i) A successful assessment of the University's research degree training programmes following the 2010 inspection visit from the Quality Assurance Agency – the first such visit to specifically include an assessment of quality assurance policies and procedures relating to postgraduate research degrees.

(ii) A successful application to the (ESRC) for accreditation of the University as either a Doctoral Training Centre or Doctoral Training Unit, in collaboration with a consortium of Universities in London – the first phase of the ESRC's new procedures for accrediting doctoral training and a likely pre-cursor to similar procedures currently under review at the Engineering and Physical Sciences and Arts & Humanities Research Councils (EPSRC and AHRC).

(iii) A successful evaluation of both the process and outputs of a mock submission to the (REF) ahead of the 2013 REF exercise – the first time that the University will have used its new research outputs repository and grant application database to collect and collate research activity.

ENTERPRISE

Similar successes to those in research have been experienced in the area of knowledge transfer in 2008-9. All major objectives were achieved, several over target.

Evidence of culture change among academics' attitude to the commercialisation of academic knowledge and skills has been recorded in increased demand for support services. This includes requests for both policy and operational reports, promotional and skills training events and the annual enterprise staff conference; applications for development funds; responses to 'tender watch'; requests for assistance for bids; proposals for Knowledge Transfer Projects (KTPs), Knowledge Connect and Emerald Proof-of-Concept Fund.

In terms of income generation, 2008-09 successes included the award of 2 European Union European Regional Development Fund projects (value £3.1million); for HEFCE's Economic Challenge Investment Fund (ECIF) (recession mitigation) project (value £0.8m); to the London Development Agency (LDA)'s Emerald Fund (total value £1.1m),12 LDA Knowledge Connect projects approved or active (value £0.1m) and 6 new Business, Innovation and Skills KTPs were awarded (value £0.1m). LondonMet is the 2nd highest achiever in the Knowledge Connect programme, closely following the London Business School. Our 'Accelerator' incubator support unit achieved 90% occupancy rate for our supported workspace and 120 companies registered with the virtual incubator services.

Entrepreneurship opportunities and training for students has been extended, resulting in a fourfold increase of registrations on the Student Enterprise Programme and business plan competition. Six new student start-up businesses have been achieved.

Nevertheless, the University's current financial difficulties have had their negative impact, largely through uncertainty and loss of momentum. Staff reductions in the academic departments have resulted in less time available for enterprise activities.

The economic recession has also had an impact on the demand for university commercial services. To date this has been evidenced in the private sector where budgets for training and consultancy have been cut. The public sector which is the main purchaser of HE research, consultancy and Continuing Professional Development (CPD) has held up well. However, with the expected cut-backs in public spending from 2010, this demand can expected to deteriorate. Paradoxically, recessions stimulate entrepreneurship and encourage individuals to develop new skills and start businesses. Through the HEFCE ECIF Project, the University will be well placed to capture some of this market.

COMMUNITY

Our staff are active members of 29 local business and community organisations working on economic and social development. This activity is closely aligned with the work of the University's Career Development and Employment Services and volunteering services, and with the University's Widening Participation efforts. The outcome of this activity is the successful £0.8m HEFCE ECIF bid to support individuals and businesses hit by the economic recession. This project had support and £0.3m match-funding from London First, the City of London, the LDA, the London boroughs of Hackney, Islington and Tower Hamlets. It is being delivered with the Further Education Colleges in these boroughs, JobCentrePlus, Business Link for London and local social enterprises.

Partnership with LondonFirst resulted in a request for LondonMet to pilot a new corporate recruitment scheme, 'Leading London' with the best final year students of 2008-09. East London Business Alliance, another partner, is working with CEDES to increase the employability of our students and to secure for them quality internships and placements.

Work to increase performance and aspirations in local schools and colleges continues, especially through the British Science Association's 'CREST' programme to increase interest in Science, Technology, Engineering and Maths subjects. LondonMet has participated in 'summer university', learning festivals and skills fairs organised by local partners. Department of Applied Social Sciences has new programmes in community development, building on its research successes in this field, and the Faculty of Life Sciences is helping the Islington Primary Care Trust to reach its obesity reduction targets with local communities

HUMAN RESOURCES

The Human Resources Strategy supports the strategic plan by working in partnership with managers to transform the staffing model and employment practices so that they remain flexible, responsive and productive and facilitate corporate culture change. The aim is to develop an institutional culture which values: professionalism; customer focus; a can do attitude; team playing; innovation and creativity; accountability; diversity; and continuous improvement.

The priority for the year has been to support the cost improvement programme referred to above. A consultation was formally initiated in February 2009 on staff reductions which planned to deliver savings from a reduction in the staffing establishment by 550 full time equivalent posts by 31 July 2010, of which it was envisaged that 330 might need to come from voluntary or compulsory redundancies. Success so far in making best use of normal staff turnover (154.1 FTE savings), maximising 'non-staff savings' (equivalent to 102 FTEs) and identifying 99.6 FTE voluntary leavers has reduced the likely scale of redundancies by 31

July 2010 to 98.9 FTE. Redeployment and natural wastage should further reduce this figure. A further 95.4 FTE planned savings have been deferred as a result of the consultation process. As a result, the University's substantive staffing establishment reduced from 2000 FTEs to 1760 FTEs over the year and is expected to reduce to below 1700 FTEs by the end of 2010-11.

The Human Resources Department led and coordinated the staff costs reduction component of the Cost Improvement Plan (CIP) and provided advice, guidance, change management tools and direct support to Senior Managers and staff on the delivery of change.

The 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. A key focus for this year has been the development of a single equality scheme in response to the Equality Bill's new equality duty. Workforce composition data is published triennially and this year's figures show the workforce has maintained its diverse composition, remaining broadly representative of the population from which the University recruits. Published equality impact assessments (EIAs) help ensure that any unintentional adverse impact is identified and mitigated against. EIAs for each of the departmental CIPs were produced and published this year together with an overarching EIA.

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. 8,090 places were taken up by staff undertaking development activity during the year represented a total investment of £2.4m (in direct financial costs plus staff time). Feedback was received covering 6,336 of these places, 96% of staff found the events useful and 92% said they had a long term practical impact on their work. 91% of respondents felt that individual staff development activities had or will have a practical impact on their work. 81% of staff taking University courses with fee waivers said that the development was relevant to their University work.

The University has an established joint consultative and negotiating committee framework through which relevant issues are discussed and trade union representatives consulted. The involvement of non-union members as well as union members in matters affecting the University continues through well attended Staff Representative Council meetings, which provide a forum to discuss a wide range of University issues. 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. A key focus for this year has been the establishment of an integrated research contractual and grade framework, which is intended to improve consistency and transparency across the University, and aid succession planning. Further groundwork has been completed in preparation for the development of our performance management framework and associated elements.

ESTATES

During 2008-09, the University continued its programme of refurbishment of the existing estate to improve its condition and suitability. 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) to extend our digital manufacturing capacity. The facility was scheduled to be opened in 2007-08, however a fire in June 2008 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 2009-10 include further refurbishment work throughout the estate, together with ongoing work on the building services capital replacement programme. Major capital projects, to be funded with assistance from HEFCE teaching and learning and research capital grants, include re-developments at Holloway Road Learning Centre, Central House, Moorgate and the Tower Building. The main themes of these projects are to improve flexible learning space for students and staff throughout the University, to provide enhanced exhibition space for use by all University departments and to facilitate an overall reduction in our estate by improving efficiency.

