LONDON metropolitan university

ANNUAL REPORT AND ACCOUNTS

for the year ending 31 July 2010

Report and Financial Statements for the year ended 31 July 2010

Contents

London Metropolitan University
A Company Limited by Guarantee
with no 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.

Senior Officers and Advisers as at 31 July 2010

Vice-Chancellor and Chief Executive	Professor Malcolm Gillies
Deputy Vice-Chancellor Academic	Dr. Robert Aylett
Deputy Vice-Chancellor Research and Development	Professor Paul Lister
Director of Human Resources	Lyn Link
Clerk to the Board of Governors and University Secretary	John McParland
Director of Finance	Pam Nelson
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 4JL Seddons Solicitors 5 Portman Square London W1H 6NT Drivers Jonas LLP 85 King William Street London EC4N 7BL

Senior Officers and Advisers as at 31 July 2010

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 (Pakistan) Ltd New Garden Tower Branch 2, Dilkusha C/A Dhaka 1000 Bangladesh
	Standard Chartered Bank (Nigeria) Ltd 105B Ajose Adeogun Street P.M.B. 80038 Victoria Island, Lagos Nigeria
	Bank of China Dongzhimen Branch No. 35 Dongzhimenwai Dajie Dongcheng District Beijing 100027 China
Insurers	AON Ltd Clarkson House Canterbury Kent CT1 2YT
	Zurich Municipal Southwood Crescent Farnborough Hampshire GU14 0NJ
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 2010

	Date of Appointment
Yeashir Ahmed (S)	02.09.09
Dr. Kay Dudman (E)	01.10.09
Emir Feisal (A)	01.04.10
Professor Malcolm Gillies (E, F, G) (Vice-Chancellor and Chief Executive)	25.01.10
Clive Jones (Chair, (F [Chair], G)	01.04.10
Rob Hull (A, G)	10.02.10
Tony Millns (G [Chair])	30.09.09
Bob Morgan (E, G)	12.12.02
Daleep Mukarji (A)	01.04.10
Mark Robson (Vice-Chair, A [Chair])	01.04.10

The following appointments to the Board took place on 1 August 2010:

Appointments:
Laura Carstensen (F, W)
Katherine Farr (A)
Maureen Laurie (F)
Ann Minogue (F, W)
Dianne Willcocks

Resignations during the year were as follows:

Resignations:	Date of Resignation
Peter Anwyl (Chair, F, G [Chair])	31.03.10
Dr. Robert Aylett (E, F, G) (Acting Vice-Chancellor and Chief Executive)	28.09.09
Philip Bignell (A [Chair]) (appointed 18.11.09)	31.07.10
Graham Castle (F)	31.01.10
Christopher Howe (A, [co-opted])	01.10.09
Stephan John (A, EB)	31.03.10
Katia Kramer (E, G)	30.09.09
Jeremy Mayhew (J)	31.07.10
Alfred Morris (E, F, G) (appointed 17.09.09) (Interim Vice-Chancellor and Chief Executive)	21.01.10
Professor Zenobia Nadirshaw (A, W)	31.07.10
Raj Patel (EB, F)	31.07.10
Abdul Rahim (F [Chair])	31.03.10
Cherrill Scheer (G, [co-opted])	31.01.10
Finlay Scott (A [Chair])	22.10.09
Sir Michael Snyder	31.07.10
Sarah Tyacke (F, W)	31.03.10

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

In their capacity as directors, none of the governors held any interest in any contract with the University. Six of the directors who served during the year to 31 July 2010 had contracts with the University in their capacity as employees. None of the directors had a beneficial interest in any group company.

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
	(S)	Students' Union Representative
	(W)	Member of Women's Library Council

Financial Highlights

	2009-10 £m	2008-09 £m
Consolidated Income & Expenditure Account		
Funding council grants	66.6	66.5
Tuition fees and education contracts	77.5	72.4
Research grants and contracts	3.4	4.0
Other income	10.7	12.3
Endowment income and investment income	0.9	2.6
Total Income	**159.1**	**157.8**
Surplus on sale of freehold residential property	-	**22.6**
Expenditure	**(158.2)**	**(171.0)**
Surplus for the year	**0.9**	**9.4**

	As at 31 July 2010 £m	Restated 2009 £m
Consolidated Balance Sheet		
Fixed assets	134.5	160.5
Endowment asset investments	1.1	1.0
Current assets	58.0	43.5
Current liabilities	(42.9)	(46.3)
Non-current liabilities and provisions	(42.6)	(53.1)
Pension liability	(71.7)	(77.2)
Total Net Assets	**36.4**	**28.4**
Represented by:		
Deferred capital grants	60.8	61.1
Endowments	1.1	1.0
Reserves	(25.5)	(33.7)
	36.4	**28.4**

Other Key Statistics

	2009-10	2008-09
Consolidated (decrease)/increase in cash flow	(2.0)	1.9
Consolidated recognised gains/(losses)	8.3	(24.8)
Student numbers	28,996	31,614
Average employee numbers (full time equivalent)	2,047	2,296

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

The Board of Governors has pleasure in presenting the University's annual report and audited financial statements for the year ended 31 July 2010.

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.

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 2012. The financial forecasts of the University show that sufficient funding is in place to support the University's activities throughout the period of implementation of the sustainability action plan required by the Strategic Plan 2010/13 ('Strategic Plan'). The Board considers that the use of the going concern basis is appropriate because, at the date of approval of the financial statements, it is 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.