A full master-planning exercise has begun with the commissioning of conditions surveys and space audits, which will inform the next phase of our estates strategy, which is designed to consolidate our activity in a smaller estate.

POST BALANCE SHEET EVENTS

On 17 September 2009 the University signed an agreement whereby a third party will:

(a) operate the Arcade hall of residence under license from the University during 2009-10 and

(b) purchase the freehold of the Arcade hall on 30 June 2010 for £25.15m.

FINANCIAL STRATEGY

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

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

TREASURY MANAGEMENT

Day-to-day cash and short-term investments are managed through rolling annual cash-flow forecasts which are updated every month. Annual capital cash-flow forecasts are updated every year with 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 for 2008-09 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 6 months and Standard & Poor's AA- (or equivalent) for deposits of more than 6 months and by limiting exposure to any single deposit-taker.

To recognise the current economic conditions we have revised the minimum credit rating for deposits of up to 6 months to Standard & Poor's A-2. We have also introduced a non UK country deposit limit.

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

Strategic plan review

In November 2008 the Board of Governors approved a new Strategic Plan for the University for the period 2009-19.

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-focused approach on the part of the University staff and systems.

The first period of the plan focused on consolidation of student numbers, recognising the revised base of HEFCE fundable students. The reduction in our HEFCE teaching grant required a comprehensive cost improvement plan, which has been put into effect during 2008-09 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.

The core of the plan comprised a new academic plan for the University, which seeks to promote better integration of learning, teaching and assessment with research and knowledge transfer activities. Particular attention is paid to the University's enterprise capability, to the role of partnerships in delivering the University's mission, and to the student experience. The overarching aim of the plan – whilst giving medium and long-term direction to the institution – is to create an efficient and effective institution which will become a University of choice for its multiple stakeholders.

The financial perturbations which began to affect the University shortly after the publication of the plan brought effectiveness and efficiency into sharp focus. Corporate and departmental planning, in both academic and professional support areas, concentrated for the remainder of academic year 2008-09 on a major cost improvement programme, designed to put the University in a position where it could start, with confidence, to address the more far-reaching aspects of the strategic plan.

A full review of the strategic plan, under the leadership of our new Vice-Chancellor, commenced in January 2010. Pending this review, we continue to work to the main objectives for the University in the existing plan, to re-balance income with expenditure whilst maintaining excellent academic standards and improving the experience of the University for our students.

As for all institutions in the sector, we recognise that we face difficult economic conditions that are likely to cause substantial further reductions in grant income and increasing competition for students, research and enterprise activity at the same time that we need to maintain academic quality and provide improved standards of services to our students and customers.

Initial estimates of the likely financial impact of these conditions on the University are reflected in the financial forecasts reviewed by the Board of Governors and referred to above. They indicate that the review of the strategic and associated operational plans must incorporate further actions to address the financial sustainability of the University, through a combination of further efficiency savings and identification of additional sources of income, estimated at approximately £20 million per annum from 2012-13.

Implementation of the cost improvement plan will continue in 2009-10, with forecast results for 2009-10 and 2010-11 as follows:

	2009-10	2010-11
	£m	**£m**
Income	159.3	148.7
Staff costs	(101.2)	(101.2)
Other operating expenses	(55.7)	(52.1)
Sustainability action plan	-	5
Operating surplus	2.4	0.5
Notional interest payable –FRS17	(2.6)	(2.6)
Restructuring costs	(1.9)	(2.6)
Profit on disposal of assets	0.1	-
Depreciation adjustment	0.1	0.1
Historical cost deficit	**(1.9)**	**(4.6)**
Closing cash balance	**36.3m**	**15.2m**

Key assumptions used in compiling the forecasts are:

- HEFCE grant figures for 2010-11 are estimated using the general information provided to the sector by HEFCE on 1 February 2010. We have assumed a 5% per annum reduction in grants for 2011-12.
- An overall reduction of 10% in student numbers from 2010-11.
- Completion of the sale of the Arcade in June 2010, with a cash receipt of £20m.
- Staff cost inflation at 2% per annum in pay costs and a general uplift of 3% in 2011 for pension cost increases.
- Implementation of the remainder of the 2008-09 cost improvement programme and other actions to be determined as part of the sustainability action plan referred to above.
- The sale of our Tower Hill building in 2011-12 with a cash receipt of approximately £11m.
- An ongoing capital programme of £21m in 2010-11 (including approximately £9m funded by HEFCE capital grants) and approximately £9m in 2011-12.

As in the compilation of any financial forecast there is a risk that these assumptions prove to be inaccurate. To mitigate this risk we have built contingency into our cost base and have retained a budget within the forecasts for our annual development fund. These budgets will not be committed until other operating assumptions are confirmed. Capital budgets, other than those associated with HEFCE funded projects, are also not yet committed and provide some flexibility in cash management, should capital receipts be delayed.

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.

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.

The University seeks to minimise its exposure to liquidity risks through regular assessment of short, medium and long-term cash flow forecasts.

The accuracy of our student data, in particular that used to compile our funding returns, remains on the University's risk register. The Data Quality and Management Programme Board, chaired by the Deputy Vice Chancellor Research and Development, regularly reviews progress made and reports to the Executive Group and Audit Committee.

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 2009 the company made a deficit of £98k (2008: surplus £119k).

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

DONATIONS

The group makes no political or charitable donations.

AUDITORS

Our external auditors Grant Thornton UK LLP have completed their five year term of appointment. A retendering exercise will be carried out during the Spring of 2010 and a resolution to appoint auditors will be moved at a Board meeting following this exercise.

By order of the Board.

Peter Anwyl
Chair
166-220 Holloway Road
London N7 8DB
Date: 25 March 2010

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 2009 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.

Following consideration of two reports on the Retrospective Grant Adjustments referred to in the Report of the Governors above, the Board decided at its meeting on 15 December 2009 that 10 lay members of the Board, including the Chair, would stand down from membership in the course of 2009-10. Accordingly 1 new lay governor was appointed in January 2010, it is intended that a further 4 will be appointed in the Spring of 2010 and 5 by the Summer of 2010.

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 2006 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 members of the Board of Governors in discharging their 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 2006. 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 members of 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.

Members of the Board of Governors are required by HEFCE to report on their 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).

Statement of Corporate Governance

The relevant principles of the Combined Code having regard to the Committee of University Chairmen's Governance Code of Practice, have been tailored to the circumstances of the University and its response is as follows:

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

As at 1 August 2008 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 are set out in the Articles of Association of the University and an agreed schedule of matters which only the Board can determine. Under the Financial Memorandum with HEFCE, the Board holds to itself the responsibilities for the strategic direction of the University, approval of major developments, approval of annual estimates of income and expenditure, ensuring the solvency of the University and safeguarding its assets.

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

The Board of Governors met ten times during 2008-09. It 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.

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 16. 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 15 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 University faced exceptional circumstances in dealing with its financial position. As a result, effort was concentrated on addressing the key risk areas of data management, funding and solvency. These were the subject of regular detailed reporting during the year. This necessarily diverted resource and effort from documenting other risk management activities across the University. This has been addressed subsequently by the development of a revised risk register and management arrangements. This work commenced in June 2009 and was completed by March 2010.

The Internal Auditors have only provided limited assurance for the University's risk management environment and data quality and management environment for the reasons set out in the above section. The weaknesses are being addressed.

Reviews by Sir David Melville and Deloitte

The Board commissioned two reports into the Retrospective Grant adjustments referred to on page 6. The terms of reference of the reviews were:

"The Melville Report

To address the core issue of why the control and assurance processes failed to alert the London Metropolitan University Board to the nature, scale and potential financial implications of non-compliant data returns to HEFCE and HESA over the period 2005/06 to 2007/08. In particular the review will explore in depth 4 key areas of control:

- management reporting on data and responsibility for its compilation into statutory returns;
- internal audit;
- Funding Council Audit; and
- external audit; report findings and lessons to be learned by the London Metropolitan University Board.

The Deloitte Report

To identify the underlying reasons as to why the control and assurance processes appear to have failed to alert the University Board to the nature, scale and potential financial implications of data returns submitted to HEFCE and HESA."

The Board received a report from Sir David Melville and a draft report from Deloitte at its meeting on 18 November 2009. The Deloitte report was finalised in December 2009. The Board considered and agreed a response to the control issues identified in both reports and has accepted the recommendations made. Following discussion with HEFCE a joint statement setting out actions on Governance was agreed and an Institutional Engagement and Support Strategy has been put in place. The reports, the joint statement and an action plan to address the key issues as agreed by the Board can be found at www.londonmet.ac.uk/foi/classes

Monitoring.

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

The Committee has confirmed that the University has maintained adequately designed and generally effective arrangements for:

- internal control and governance; and
- economy, efficiency and effectiveness

However, the Audit Committee can only provide limited assurance for the University's risk management environment and data quality and management environment for the reasons set out in the above section. The weaknesses are being addressed.

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 Board believes it has complied with governance and control requirements during the years subject to the matters disclosed under the heading "Monitoring" above.

Publication of the financial statements is 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

Peter Anwyl
Chair

Malcolm Gillies

Professor Malcolm Gillies
Vice-Chancellor and Chief Executive

Date: 25 March 2010

Report of the Independent Auditors to the Board of Governors of London Metropolitan University (Company Registration Number: 974438)

We have audited the group and University financial statements (the 'financial statements') of London Metropolitan University for the year ended 31 July 2009 which comprise, the group income and expenditure account, the group and University balance sheets, the group cash flow statement, the group statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Governing Body, in accordance with sections 495 and 496 of the Companies Act 2006. 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 Board of Governors for our audit work, for this report, or for the opinions we have formed.

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

The governors' (who are also directors for the purposes of company law) responsibilities for preparing the Report of the Governors and group 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) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Responsibilities on page 16.

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, have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice and 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, and have been prepared in accordance with the Companies Act 2006.

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, the Training and Development Agency for Schools and the Learning and Skills Council.

We also report to you our opinion as to whether the information given in the Report of the Governors is consistent with the financial statements.

In addition we report to you if in our opinion the University has not kept adequate accounting records, if the University's financial statements are not in agreement with the accounting records and returns, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the financial statements and consider whether it is consistent with the audited financial statements. This information comprises only the Report of Governors and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to other information.

BASIS OF OPINION

We 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 Governing Body in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary 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 of the state of the Group's and University's affairs as at 31 July 2009 and of the Group's surplus of income over expenditure for the year then ended

ii) the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education

iii) the financial statements have been prepared in accordance with the Companies Act 2006

Report of the Independent Auditors to the Board of Governors of London Metropolitan University (Company Registration Number: 974438)

iv) the information given in the Report of the Governors is consistent with the financial statements for the year ended 31 July 2009

v) 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 2009 have been applied for the purposes for which they were received

vi) in all material respects, income during the year ended 31 July 2009 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

CAROL RUDGE BSc FCA
SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
LONDON

DATE: 25 MARCH 2010

Consolidated Income and Expenditure Account for the year ended 31 July 2009

	Notes	2008-09 £'000	2007-08 £'000
Income			
Funding council grants	*1*	66,472	65,453
Tuition fees and education contracts	*2*	72,436	65,605
Research grants and contracts	*3*	3,947	4,442
Other income	*4*	12,340	12,826
Endowment and investment income	*5*	2,580	2,848
Total income		**157,775**	**151,174**
Expenditure			
Staff costs	*6*	101,427	101,577
Other operating expenses	*8*	58,235	52,701
Depreciation	*10*	8,463	8,474
Interest payable and other finance costs	*9*	2,908	1,021
Total expenditure		**171,033**	**163,773**
Deficit for the year on continuing operations after depreciation of assets at valuation and tax		**(13,258)**	**(12,599)**
Surplus on sale of freehold residential property	*10*	22,657	-
Surplus/(deficit) for the year on continuing operations after disposal of assets		**9,399**	**(12,599)**
Surplus for the year transferred from / (to) accumulated income in endowment funds	*13*	12	(24)
Surplus/(deficit) for the year retained within general reserves	*21*	**9,411**	**(12,623)**

All items of income and expenditure arise from continuing operations.

Consolidated Statement of Historical Cost Surplus for the Year

	Notes	2008-09 £'000	2007-08 £'000
Surplus/(deficit) for the year on continuing operations before and after tax		**9,399**	**(12,599)**
Difference between historical cost depreciation charge and the actual charge calculated on valuation of assets	*21*	104	104
Historical cost surplus/(deficit) for the year		**9,503**	**(12,495)**

Consolidated Balance Sheet

as at 31 July 2009

	Notes	2009 £'000	2008 £'000
Fixed Assets			
Tangible assets	10	160,430	140,663
Investments	12	64	64
		160,494	**140,727**
Endowment Asset Investments	13	**964**	**1,148**
Current Assets			
Stock	14	68	72
Debtors	15	10,338	13,578
Investments	16	30,107	31,347
Cash at bank and in hand		3,029	1,130
		43,542	46,127
Creditors			
Amounts falling due within one year	17	(44,525)	(32,447)
Net Current (Liabilities)/Assets		**(983)**	**13,680**
Total Assets less Current Liabilities		**160,475**	**155,555**
Creditors			
Amounts falling due after more than one year	18	(49,568)	(57,389)
Provisions for Liabilities	19	(3,611)	(2,451)
Total Net Assets Excluding Pension Liability		**107,296**	**95,715**
Net pension liability	23	(77,156)	(42,557)
Total Net Assets Including Pension Liability		**30,140**	**53,158**
Represented by:			
Deferred Capital Grants	20	**61,990**	**60,201**
Endowments			
Expendable		426	443
Permanent		538	705
	13	**964**	**1,148**
Reserves			
General reserve excluding pension liability		40,748	30,668
Pension liability	23	(77,156)	(42,557)
General reserve including pension liability	21	(36,408)	(11,889)
Revaluation reserve	21	3,594	3,698
Total Reserves Including Endowments		**(31,850)**	**(7,043)**
Total Funds		**30,140**	**53,158**