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 and other public announcements, and which will affect all institutions in the sector, the Board is satisfied that the current reviews described in the University's Strategic Plan, will address the need for further net savings to ensure the financial sustainability of the University. These reviews are described in more detail in the 'Future Developments' section below.

The principal creditor of the University is HEFCE, which was owed a total of £2.2m in respect of interest-free capital loans and £34.3m in respect of repayments of grant as at 31 July 2010. The repayment plan as agreed with HEFCE for these amounts is included in the financial forecasts reviewed by the Board.

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.

PUBLIC BENEFIT

The University is an exempt charity regulated by HEFCE. Our charitable purpose under the Charities Act is the advancement of education. The trustees of the charity are the University's Board of Governors, listed on page 4. No payments were made to the governors during the year except in reimbursement of expenses incurred on the University's business. These expenses amounted to £74.

The University has had due regard to the Charity Commission's guidance on public benefit. The mission of the University, set out in our Strategic Plan, is as follows:

London Metropolitan University transforms lives through education and research of quality, meets society's needs through our socially responsible agenda, and builds rewarding careers for our students, staff and partners.

During 2009-10 we have delivered public benefit by:

- Teaching 18,253 Home and EU students on undergraduate programmes and 4,198 Home and EU students on postgraduate programmes. Our bursary and scholarship schemes are designed to encourage students from diverse backgrounds to study at the University and 5,499 bursaries were awarded to Home and EU students during the year. We also encourage participation from a wide range of international students who would not otherwise be able to afford to study in the United Kingdom, and 110 scholarships were awarded to overseas students during the year.
- The success of our research programme was recognised in the results of the 2008 Research Assessment Exercise. Over 10% of the outputs submitted in six subject areas (Communication, Cultural and Media Studies, Architecture and the Built Environment, Pure Mathematics, Social Work and Social Policy and Administration, American Studies and Anglophone Area Studies) were assessed as 'world-leading'. Work has continued in these and other research areas in 2009-10. Examples of other relevant activities include research published during the year on childhood obesity, on nutrition during pregnancy, on the need for a social dimension in transatlantic economic relations and on a Bill of Rights for the UK, as well as work in our Child and Women Abuse Studies Unit, and Refugee Assessment and Guidance Unit.
- Ongoing involvement through our Enterprise team and volunteers in a range of local business and community organisations working on economic and social development.
- Hosting four research collections with public access: The Women's Library, widely acknowledged to be the UK's most extensive library on all aspects of women in society; the TUC Library Collection, which includes material collected by the TUC since its foundation in 1868; the Irish History Archive, including material donated by the Irish in Britain History Group; and the Frederick Parker Collection, a study collection of British chairs from 1600 onwards.

Further details are given below in our Operating and Financial Review.

OPERATING AND FINANCIAL REVIEW

Revision of Strategic Plan

During the period 2007-2009 London Metropolitan University experienced much turbulence as a result of errors in student data returns submitted to HEFCE. This caused a substantial reduction in our teaching grant and, coupled with a rapidly changing national economy, led to a reassessment of our strategic direction. A new Strategic Plan, 'Strategic Plan 2010-13: Transforming Lives, Meeting Needs, Building Careers' was drawn up through extensive university-wide consultation during February to April 2010. This presents a three-year transformational plan for the period August 2010 to July 2013, based in the realities of increasingly constrained public funds and the need for substantial repayments to HEFCE. It builds upon the achievements of the University since its formation in 2002 from the merger of London Guildhall University with the University of North London.

2009-10 actions set out in the Strategic Plan were:

- To confirm senior management arrangements
- To confirm Academic Board membership
- To confirm nomenclature of Faculties and Departments and to determine the reporting lines of Research Institutes
- To confirm academic promotion and progression procedures.

These actions have been achieved and are in place for implementation in 2010-11.

Although the revised Strategic Plan was not in operation for 2009-10 and Key Performance Indicators were not set for that year, we have used the structure of the Plan to review our activities during the year. Comments relating to progress on the Strategic Priorities in the Plan are set out below.

STRATEGIC PRIORITY 1: PROVIDING A QUALITY LEARNING EXPERIENCE FOR OUR STUDENTS

During 2009-10 a major priority has been to enhance the access for students to WebLearn, the University's virtual learning environment (VLE). This is part of our strategy towards blended e-learning, designed to support the engagement and achievement of students, which has improved in the past year. All faculties have developed plans for pedagogy, and this has been articulated through our new Strategic Plan aims of building learning communities of students and staff.

The University hosts three national Centres of Excellence in Teaching and Learning – Learn Higher, in partnership with Liverpool Hope and 15 other universities; Reusable Learning Objects, with the Universities of Cambridge and Nottingham; and Write Now, which supports students' academic writing. In February a conference by and for our students 'Get Ahead' 2010 was supported by the Centres of Excellence in Teaching and Learning. In July we held our staff conference 'Supporting Student Transitions' with themes including first year experience, postgraduateness and learning in a digital age. Both events, which had capacity participation of students and staff, included joint student-staff presentations.

The University's Centre for Academic and Professional Development organised the teaching qualifications programme (postgraduate Certificate and MA) for academic staff. The Centre ran numerous workshops for academic teaching teams on pedagogy of transition, feedback for learning, research design, e-learning practice and it supported enhancement of practice by academic staff through the University's Assessment Framework guide.