The financial statements on pages 22 to 55 were approved by the Board of Governors of London Metropolitan University on 17 March 2010 and were signed on its behalf on 25 March 2010 by:

Peter Anwyl

Peter Anwyl
Chair

Malcolm Gillies

Professor Malcolm Gillies
Vice-Chancellor and Chief Executive

University Balance Sheet

as at 31 July 2009

	Notes	2009 £'000	2008 £'000
Fixed Assets			
Tangible assets	11	154,654	134,335
Investments	12	343	364
		154,997	**134,699**
Endowment Asset Investments	13	**964**	**1,148**
Current Assets			
Stock	14	22	30
Debtors	15	10,504	14,063
Investments	16	30,107	31,347
Cash at bank and in hand		2,383	894
		43,016	46,334
Creditors			
Amounts falling due within one year	17	(43,739)	(31,596)
Net Current (Liabilities)/Assets		**(723)**	**14,738**
Total Assets less Current Liabilities		**155,238**	**150,585**
Creditors			
Amounts falling due after more than one year	18	(49,568)	(57,389)
Provisions for Liabilities	19	(3,611)	(2,451)
Total Net Assets Excluding Pension Liability		**102,059**	**90,745**
Net pension liability	23	(77,156)	(42,557)
Total Net Assets Including Pension Liability		**24,903**	**48,188**
Represented by:			
Deferred Capital Grants	20	**57,558**	**56,134**
Endowments			
Expendable		428	443
Permanent		536	705
	13	**964**	**1,148**
Reserves			
General reserve excluding pension liability		39,943	29,765
Pension liability	23	(77,156)	(42,557)
General reserve including pension liability	22	(37,213)	12,792
Revaluation reserve	22	3,594	3,698
Total Reserves Including Endowments		**(32,655)**	**(7,946)**
Total Funds		**24,903**	**48,188**

The financial statements on pages 22 to 55 were approved by the Board of Governors of London Metropolitan University on 17 March 2010 and were signed on its behalf on 25 March 2010 by:

Peter Anwyl
Chair

Professor Malcolm Gillies
Vice-Chancellor and Chief Executive

Consolidated Cash Flow Statement

for the year ended 31 July 2009

	Notes	2008-09 £'000	2007-08 £'000
Net cash inflow from operating activities	*26*	177	6,288
Returns on investments and servicing of finance	*27*	1,365	1,257
Capital receipts/(expenditure) and financial investments	*28*	89	(8,475)
Management of liquid resources	*29*	1,238	7,630
Financing	*30*	(970)	(7,524)
Increase/(decrease) in cash in the year		**1,899**	**(824)**

Reconciliation of Net Cash Flow to Movement in Net Funds

Increase/(decrease) in cash in the year		1,899	(824)
Change in short term deposits	*29*	(1,238)	(7,630)
Change in debt: loans	*30*	674	7,278
Change in debt: finance leases	*30*	296	246
Change in net funds/(debt)	*31*	1,631	(930)
Net funds brought forward from previous year	*31*	9,340	10,270
Net Funds at 31 July	*31*	**10,971**	**9,340**

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 July 2009

	Notes	2008-09 £'000	2007-08 £'000
Surplus/(deficit) for the year		9,411	(12,623)
Unrealised loss of endowment asset investments	*13*	(176)	(98)
Net (disposals)/additions to endowment asset investments	*13*	(8)	41
Actuarial loss recognised in the pension fund	*21*	(34,034)	(7,682)
Total recognised losses relating to the financial year		**(24,807)**	**(20,362)**
Reconciliation:			
Opening reserves and endowments	*21*	(7,043)	13,319
Total recognised gains and losses for the year		(24,807)	(20,362)
Closing reserves and endowments	*21*	**(31,850)**	**(7,043)**

Principal Accounting Policies

The following 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.

Going Concern

The Board of Governors have examined the financial forecasts based upon these audited financial statements and estimates of income, expenditure and cashflow for the period to 31 July 2015. These forecasts indicate that, as a result of the Cost Improvement Plan put into place during 2008-09 and 2009-10, The University expects to reduce its operating deficit substantially in 2009-10.

Although the University is likely to be adversely affected by the economic downturn and resultant general pressure on public sector funding, some of which has already been reflected in recent Higher Education Funding Council for England (HEFCE) funding announcements, and which will affect all institutions in the sector, the Board is satisfied that the current review of the University's strategic plan will address the need for a further action plan to address the financial sustainability of the University.

Based upon a review of these forecasts, the Board is satisfied that these financial statements are properly prepared on a going concern basis. For the purpose of this going concern review, the Board has focused on the period to 31 July 2011. The financial forecasts of the University show that sufficient funding is in place to support the University's activities throughout the period of development of the strategic plan and associated sustainability action plan based on a range of assumptions which are set out on page 14 of the Report of the Governors. The Board considers that the use of the going concern basis is appropriate because, at the date of approval of the financial statements, they are not aware of any material uncertainties related to events or conditions that might cast significant doubt as at the date of approval of the financial statements about the ability of the University to continue as a going concern.

The principal creditor of the University is HEFCE, which was owed a total of £8.8m in respect of interest-free capital loans and £36.3m in respect of repayments of grant as at 31 July 2009. The repayment plan as agreed with HEFCE for these amounts is included in the financial forecasts reviewed by the Board.

(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 2006, the University is not required to present its own Income and Expenditure account. The University surplus for the year ended 31 July 2009 is £9,509k (2008 deficit: £12,754k).

(C) Income Recognition

Recurrent grants from Funding Councils are accounted for in the financial year to which they relate (see note 1).

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 to the income and expenditure account in line with the depreciation policy over the 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.

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

(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. Periodic revaluations are undertaken to assess whether any impairment has occurred that would require adjustment to the carrying amount.

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 which the University does not own and for which no annual rental is paid, and the assets are included in fixed assets at their valuation, 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 are not capitalised as reliable cost information is not available and conventional valuation approaches lack sufficient reliability.

(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. In the intervening years, the actuaries review true progress of the schemes.

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 where it is not possible to separately identify the University's share of the underlying assets and liabilities and hence contributions are accounted for as if they were defined contribution schemes. Contributions to the USS and TPS schemes are included as expenditure in the period in which they are payable.

(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 uses derivative financial instruments called foreign currency forward contracts to reduce exposure to exchange rate movements. Such derivative financial instruments are not held for speculative purposes and relate to actual assets or liabilities or to probable commitments.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

	2008-09 £'000	2007-08 £'000

1. Funding Council Grants

	2008-09 £'000	2007-08 £'000
Higher Education Funding Council for England		
Recurrent grant	53,713	51,860
Inherited property costs	3,831	3,831
Inherited pension liabilities	1,117	1,096
Other	3,450	3,156
Other Funding Bodies		
Learning and Skills Council grant	36	1,090
Training and Development Agency grant	2,248	2,177
Deferred Capital Grants Released		
Buildings	1,452	1,573
Equipment	625	670
	66,472	**65,453**

HEFCE grants are recognised in the financial year to which they relate. In the view of the University, based upon our HESA return and associated validation work, the likelihood of any material adjustment to our 2008-09 grant is considered remote and on this basis, no provision for retrospective grant adjustment has been made.