In recognition of their excellent track record in teaching, the University in 2009-10 awarded University Teaching Fellowships to four members of academic staff, using criteria identical to the national scheme. The award includes a £3k fund per person to undertake a pedagogical development or research project of benefit to the University and to enable Fellows to enhance their profile and future eligibility for nomination for the national awards.

Our Special Collections (The Women's Library and TUC Library Collection) participated in a Joint Information Systems Committee (JISC) funded initiative to develop IT applications. Revised arrangements, following a major review, were put in place to maintain and enhance the quality of the students' learning opportunities.

The formation of the Quality Enhancement Unit enabled the continuing development of new courses, and the closure of courses no longer meeting student needs, to proceed effectively. Much time has been spent during the latter part of 2009-10 in preparing a briefing document for the Quality Assurance Agency, who are conducting their scheduled quinquennial Institutional Audit in Autumn 2010.

Academic faculties and research institutes have continued to ensure that the curriculum is contemporary and builds on new knowledge.Examples include the MA Work and Social Change, developed as a result of research carried out by the Working Lives Research Institute, and the MA Migration and Social Cohesion, developed in response to current global trends in migration. The MA Migration and Social Cohesion is built on the work of the Institute for the Study of European Transformations, which is regarded as a learning research group in the UK and the EU in the area of social cohesion. Faculties have further developed undergraduate and postgraduate courses in conjunction with professional, statutory and regulatory bodies (PSRB) and many of these courses confer a licence to practise, as well as the bachelors or masters award. As a result of course developments this year, there are now some thirty PSRBs associated with the University's courses, including the Royal Institute of British Architects, Chartered Institute of Personnel and Development, Chartered Institute of Management Accountants, British Psychological Society, Law Society, Bar Council, British Association of Social Workers, Health Professions Council and Institute of Biomedical Science.

STRATEGIC PRIORITY 2:
EDUCATION: ENHANCING PARTICIPATION AND ENSURING FAIR ACCESS

Student Numbers

Student numbers for the year 2009-10 are shown in the table below together with a comparison for the previous year.

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

	2009-10	2008-09
Full Time (Home/EU)	12,764	13,250
Full Time (Overseas)	3,216	3,232
Part Time	8,354	9,898
Short Course	4,662	5,234
Total	**28,996**	**31,614**

The decrease in part-time student numbers continues the trend in previous years. The demand for these programmes has declined as national funding to support students undertaking this mode of study has reduced and employer sponsors have come under financial pressure.

The decrease in the number of students undertaking short courses reflects the planned termination of some courses and changes in delivery mechanisms, in particular of Trade Union Studies courses, which are now offered as part of our degree programmes.

The University remains strongly committed to widening access to higher education from under-represented groups. 46% of our undergraduate entrants in 2009-10 were from socio-economic groups 4, 5, 6 and 7, 9% were from low participation neighbourhoods, and 4% of our students were in receipt of Disabled Student's Allowance.

Awards

The following tables summarise activity conducted through the University Awards Board in its 2009-10 cycle. A small number of awards conferred on behalf of collaborative partners remain to be agreed which will bring the total volume close to the 2008-09 total.

A total of 9,317 awards have been made through the Awards Board compared with a total of 9,975 in 2008-09.

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

Bachelors Degrees

	2009-10 Number	%	2008-09 Number	%
1st	369	10	345	9
2:1	1,468	40	1,378	38
2:2	1,434	40	1,504	42
3rd	308	8	285	8
Non Honours	80	2	123	3
Total	**3,659**		**3,635**	

The proportion of 1st and 2:1 honours degrees rose slightly from 47% to 50%; the total volume of awards was comparable to 2008-09. Excluding variations in collaborative activity the volume of honours degrees has remained stable with the proportion of 1st/2:1 awards rising in each of the last four years.

Masters Awards

	2009-10 Number	%	2008-09 Number	%
Distinction	241	12	247	11
Merit	880	43	975	45
Pass	905	45	969	44
Total	**2,026**		**2,191**	

The volume of masters awards conferred between 1 November 2009 and 31 October 2010 is slightly down from 2008-09 while the proportion of distinctions has risen slightly.

Other awards made during the year include 119 MBAs, over 600 Postgraduate Diplomas and Certificates, some 250 Postgraduate Teaching Certificates, nearly 250 Foundation Degrees, almost 100 Higher National Diplomas (HNDs) and 150 Language Certificates.

Progression

58% of new students (those commencing undergraduate study in 2009-10) progressed from Year 1 to Year 2 of Undergraduate Degrees in 2009-10 compared with 55% in 2008-09. Progression rates have steadily improved in recent years and are up from 48% in 2006-07.

67% of students progressed from Year 2 to Year 3 compared with 68.7% in 2008-09. While this figure shows a small decline year on year it has risen progressively from 58% in 2006-07.

Partnerships

The University has reconfirmed its strong local partnerships with City and Islington College and with Hackney College, to deliver London Metropolitan University franchised programmes at their premises. The partnership with British College of Osteopathic Medicine was transferred to the University of Westminster at the start of the academic year as a result of grant funding constraints.

In 2009-10, the University had 4,215 students enrolled on courses delivered at partner institutions, of which 1,400 students were within the UK and 2,815 were overseas. Our principal overseas partnership is with the Business College of Athens, who had 961 students enrolled on London Metropolitan University programmes.