2. Tuition Fees and Education Contracts

	2008-09 £'000	2007-08 £'000
Full-time students		
Home / EU students	36,921	32,415
Overseas students	22,261	20,558
Part-time students	13,254	12,632
	72,436	**65,605**

3. Research Grants and Contracts

	2008-09 £'000	2007-08 £'000
Research councils	685	827
UK based charities	414	713
European Commission	1,366	1,099
Other grants and contracts	1,482	1,803
	3,947	**4,442**

	2008-09 £'000	2007-08 £'000

4. Other Income

	2008-09 £'000	2007-08 £'000
Other grants and contracts	13	33
Consultancy	1,025	1,055
Trading project income	6,637	6,500
Sale of materials and other departmental income	692	1,002
Rental income and hire of facilities	176	196
Residence & catering income	1,698	2,254
Deferred capital grants released - non HEFCE	897	742
Miscellaneous income	1,202	1,044
	12,340	**12,826**

5. Endowment and Investment Income

	2008-09 £'000	2007-08 £'000
Income from expendable endowment investments	10	15
Income from permanent endowment asset investments	5	17
Income from short-term investments	2,565	2,816
	2,580	**2,848**

6. Staff Costs

	2008-09 £'000	2007-08 £'000
Costs:		
Academic staff	58,825	58,105
Other staff	42,602	43,472
	101,427	**101,577**
Costs Comprise :		
Wages and salaries	84,401	83,992
Social Security costs	6,927	6,930
Other pension costs	10,099	10,655
	101,427	**101,577**

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

	2008-09 FTE	2007-08 FTE
Academic staff	1,134	1,206
Other staff	1,162	1,240
	2,296	**2,446**

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 4 governors (2007/08: 5) were remunerated in their capacity as employees of the University and accrued retirement benefits. 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.

	2008-09 £'000	2007-08 £'000
Directors' Emoluments		
Salaries	333	459
Benefits in kind	1	1
Pension contributions	49	64
	383	**524**
Highest Paid Director		
The Vice-Chancellor and Chief Executive (resigned 17 March 2009)		
Salary	142	239
Benefits in kind	1	1
	143	240
Pension contributions	20	34
	163	**274**

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:

	No.	No.
£70,001 to £80,000	24	19
£80,001 to £90,000	15	6
£90,001 to £100,000	8	7
£100,001 to £110,000	1	1
£110,001 to £120,000	0	0
£120,001 to £130,000	3	0
£130,001 to £140,000	0	0
£140,001 to £150,000	1	2
£150,001 to £160,000	1	2
£230,001 to £240,000	1	1
	54	**38**

8. Other Operating Expenses

	2008-09 £'000	2007-08 £'000
Halls of residence	1,630	2,615
Consumables and laboratory materials	1,944	1,538
Books and periodicals	1,944	1,970
Student travel and awards	7,022	4,782
Energy and water	2,741	2,479
Repairs and maintenance	3,339	4,785
Operating leases - property	4,554	4,380
Operating leases - equipment	172	183
External auditors' remuneration (audit)	113	98
Internal auditors' remuneration (audit)	163	223
External auditors' remuneration (other)	19	6
Internal auditors' remuneration (other)	2	3
Staff related costs	8,002	7,601
Restructuring costs	5,915	2,841
Postage and telecommunications	1,013	1,132
IT maintenance	1,569	1,449
Publicity	1,706	2,070
Facilities cost	2,661	2,590
Legal, consultancy and subscriptions	3,972	3,685
Franchise costs	2,420	1,168
Enhanced pension liabilities	1,117	1,096
Print costs	1,604	1,937
Rates	668	377
Examination and degree expenses	765	797
Insurance	519	486
Other expenses	2,661	2,410
	58,235	**52,701**

9. Interest Payable and Other Finance Costs

	2008-09 £'000	2007-08 £'000
Interest payable on bank loans, overdrafts and other loans, repayable wholly or partly in less than 5 years	3	90
Interest payable on bank loans, overdrafts and other loans, repayable wholly or partly in more than 5 years	57	63
Finance lease	502	651
Net charge on pension scheme	2,233	80
Unwinding of discount in respect of the enhanced pension provision	113	137
	2,908	**1,021**

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 2008	103,218	3,780	8,835	24,094	7,339	10,675	55,007	212,948
Additions	67	24,634	1,567	1,751	212	-	2,722	30,953
Disposals	-	(3,295)	-	(54)	-	-	(25)	(3,374)
Transfers	3,734	-	(4,661)	927	-	-	-	-
At 31 July 2009	**107,019**	**25,119**	**5,741**	**26,718**	**7,551**	**10,675**	**57,704**	**240,527**
Depreciation								
At 1 August 2008	16,158	757	-	5,738	3,525	376	45,731	72,285
Charge for year	2,262	10	-	1,302	290	209	4,390	8,463
Eliminated on disposal	-	(623)	-	(3)	-	-	(25)	(651)
At 31 July 2009	**18,420**	**144**	**-**	**7,037**	**3,815**	**585**	**50,096**	**80,097**
Net Book Value at 31 July 2009	**88,599**	**24,975**	**5,741**	**19,681**	**3,736**	**10,090**	**7,608**	**160,430**
Net Book Value at 31 July 2008	**87,060**	**3,023**	**8,835**	**18,356**	**3,814**	**10,299**	**9,276**	**140,663**
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 2009	**10,658**	**36**	**-**	**-**	**8,341**	**646**	**-**	**19,681**

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.

On the 5 November 2008 the University completed the sale of James Leicester Hall of Residence, a freehold residential property. The Hall was sold on a 99 year lease.. The sale generated a surplus on disposal of £22,657k. This was comprised as follows: Sales proceeds £26,283k, less book value at disposal £2,672k, less costs associated with the disposal of £954k.
The most recent valuation of the group's properties, prepared by Drivers Jonas LLP as at 31 July 2009, found that there was no impairment in value.

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. Jewry Street is included in 'Long Leasehold Buildings Academic' at a valuation of £9.5m. This valuation was prepared for the University on an Existing Use basis by Drivers Jonas in October 2008.

11. Tangible Fixed Assets (University)

	Freehold Land and Buildings Academic £'000	Residential £'000	Under Construction £'000	Alterations & Improvements £'000	Short Finance Leasehold Land & Buildings Academic £'000	Long Leasehold Building Academic £'000	Equipment Owned £'000	Total £'000
Cost / Valuation								
At 1 August 2008	103,218	3,780	5,150	23,348	7,339	9,500	52,304	204,639
Additions	67	24,634	1,518	1,751	212	-	2,676	30,858
Disposals	-	(3,295)	-	(54)	-	-	-	(3,349)
Transfers	-	-	(927)	927	-	-	-	-
At 31 July 2009	**103,285**	**25,119**	**5,741**	**25,972**	**7,551**	**9,500**	**54,980**	**232,148**
Depreciation								
At 1 August 2008	16,158	757	-	5,575	3,525	190	44,099	70,304
Charge for year	2,038	10	-	1,302	290	190	3,986	7,816
Eliminated on disposal	-	(623)	-	(3)	-	-	-	(626)
At 31 July 2009	**18,196**	**144**	**-**	**6,874**	**3,815**	**380**	**48,085**	**77,494**
Net Book Value at 31 July 2009	**85,089**	**24,975**	**5,741**	**19,098**	**3,736**	**9,120**	**6,895**	**154,654**
Net Book Value at 31 July 2008	**87,060**	**3,023**	**5,150**	**17,773**	**3,814**	**9,310**	**8,205**	**134,335**
Cost of land included in above	**8,268**	**1,516**	**-**	**-**	**1,174**	**-**	**-**	**10,958**

Alterations and Improvements

The alterations and improvements net book value can be allocated to the various categories of fixed assets as detailed below. An additional £7,886k of net book value relates to alterations and improvements undertaken on properties held under operating leases.

	Academic	Residential	Under Construction	Alterations & Improvements	Short Finance Leasehold	Long Leasehold	Equipment	Total
Net Book Value at 31 July 2009	**10,075**	**36**	**-**	**-**	**8,341**	**646**	**-**	**19,098**

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 Library 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 Commercial Road.

12. Investments

	1 August 2008 £'000	Impairment in value £'000	31 July 2009 £'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	300	(21)	279
	364	**(21)**	**343**

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 (less than 20%) shareholding in the company.

Subsidiaries
All of the subsidiary undertakings below are registered and incorporated in England (except for London Metropolitan University Nigeria Limited) 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, a print centre and the operation of a digital manufacturing centre. The deficit for this subsidiary in 2008/09 is £98k (2007/08: surplus £119k) and the net assets at 31 July 2009 are £4,439k (2008: £4,172k).

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 the Shoreditch building pending the transfer of the lease to the University. The deficit for this subsidiary in 2008/09 is £21k (2007/08: £23k) and the net assets at 31 July 2009 are £279k (2008: £300k).

Shoreditch Consortium Limited
The principal business activity of Shoreditch Consortium Ltd was to undertake work commissioned by the BBC for its Digital Curriculum service. The company did not trade in 2008/09. The surplus for this subsidiary in 2008/09 is £nil (2007/08: surplus £12k) and the net assets at 31 July 2009 are £nil (2008: £nil).

London Metropolitan University Nigeria Limited
The principal business activity of the company is to provide qualitative counselling to students wishing to study at London Metropolitan University on behalf of the University. The company does not trade in its own right and the University has no material investment in the company. The company is registered and incorporated in Nigeria.

	2009 £'000	2008 £'000

13. Endowments

University and Group Endowment Assets	2009 £'000	2008 £'000
Balance at 1 August	1,148	1,205
Capital (depreciation)/appreciation of endowment asset investments	(176)	(98)
Revenue appreciation of endowment asset investments	4	17
Increase in cash balances held for endowment funds	1	23
(Decrease)/increase in debtor balances	(13)	1
Balance at 31 July	**964**	**1,148**
Represented by:		
Fixed interest stocks	123	121
Unit Trusts	21	25
Cash and short term investments	102	100
Shares in Managed Growth Fund	718	890
Design Trust debtors	-	12
Total	**964**	**1,148**

University and Group Endowment Reserves	Restricted Permanent £'000	Restricted Expendable £'000	2009 £'000	2008 £'000
Balance at 1 August				
Capital	623	393	1,016	1,099
Accumulated income	82	50	132	106
	705	443	1,148	1,205
New endowments	2	2	4	17
Investment Income	5	10	15	32
Expenditure	(2)	(25)	(27)	(8)
	3	(15)	(12)	24
Decrease in market value of investments	(172)	(4)	(176)	(98)
Balance at 31 July	**538**	**426**	**964**	**1,148**
Represented by:				
Capital	457	373	830	1,016
Accumulated income	81	53	134	32
	538	**426**	**964**	**1,148**

Top ten endowment funds by value:	2009	2008
Women's Library Trust Fund	323	423
Lord Limerick Memorial Bursary Fund	106	104
Rubber Fund	95	94
Women's History Fellowship Trust Fund	85	113
Design Trust	55	64
Teaching Studies Fund	53	51
Library Fund	36	47
Sadd Brown Library Trust Fund	22	29
Wood Brothers Prize Fund	21	28
D Osbourne Prize Fund	15	15
	811	**968**

	2009	2008
	£'000	£'000

14. Stocks

	2009 £'000	2008 £'000
Group		
Work in Progress	-	2
Goods purchased for resale	68	70
	68	**72**
University		
Goods purchased for resale	**22**	**30**

15. Debtors

	2009 £'000	2008 £'000
Group		
Amounts falling due within one year:		
Trade debtors	5,490	5,984
Due from HEFCE	114	193
Loans to staff and students	158	142
Other debtors	642	272
Prepayments and accrued income	3,934	6,987
	10,338	**13,578**
University		
Amounts falling due within one year:		
Trade debtors	5,146	5,455
Due from HEFCE	114	193
Loans to staff and students	158	142
Other debtors	362	117
Prepayments and accrued income	3,824	6,612
Amounts due from subsidiary companies	900	1,544
	10,504	**14,063**

Included in amounts due from subsidiary companies is a £350k loan made to London Metropolitan University Enterprises Limited. The loan commenced on 1 April 2009 with the principal being repayable over 20 years. The interest rate being charged is based on the average Bank of England base rate for the year + 1.0%. The loan is not secured.

16. Investments (Group and University)

	2009 £'000	2008 £'000
Deposits maturing:		
In one year or less	**30,107**	**31,347**

Investments comprise short term deposits with more than 24 hours maturity at the balance sheet date placed with banks 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 2009 the weighted average interest rate of the fixed rate deposits was 4.09% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 60 days. The fair value of these deposits was not materially different from the book value.

17. Creditors - amounts falling due within one year

	2009 £'000	2008 £'000
Group		
Trade creditors	10,840	9,768
Deferred HEFCE grants and amounts owed to HEFCE	6,745	5,597
Taxation and pension contributions	3,587	3,649
Bank mortgage and HEFCE loans	6,643	1,844
Obligations under finance lease	348	296
Other creditors	46	175
Accruals	10,577	5,916
Deferred income	5,739	5,202
	44,525	**32,447**
University		
Trade creditors	10,567	9,488
Deferred HEFCE grants and amounts owed to HEFCE	6,745	5,597
Taxation and pension contributions	3,587	3,649
Bank mortgage and HEFCE loans	6,643	1,844
Obligations under finance lease	348	296
Other creditors	39	47
Accruals	9,993	5,458
Deferred income	5,643	5,051
Amounts due to subsidiary companies	174	166
	43,739	**31,596**

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

	2009 £'000	2008 £'000
Bank mortgages (secured)		
Principal payable within two to five years	442	414
Principal payable after five years	270	392
	712	806
HEFCE loans (interest free, unsecured)		
Principal payable within two to five years	2,247	3,796
Finance lease obligations (secured)		
Principal payable within two to five years	2,020	1,756
Principal payable after five years	3,926	4,538
	5,946	6,294
Deferred HEFCE revenue grant		
To be released within two to five years	6,321	10,151
HEFCE holdback		
Payable within two to five years	34,342	26,342
Payable after five years	-	10,000
	34,342	36,342
Total	**49,568**	**57,389**

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 2005/06 and repayable in annual equal instalments over a period of 5 years until April 2011.