STRATEGIC PRIORITY 3: RESEARCH AND ENTERPRISE: ADVANCING NEW KNOWLEDGE AND ITS APPLICATIONS

The external environment continues to create a climate of uncertainty for the research community, particularly in light of the likelihood of cuts in UK research spending as a consequence of the October 2010 Comprehensive Spending Review (CSR).

As a result, in 2009-10, the University continued to position itself for the challenges ahead. With effect from 2010-11, research institutes have been folded into academic faculties, an action designed not only to spur greater synergies between research, teaching and enterprise, but also to contribute to the delineation of teaching and research funding.

The University offered the Vice-Chancellor's Scholarships for Postgraduate Research Students for the first time in 2009-10 and 59 awards were made. This is to be extended in 2010-11 following the successful introduction of the scheme.

2009-10 also saw the launch of a Postgraduate Research (PGR) student society, the revision of the Researcher Skills Development Programme to strengthen research skills across the University as well as the implementation of strategic changes in the management of funding support which will generate more useful management information in the future.

Research Council Grants

During 2009-10, the University was awarded six new grants, with a value of £1.2m, from major Research Councils (2008-09: one award, with a value of £0.2m) with an improvement in the success rate of funding applications from 3% in 2008-09 to 29% in 2009-10. Five new European grants were awarded to the University, with a value of £1.1m (2008-09: ten, with a value of £2.0m).

The University secured three prestigious Arts and Humanities Research Council Studentships following an open competition in May 2010, receiving one in each of the award categories.

The University was also awarded two Economic and Social Research Council Studentships; one from the open competition and the other a CASE studentship.

Enterprise and Community

The aim of the University's Enterprise activities is to promote the economic and social impact of its education and research, both on society and on individual students through enhanced entrepreneurial skills and hence employability. The overarching aim of the University's community engagement work is to deliver economic and social benefit.

The Enterprise portfolio comprises:

- two business facilities, the digital design and manufacturing centre 'Metropolitan Works' and the digital media business incubator 'Accelerator'
- four major projects, comprising two European Regional Development Fund (ERDF) projects based at Accelerator and Metropolitan Works, and two HEFCE Economic Challenge Investment Fund (ECIF) projects to help students, individuals and SMEs affected by the recession
- participation in KnowledgeEast, the collaborative organisation for nine universities and colleges in East London
- leadership of the Emerald proof of concept fund, a collaboration between eight London universities
- a programme of student enterprise work including leadership of the KnowledgeEast Enterprise Network, a 'Hatchery' for student businesses at Accelerator, and business plan competitions
- a range of support for academic knowledge transfer activity: Continuing Professional Development (CPD), Knowledge Transfer Partnerships (KTP), consultancy, intellectual property
- the membership organisation Design Nation, based at Metropolitan Works, which combines design promotion and business support for the design, craft and applied arts
- the Centre for Micro Enterprise in London Metropolitan Business School, which runs projects and training for owners of micro-enterprises and aspiring entrepreneurs, with a particular focus on the London area
- membership of the Thames Gateway London Partnership, which (through Upturn in particular) works with the City of London Corporation and the London boroughs of Islington, Hackney and Tower Hamlets
- a programme of public events.

2009-10 was a period of consolidation, with complex projects being delivered against the backdrop of the effects of the recession on client businesses and organisational change within the University. Entrepreneurial activity has however been stimulated by the recession, and the University has responded through the ECIF projects and the work of the student enterprise programme, Accelerator and the Centre for Micro Enterprise. Accelerator had 100% occupancy during the year (2008-09: 90%).

The KTP portfolio has been rebuilt following the closure of most of the older projects, and the London Met Entrepreneurs student society has been supported in its development, culminating in the receipt of national awards. Sixteen student businesses were created during the year (2008-09: four).

The re-establishment of activity at Metropolitan Works following a fire in 2008 led to an increase in income from Metropolitan Works of 135% from £0.1m to £0.2m.

During the year the University led a HEFCE-funded ECIF project, Upturn, and participated in a second ECIF project focusing on graduate placements and employability, KEEN. Upturn was designed to help individuals and businesses in London who had been affected by recession, through advice and programmes of subsidised upskilling and reskilling. New and existing University courses in various professional disciplines and in starting new companies have been delivered. By the end of the year 662 individuals and 62 businesses had been assisted.

The University also has two ERDF-funded projects, Digital Design & Manufacturing and Innovate London. Both are aimed specifically at the London community and were enabled by the University's location in disadvantaged neighbourhoods with high black, asian and minority ethnic concentrations. Both provide public events in addition to more focused support for businesses to develop and to engage with the knowledge base.

STRATEGIC PRIORITY 4:
SUSTAINABILITY: DRIVING RESOURCES HARDER
FINANCE

Income and Expenditure

During 2009-10 the University continued to implement the Cost Improvement Plan, started in 2008-09. This was designed to bring costs back into balance with income during 2009-10 and to generate surpluses for reinvestment within the University from 2010-11 onwards. Although the Cost Improvement Plan resulted in a number of compulsory redundancies, these were minimised by a voluntary severance scheme followed by a rigorous redeployment exercise.

The University was very successful in achieving savings during the year, through a combination of tight control on non-staff costs and delay in filling vacancies and from a lower than expected level of fee adjustments. The redeployment exercise also reduced restructuring costs below the budgeted level.