The deferred HEFCE 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 was clawed back in 2008/09. £2,000k has been transferred to Creditors - amounts falling due within one year (note 17) as this is due in 2009/10.

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

	2009 £'000	2008 £'000
Redundancy Provision		
At 1 August	-	-
Increase	953	-
At 31 July	**953**	-
HEFCE Holdback		
At 1 August	-	16,391
Transfer to Creditors - amounts falling due after more than one year (note 18)	-	(16,391)
At 31 July	-	-
Enhanced Pensions		
At 1 August	2,266	2,292
Increase	266	-
Unwinding of discount	113	138
Provision utilised in year	(172)	(164)
At 31 July	2,473	2,266
Building Contracts		
At 1 August	185	185
Provision utilised in the year	-	-
At 31 July	185	185
Total		
At 1 August	2,451	18,868
Increase	1,219	-
Unwinding of discount	113	138
Provision utilised in year	(172)	(164)
Transfer to Creditors - amounts falling due after more than one year (note 18)	-	(16,391)
At 31 July	**3,611**	**2,451**

The redundancy provision relates to staff who were given notice of compulsory redundancy before 31 July 2009 and are due to be made redundant after this date. The provision is recorded at the best estimate of the expenditure required to settle the obligation.

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. 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 2009 Group
Discount rate	6.0%
Inflation	3.6%

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 2008			
Buildings	39,149	18,109	57,258
Equipment	1,767	1,176	2,943
	40,916	**19,285**	**60,201**
Cash Received			
Buildings	3,862	620	4,482
Equipment	-	273	273
	3,862	893	4,755
Released to Income & Expenditure Account			
Buildings	(1,452)	(563)	(2,015)
Equipment	(625)	(326)	(951)
	(2,077)	(889)	(2,966)
At 31 July 2009			
Buildings	41,559	18,166	59,725
Equipment	1,142	1,123	2,265
	42,701	**19,289**	**61,990**

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 2008			
Buildings	39,149	15,218	54,367
Equipment	1,767	-	1,767
	40,916	**15,218**	**56,134**
Cash Received			
Buildings	3,862	-	3,862
Equipment	-	-	-
	3,862	-	3,862
Released to Income & Expenditure Account			
Buildings	(1,452)	(361)	(1,813)
Equipment	(625)	-	(625)
	(2,077)	(361)	(2,438)
At 31 July 2009			
Buildings	41,559	14,857	56,416
Equipment	1,142	-	1,142
	42,701	**14,857**	**57,558**

21. Movement on Consolidated Reserves

	2009 £'000	2008 £'000
General Reserve		
At 1 August	(11,889)	8,312
Transfer from revaluation reserve - depreciation	104	104
	(11,785)	8416
Surplus/(deficit) for the year	9,411	(12,623)
Actuarial (loss)/gain on pension fund	(34,034)	(7,682)
At 31 July	**(36,408)**	**(11,889)**
Revaluation Reserve		
At 1 August	3,698	3,802
Transfer to general reserve - depreciation	(104)	(104)
At 31 July	**3,594**	**3,698**
Endowments		
At 1 August	1,148	1,205
Net movement in endowments (note 13)	(184)	(57)
At 31 July	**964**	**1,148**
Total Reserves	**(31,850)**	**(7,043)**

22. Movement on University Reserves

	2009 £'000	2008 £'000
General Reserve		
At 1 August	(12,792)	7,540
Transfer from revaluation reserve - depreciation	104	104
	(12,688)	7,644
Surplus/(deficit) for the year	9,509	(12,754)
Actuarial loss on pension fund	(34,034)	(7,682)
At 31 July	**(37,213)**	**(12,792)**
Revaluation Reserve		
At 1 August	3,698	3,802
Transfer to general reserve - depreciation	(104)	(104)
At 31 July	**3,594**	**3,698**
Endowments		
At 1 August	1,148	1,205
Net movement in endowments (note 13)	(184)	(57)
At 31 July	**964**	**1,148**
Total Reserves	**(32,655)**	**(7,946)**

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 (LPFA)

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 2008-09 was £5,550,561 (2007/08: £5,367,469). It is estimated that the University's contribution to the fund for 2009-10 is likely to be £5,003,532.

The contribution rate payable by the University for 2008-09 was 19.6%. Employee's contributions were 6% of pensionable salary to 31 March 2008. 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, Barnett Waddingham, 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 2009 for the purpose of providing information required to be disclosed under the accounting standard on Retirement Benefits (FRS17) and these are detailed on pages 48 and 49.

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 2009 by a qualified independent actuary.

The major assumptions used by the actuary were as follows:

	2009	2008	2007
Rate of increase in salaries	5.1%	5.3%	4.8%
Rate of increase in pensions in payment	3.6%	3.8%	3.3%
Discount rate	6.0%	6.7%	5.8%
Inflation assumption	3.6%	3.8%	3.3%

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

	2009 Years
Current pensioners	
Males	19.6
Females	22.5
Future Pensioners	
Males	20.7
Females	23.6

Fund assets
The estimated asset allocation for London Metropolitan University and the expected rate of return were:

	Long term rate of return expected at 31 July 2009	Value at 31 July 2009 £'000	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
Equities	7.5%	77,537	7.6%	66,635	7.9%	72,861
Target return portfolio	6.2%	11,710	6.3%	22,343	6.6%	25,898
Alternative assets	6.7%	16,713	6.8%	25,357	7.0%	15,822
Cash	3.0%	7,731	4.8%	(438)	5.1%	3,786
Total		**113,691**		**113,897**		**118,367**

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 2009 £'000	31 July 2008 £'000	31 July 2007 £'000	31 July 2006 £'000	31 July 2005 £'000
Fair value of employer assets	113,691	113,897	118,367	101,301	87,889
Present value of scheme liabilities	(187,691)	(153,391)	(151,056)	(152,120)	(135,225)
Present value of unfunded liabilities	(3,156)	(3,063)	(2,885)	(2,943)	(2,934)
Total value of liabilities	(190,847)	(156,454)	(153,941)	(155,063)	(138,159)
Net pension liability	(77,156)	(42,557)	(35,574)	(53,762)	(50,270)

Analysis of the amount charged to operating surplus/(deficit)

	2008/09 £'000	2007/08 £'000
Current service costs	4,140	4,345
Interest on fund liabilities	10,667	9,026
Expected return on pension fund assets	(8,434)	(8,946)
Past service costs	-	1,462
Impact of curtailment and settlement	72	381
	6,445	6,268
Actual Return on Plan Assets	**(7,553)**	**(7,612)**

23. Pension Arrangements (continued)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	2008/09 £'000	2007/08 £'000
Actuarial return less expected return on Fund assets	(15,987)	(16,558)
Experience gains arising on Fund liabilities	-	9,416
Changes in assumptions	(18,047)	(540)
Actuarial losses recognised in STRGL	**(34,034)**	**(7,682)**
Cumulative Actuarial Losses	**(35,243)**	**(1,209)**