A comparison of the actual financial performance of the University for 2009-10 with budget is as follows:

	Actual £'000	**Budget £'000**
Operating surplus/(deficit)	**3,880**	**(3,109)**
Plus/less:		
FRS17 adjustments	(1,816)	-
Restructuring costs	(1,331)	(2,576)
Profit on disposal of assets	134	-
Historical cost depreciation adjustment	104	104
Historical cost surplus/(deficit)	**971**	**(5,581)**

The following tables compare 2009-10 and 2008-09 performance:

Income

	2009-10 £'000	**2008-09 £'000**	**Movement %**
Funding Council grants	66,638	66,472	0.2
Tuition fees and education contracts	77,470	72,436	6.9
Research grants and contracts	3,389	3,947	(14.1)
Other income	10,734	12,340	(13.0)
Endowment and investment income	845	2,580	(67.2)
Total income	**159,076**	**157,775**	**0.8**

Total income has increased by 0.8% (£1,301k) from the 2008-09 figure. The main elements of this net increase are:

- Increases from tuition fees resulting from fee increases and a lower level of fee adjustments for withdrawal during the year
- Decreases in research income resulting from lower activity levels, and in other income resulting from the cessation of accommodation receipts following the transfer of responsibility for operating the Arcade hall of residence to Opal group with effect from the start of 2009-10
- A decrease in endowment and investment income of 67% as a result of lower average cash balances coupled with lower interest rates.

Expenditure

	2009-10 £'000	**2008-09 £'000**	**Movement %**
Staff costs	92,790	101,427	(8.5)
Other operating expenses	53,142	58,235	(9.0)
Depreciation	8,234	8,463	(2.7)
Interest payable and other finance costs	4,043	2,908	39.0
Total expenditure	**158,209**	**171,033**	**(7.6)**

Total expenditure decreased by 7.5% (£12.8m) compared with 2008-09. The main elements are :

- Reductions in staff costs as a result of the Cost Improvement Plan and the holding of vacancies during the redeployment exercise
- Reductions in other operating expense primarily from a one-off rate rebate of £0.8m, a reduction of £1.1m in payments to franchise colleges following the transfer of the partnership with the British College of Osteopathic Medicine to the University of Westminster and a £0.4m reduction in bursary payments. Other operational savings were achieved by tight cost control as departments were asked to restrict spending to essential items
- Interest payable and other finance costs increased due to the FRS17 net interest charge on the University's London Pension Fund Authority (LPFA) pension scheme.

Balance Sheet

The consolidated net assets of the Group at 31 July 2010 were £36.4m, an increase of £8.0m (28%) compared to 31 July 2009 (as restated for a change in accounting treatment of performance related pay and deferred capital grant).

This figure is after taking into account a pension deficit of £71.7m (2009: £77.2m) on the LPFA scheme for non-academic staff, in accordance with FRS17 'Retirement Benefits'. The pension deficit reduced principally as a result of a change in the basis of calculation of increases in pension benefits from a method based on the Retail Price Index to a method based on the Consumer Price Index.

Net assets excluding the pension fund deficit increased by £2.6m from £105.5m (restated) to £108.1m.

Fixed Assets

During the year the University sold the Arcade hall of residence for £25.1m, generating a profit on disposal of £134k. Expenditure during the year on fixed assets was £6.9m, bringing the total net book value of land, buildings and equipment to £134.4m (2009: £160.4m).

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. The total value of the properties was £127.3m.

Endowment Assets

The value of endowment assets increased during the year by £139k to £1,103k primarily due to the increase in the market value of endowment investments.

Current Assets

Group trade debtors (fees and miscellaneous debt) increased by £1.9m to £7.4m (2009: £5.5m) which represents 8.0% of income (excluding grant and investment income) compared with 6.2% in 2008-09. The most significant element of this increase is in amounts due from Student Finance England, which rose by £1.3m.

Prepayments and accrued income fell by £0.3m to £3.6m (2009: £3.9m). 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 increased from £33.1m at 31 July 2009 to £46.0m at 31 July 2010, primarily as a result of the capital receipt for the sale of the Arcade.

Creditors

Group creditors due within one year reduced by £3.4m to £42.9m (2009: £46.3m), the main reductions being repayment during the year of a £5m Strategic Development Fund loan from HEFCE, a £1.6m reduction in trade creditors following lower non-staff expenditure and a £3.8m reduction in accruals, which in 2009 included redundancy payments for staff leaving the University under the voluntary redundancy scheme. Offsetting these reductions were an increase in other amounts owed to HEFCE of £3.4m, reflecting the repayment schedule for overpayments of grant, and an increase of £3.8m in deferred income 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.

Creditors falling due after more than one year fell by £10.2m to £39.3m (2009: £49.6m) 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.

Provisions for Liabilities

The redundancy provision of £953k created in 2009 was utilised in full during the year.

A provision of £735K has been made in respect of the University's future lease obligations for properties at 133 Whitechapel High Street and 100 Hornsey Road, which are no longer in operational use. The lease terms will end in 2014 and 2015 respectively.

Cash Flow

Net funds as at 31 July 2010 amounted to £34.8m, an increase of £23.8m compared to 2009 (£11.0m). The main element of this increase was capital receipts of £24.9m, being £25.1m sale price of the Arcade net of costs.

FINANCIAL POLICIES

Financial Strategy

In 2009-10, the University operated a financial strategy which aimed to produce an operating surplus in order to generate cash for re-investment. Specific targets, set as part of the business planning process, were 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
- Reducing the proportion of teaching grant as a percentage of income
- Reducing the proportion of staff costs as a percentage of income
- Improving liquidity.

These targets were all achieved. Our operating surplus was 2.4% of income compared to budgeted deficit of 2.0% of income. Teaching grant as a percentage of income fell from 42.1% in 2008-09 to 41.9% in 2009-10. Staff costs as a percentage of income fell from 64.3% in 2008-09 to 58.3% in 2009-10. Liquidity, measured as the ratio of (current asset investments plus cash) to creditors falling due within one year, improved from 0.7 in 2008-09 to 1.1in 2009-10.

Treasury Management

Day-to-day cash and short-term investments are managed through rolling annual cashflow forecasts which are updated every month. Annual capital cashflow 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 2009-10 specified that all surplus balances in excess of £1m be 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-2 (or equivalent) for deposits of up to six months and Standard & Poor's AA- (or equivalent) for deposits of more than six months and by limiting exposure to any single deposit-taker and non UK country.

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.

Subsidiary Trading Company

London Metropolitan University Enterprises Limited has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. In 2010 the company made a deficit of £126k (2009: deficit £98k).

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

HUMAN RESOURCES

The University's Human Resources policies and practices are designed to support institutional sustainability by being flexible, responsive and productive. Their aim is to promote an institutional culture which values: professionalism; customer focus; teamwork; innovation and creativity; accountability; diversity and continuous improvement.

The priority for 2009-10 has been to contribute towards the financial sustainability of the University through continued support of cost saving initiatives, such as the final year of the Cost Improvement Plan. Another priority has been to work closely with the University's recognised trade unions on a range of employment matters. These have included planning for a new joint mediation approach and introducing a new job evaluation process. Other initiatives put into place during the year include standardisation of organisational structures and nomenclature, and the streamlining of the management of research institutes within academic faculties.

An employee wellbeing and stress management initiative has been put into practice during the year and a cycle-to-work scheme introduced.

Our 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.

Guidelines and procedures operate throughout the University to ensure that good employment practice prevails. A key objective for this year has been the development of the single equality scheme, which has included staff and student surveys, focus groups and a web learn forum. A Single Equality Scheme Working Group comprising staff student and union representatives has commenced drafting the scheme document and the completed scheme is due to go live in 2010-11.

Staff Numbers

Workforce composition is monitored and analysed regularly. Diversity monitoring is reported to the Diversity Steering Group and detailed workforce composition data and graphs are published on the University website at least once every three years.

As at 31 July 2010, the University employed 2,061 full-time equivalent staff (2009: 2,264), a reduction of 9% on the total as at 31July 2009, analysed as follows:

	2010 FTE	%	2009 FTE	%
Senior staff	84	4	90	4
Academic staff	784	38	864	38
Administrative staff	780	38	858	38
Manual and technical staff	81	4	90	4
Total permanent staff	**1,729**	**84**	**1,902**	**84**
Casual staff	122	6	146	6
Hourly paid lecturers	210	10	217	10
Total	**2,061**		**2,265**	

Staff turnover for 2009-10 was 12%. 245 staff left the University during the year, of which 40 staff left as a result of compulsory redundancy and 9 took voluntary redundancy as part of the Cost Improvement Plan.

Staff satisfaction, as measured at exit interview, has remained relatively unchanged since monitoring of this began in 2006-07. Sample sizes are relatively small and plans will be put in place to measure staff satisfaction from a larger sample of current staff.

Investment in Staff Development

In 2009-10 there were 5,809 instances of participation in staff development events (2008-09: 8,090), and £2.0m was spent on staff development during the year (2008-09: £2.4m).

These events covered a range of activities to address specific faculty and departmental needs, university-wide programmes and strategic initiatives, Information Technology programmes, conference attendance, published or presented papers, courses leading to a qualification, and continuing professional development activities and fee waivers for staff wishing to attend relevant university courses.

ESTATES

During 2009-10, the University continued its programme of refurbishment of the existing estate to improve its condition and suitability.

Major capital projects started in June 2009 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.

During the Summer of 2010, the University commenced its next phase of estate reduction. Our Tower Hill building has been prepared for sale and two leasehold buildings, at Whitechapel High Street and Hornsey Road, have been emptied. The onerous lease charge, for the unavoidable costs of these buildings to the end of their lease terms, has been accrued in these financial statements.

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.

ENVIRONMENTAL SUSTAINABILITY

The University is fully committed to reducing its carbon footprint. We joined the Carbon Trust's Higher Education Carbon Management Programme in June 2010 and are working to design a carbon management plan by 31 March 2011, with a five year target to 2014-15 for carbon emissions reduction of 33%. A number of carbon-reducing projects took place during 2009-10 including rationalisation of hot water services; introduction of low voltage electrical systems in our largest teaching building and the introduction of automatic shut-down of student PCs.

Our Environmental Sustainability Working Group continues to work on other environmental sustainability issues and the University was ranked 89 out of 137 participating higher education institutions in the Green Planet league table.

STRATEGIC PRIORITY 5:
INVESTMENT: ACCELERATING OUR TRANSFORMATION THROUGH ICT

During 2009-10, considerable work was carried out to stabilise the University's IT infrastructure and to improve the inter-operability of systems across all our buildings. Achievements include the implementation of the 'OneTel' telephone system, rationalisation and upgrade of data centres and cabling, rationalisation of network methodologies and improvements to firewalls.