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	(42,557)	(35,574)
Movements in year:		
- current service cost	(4,140)	(4,345)
- contributions	5,649	6,754
- contributions in respect of unfunded benefits	231	213
- past service costs	-	(1,462)
- impact of curtailment and settlements	(72)	(381)
- net return on assets	(2,233)	(80)
- actuarial (losses)/gains	(34,034)	(7,682)
At 31 July	**(77,156)**	**(42,557)**

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

At 1 August	156,454	153,941
Movement in year:		
- current service cost	4,140	4,345
- interest cost	10,667	9,026
- contributions by members	1,975	1,753
- actuarial losses/(gains)	18,047	(9,940)
- past service costs	-	1,462
- impact on cutailment and settlements	72	381
- estimated unfunded benefits paid	(231)	(213)
- estimated benefits paid	(277)	(4,301)
At 31 July	**190,847**	**156,454**

Analysis of movement in the market value of the Fund assets

At 1 August	113,897	118,367
Movement in year:		
- expected rate of return on Fund assets	8,434	8,946
- contributions by members	1,975	1,753
- contributions by the employer	5,649	6,754
- contributions in respect of unfunded benefits	231	213
- actuarial losses	(15,987)	(17,622)
- estimated unfunded benefits paid	(231)	(213)
- estimated benefits paid	(277)	(4,301)
At 31 July	**113,691**	**113,897**

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

	2008/09 £000	2007/08 £000	2006/07 £000	2005/06 £000	2004/05 £000
Defined benefit obligation	(190,847)	(156,454)	(153,941)	(155,063)	(138,159)
Scheme assets	113,691	113,897	118,367	101,301	87,889
Surplus/deficit	(77,156)	(42,557)	(35,574)	(53,762)	(50,270)
Experience adjustments on scheme assets	(15,987)	(17,622)	5,205	4,068	9,078
Percent of assets	(14.1)%	(15.5)%	4.4%	4.0%	10.3%
Experience adjustments on scheme liabilities	-	10,480	408	(28)	(2,436)
Percentage of liabilities	0.0%	6.7%	0.3%	0.0%	(1.8)%
Cumulative actuarial gains and losses	(35,243)	(1,209)	6,473	(11,651)	(9,785)

23. Pension Arrangements (continued)

B. THE TEACHERS PENSION SCHEME (TPS)

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.

As from January 2007 contributions are paid by the University and charged to the Income and Expenditure account at a rate of 14.1% of pensionable salaries.

The University's contribution to the TPS for 2008-09 was £5,688,986 (2007/08: £5,533,611).

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 2008-09 was £299,187 (2007/08: £246,271) 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 2008 was 104%.

23. Pension Arrangements (continued)

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 approach 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 2011. The contribution rate will be reviewed as part of each valuation.

	2009 £'000	2008 £'000

24. Capital Commitments

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

	2009 £'000	2008 £'000
Commitments contracted	4,114	3,790
Authorised but not contracted	1,957	11,403
	6,071	15,193

25. Commitments Under Operating Leases

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

	2009 £'000	2008 £'000
Land and buildings:		
Expiring in over five years	4,425	5,778
Other:		
Expiring in over five years	346	325
	4,771	6,103

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

	2008-09 £'000	2007-08 £'000
Surplus/(deficit) on continuing operations	9,399	(12,599)
Depreciation	8,463	8,474
Deferred capital grants released to income	(2,966)	(2,998)
Interest payable	2,908	1,021
Decrease in stocks	4	10
Decrease/(increase) in debtors	3,165	(69)
Increase in creditors	5,254	32,523
Increase/(decrease) in provisions	1,160	(16,417)
Interest receivable	(2,580)	(2,848)
Donations received	(17)	(7)
Adjustment for non cash revenue depreciation/(appreciation) of endowments	10	(17)
Difference between pension charge and cash contributions	(1,668)	(779)
Exchange rate gain	(298)	(6)
Profit on sale of fixed asset	(22,657)	-
Net cash inflow from operating activities	177	6,288

	2008-09 £'000	2007-08 £'000

27. Returns on Investments and Servicing of Finance

	2008-09 £'000	2007-08 £'000
Donations received	17	7
Interest paid	(659)	(898)
Income from endowments	15	32
Other interest received	1,992	2,116
Net cash inflow	**1,365**	**1,257**

28. Capital Receipts/(Expenditure) and Financial Investment

	2008-09 £'000	2007-08 £'000
Purchase of tangible fixed assets	(30,953)	(15,857)
Receipts from disposal of fixed assets	26,283	-
Deferred capital grants received	4,755	7,365
Endowments received	4	17
Net cash inflow/(outflow)	**89**	**(8,475)**

29. Management of Liquid Resources

	2008-09 £'000	2007-08 £'000
Decrease in investments	1,240	7,653
Movement in endowment cash investments	(2)	(23)
Net cash inflow	**1,238**	**7,630**

30. Financing

	2008-09 £'000	2007-08 £'000
Unsecured HEFCE loan	5,000	-
Repayment of capital element of loans	(5,674)	(7,278)
Repayment of capital element of finance lease	(296)	(246)
Net cash (outflow)	**(970)**	**(7,524)**

31. Analysis of Changes in Net Debt

	At 1 August 2008	Other Changes	Cashflows	At 31 July 2009
Cash at bank and in hand	1,130	-	1,899	3,029
Endowment asset investments	50	-	2	52
	1,180	-	1,901	3,081
Short term investments	31,347	-	(1,240)	30,107
Debt due within 1 year	(1,844)	(1,643)	(3,156)	(6,643)
Debt due after 1 year	(14,753)	1,643	3,830	(9,280)
Finance leases	(6,590)	-	296	(6,294)
	9,340	-	1,631	**10,971**

The analysis of changes in net debt excludes HEFCE holdback of £36.5m as this is not a commercial loan and is being recovered by HEFCE through adjustments to recurrent grant payments. The first of these commenced in 2008-09, with the final adjustment due to be made in 2013-14.

32. Access Funds

	2008-09 £'000	2007-08 £'000
Balance at 1 August	36	280
Funding Council grant	834	834
Interest	10	33
Disbursed to students and administration	(821)	(1,111)
Balance at 31 July	**59**	**36**

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

	2008-09 £'000	2007-08 £'000
Balance at 1 August	132	145
Funding Council grant	1,454	2,085
Disbursed to students and administration	(1,586)	(2,098)
Balance at 31 July	**-**	**132**

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. Financial Instruments

The University has the following derivatives which are not included at fair value in the financial statements:

	Fair value 2009 £'000	Fair value 2008 £'000
Foreign currency forward contracts	**1,536**	-

The University uses foreign currency forward contracts to reduce its exposure to exchange rate movements. Two contracts have been entered into for the forward sale of anticipated receipts of Dollars and Euros. The expiry date of the contracts is April 2010 and June 2010 respectively, however the contracts can be extended if sufficient foreign currency is not available within the period of the contracts.

35. 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 £361k.

36. Related Party Transactions

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

The University has taken advantage of the disclosure exemption under FRS8, which applies to transactions and balances between group entities that have been eliminated on consolidation.

37. Post Balance Sheet Events

On 17 September 2009 the University signed an agreement whereby a third party will:

(a) operate the Arcade hall of residence under license from the University during 2009-10 and

(b) purchase the freehold of the Arcade hall on 30 June 2010 for £25.15m.

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