We have also continued the rolling replacement of staff and student PCs, enabling the implementation of a standard desktop specification.

FUTURE DEVELOPMENTS

The University is now operating within its new Strategic Plan, which was approved by the Board of Governors on 5 May 2010. The quality of learning experience for our students is set as our highest priority, together with the promotion of research and its applications to enrich student learning and to encourage consultancy, contract research, continuing professional development and public commentary.

The Strategic Plan recognises the special challenge to our financial sustainability during the three years of this transformational plan, in part caused by the need still to repay £34m to HEFCE, but also to address public funding reductions, which will put real pressure on our cost management at a time when we seek to build a more inclusive and trusting culture across the University.

Although the Plan was written before the Comprehensive Spending Review (CSR) and the Browne Report on Student Funding were published, it anticipated the changes likely to result from enactment of those proposals and set out a programme of reviews designed to challenge all areas of the University, to ensure that our scarce resources are properly focused on the achievement of our core objectives and that we get best value for money from those resources. It set out the need for a sustainability action plan, to deliver net cost savings (after income growth) and to measure financial sustainability using the following Key Performance Indicators of financial health:

- Operating surplus
- Return on assets and cash generated
- Current assets to liabilities ratio
- Liquidity
- Efficiency and cost improvement measures
- Delivered surpluses for future investment in strategic priorities
- Cost of staff as a percentage of total costs.

A further indicator has since been added to these: to return the University ratio of staff cost as a percentage of income to the 2008-09 sector average of 55%.

The CSR and the Browne Report proposals have now been published and confirm the need for the reviews set out in the Plan. The proposals promise to transform the Higher Education landscape in England from 2012. The effective privatisation of higher education, as state support is replaced by individual purchasing choices, will require significant changes to the University's portfolio of taught provision, to curricula, and to modes of delivery. The Review of Undergraduate Education is currently underway and, with its twin Review of Postgraduate Education in 2011-12, will seek to recommend ways forward into and through this largely uncharted territory. The maintenance of academic standards and academic reputation will be of prime importance, as will the enhancement and focus on the student experience. The Review of Undergraduate Education will report by 31 March 2011, for implementation from 2011-12, and the Review of Postgraduate Education will report by 31 March 2012, for implementation from 2013-14. We are considering moving the date of the latter review forward.

The challenge, to ensure best use of our scarce resources, is being addressed by three further reviews in 2010-11:

- A review of the effectiveness of staff reward structures, including pay, pensions and other benefits, performance-related pay and other schemes of staff incentives, as well as flexible working policies is due to report by 30 November 2010, for implementation in 2011-12
- A review of business processes, which covers all our support services wherever located, to achieve greater efficiency and effectiveness of delivery, is due to report by 31 January 2011, for implementation from 2011-12
- An estates master-planning exercise, to reflect the implementation of recommendations from other reviews, is due to report by 31 July 2011.

FINANCIAL FORECASTS

The Board of Governors and senior management of the University have considered a range of assumptions used to derive financial forecasts for the five years to July 2015. Considerable uncertainty attaches to these assumptions because definite proposals to implement the CSR and the Browne Review have not yet been enacted and cascaded through HEFCE to individual higher education institutions, but we believe that they represent a reasonable view of the impact of these proposals on the University. The forecasts show a steep reduction in teaching grant as 'Band C' and 'Band D' funding, for courses that do not require a significant amount of expensive infrastructure, is phased out and replaced by increased student fees.

The forecasts confirm the need for significant net savings, either from other income growth or from cost reduction. Grant reductions in 2010-11 arising from the CSR will necessitate in-year net savings of approximately £2m if we are to deliver our budgeted operating surplus and the scale of required savings increases significantly in 2011-12, to £18m. With proper focus and careful management, this scale of net savings is considered achievable, with specific actions to be determined through the reviews currently underway. Setting our staff expenditure at a maximum of 55% of total income would deliver £24m of savings in 2011-12.

Key figures in the financial forecasts for the two years to 31 July 2012 are as follows:

	2010-11 £m	2011-12 £m
Income	161.1	146.0
Staff costs	(99.9)	(101.6)
Other operating expenses	(62.1)	(59.0)
Sustainability action plan	2.1	17.5
Operating surplus	**1.2**	**2.9**
Non-operating items	(2.4)	6.3
Historical cost (deficit)/surplus	**(1.2)**	**9.2**
Closing cash balance	**22.1**	**22.4**

Key assumptions used to compile the forecasts for 2010-11 and 2011-12 are:

- Reduction in higher education funding from 1 April 2011 resulting from the CSR affects our grants for 2010-11 and 2011-12 by approximately £5m. Other teaching grant reductions arising from changes to fundable activities are phased out over four years from 2012-13
- International student numbers are held at current levels. Home and EU student numbers are capped at current entrant levels for 2011-12
- Discretionary fee rates increase by inflation for 2011-12
- Research contracts and other income reduce by 5% per annum
- Staff costs increase by 2% per annum for cost-of-living increases and contractual incremental increases. Employer pension scheme contributions increase by 3% in 2011-12
- Delivery of sustainability action plan net savings
- A capital programme requiring cash expenditure of £56.6m over 2010-11 and 2011-12, partly funded by receipt of £17.8m in grants and loans
- Scheduled repayments of loans and grant of £6.5m in 2010-11 and £11.1m in 2011-12
- Sale of our Tower Hill building 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 a contingency into our cost base which will not be committed until other operating assumptions are confirmed. Over £30m of the capital programme during 2010-11 and 2011-12 is not committed and provides some flexibility in cash management should the expected capital receipt be delayed.

PRINCIPAL RISKS AND UNCERTAINTIES

The University's risk register, which is regularly reviewed by the Risk Committee, records the following principal risks and uncertainties:

1. Failure to maintain academic standing in teaching and research. This is monitored through the work of the Joint Standards Board and Academic Board. The Quality Assurance Agency and the Middle States Commission for Higher Education both have commenced institutional audits and are due to report in 2011.
2. Failure to achieve financial sustainability. Although the University has moved back into operating surplus, in common with other institutions across the sector 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 and fluctuations in national and local demand for particular subjects, can have a direct impact on the resources available to the University. The strategic reviews described in the Strategic Plan are designed to address the continued challenge to increase efficiency and achieve value-for-money from all our activities and to invest in the future sustainability of 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 reduced.
3. Failure to provide accurate student-related funding returns and management information. 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. The University believes that its 2009-10 returns fully comply with HEFCE rules. Further improvements to processes are planned for 2010-11 that will improve the timeliness of accurate data.

POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

DONATIONS

The group makes no political or charitable donations.

AUDITORS

Our external auditors Grant Thornton UK LLP completed a one year extension to their five year term of appointment during the year. A retendering exercise is currently being planned. A resolution to appoint auditors will be moved at a Board meeting following this exercise.

The financial statements on pages 22 to 54 were approved by the Board of Governors of London Metropolitan University on 17 November 2010 and were signed on its behalf on 22 November 2010 by:

Clive Jones
Chair of Board of Governors
166-220 Holloway Road, London N7 8DB
Date: 22 November 2010

Statement of Responsibilities of the Board of Governors

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.

The principal responsibilities of the Board of Governors, as set out in article 9 of the University's Articles of Association are as follows:

The Board of Governors shall be responsible, inter alia, for:

(a) the determination of the educational character and objectives of the University and for the supervision of its activities

(b) the effective and efficient use of resources, the solvency of the University and for safeguarding its assets

(c) approving annual estimates of income and expenditure

(d) the determination of membership of the Senior Staff, save that the Vice-Chancellor and Chief Executive, and the Secretary, shall always be a member of the Senior Staff

(e) the appointment, appraisal, discipline, suspension and dismissal, and the determination of the grading, pay and conditions of service of the Senior Staff

(f) the determination of the policy for pay and general conditions of employment of the Staff who are not Senior Staff

(g) the appointment of the Auditors and the keeping of accounts and records

(h) establishing and maintaining machinery for promoting engagement between the University and industry, commerce, the professions, other universities, other educational establishments, research organisations and local communities.

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
- 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
- judgments 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 its ultimate responsibility, the University's Finance and Human Resources Committee and, where appropriate, the Audit Committee, is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and the group and to enable it to ensure that the financial statements comply with HEFCE's Financial Memorandum and the Companies Act. The Finance and Human Resources Committee and the Audit Committee 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.

As far as the Board of Governors is aware, after making due enquiry of officers of the University, 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.

Statement of Corporate Governance

London Metropolitan University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with guidance from the Committee of University Chairs (CUC) in its 'Guide for members of Higher Education Governing Bodies in the UK', a voluntary guide which reflects good practice in the governance of higher education institutions in the UK.

This Statement of Corporate Governance covers the period from 1 August 2009 to the date of signature of these Financial Statements.

COMPLIANCE WITH THE COMBINED CODE ON CORPORATE GOVERNANCE

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 2008. The relevant principles of the Combined Code, having regard to the CUC Governance Code of Practice, have been tailored to the circumstances of the University as follows:

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

The University is a company limited by guarantee. All governors of the University are also directors of the company and are trustees of the University as an exempt charity. The names of governors who served on the Board of Governors during the year ended 31 July 2010 are shown on page 4.

Following consideration of two reports commissioned into the retrospective grant adjustments agreed with HEFCE in the previous financial year, the Board decided at its meeting on 15 December 2009 that ten independent members of the Board, including the Chair, would stand down from membership in the course of 2009-10. Accordingly one new independent governor was appointed in February 2010, four independent governors were appointed in April 2010 (including a new Chair) and five further independent governors were appointed in August 2010. The Audit Committee was also renewed in April 2010. In appointing new independent governors during 2009-10, the University has sought to construct a diverse Board with relevant and wide-ranging skills and experience, to help it tackle the issues identified in 2009 and to meet the challenging economic circumstances that lie ahead.

As at 1 August 2010, the University's Board of Governors comprised fifteen members. The categories of governor are as defined in the company Articles of Association and comprise independent governors, the Vice-Chancellor and Chief Executive, staff governors (one of whom is elected from the Academic Board), the President of the Students' Union and a balance of membership defined under the Articles as 'Additional Co-opted Governors'. With the exception of the Vice-Chancellor and Chief Executive, the Academic Board governor and the elected staff governor, none of the Board are employees of the University. 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.

The matters specially reserved to the Board for decision are set out in the Articles of Association of the University (which were revised during 2009-10 to implement the provisions of the Companies Act 2006) 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 nine times during 2009-10. It has three formally constituted committees, namely Finance and Human Resources, Governance and Audit. These committees are fully non-executive, except that the Vice-Chancellor and Chief Executive is a member of the Finance and Human Resources Committee and, prior to January 2010, the Academic Board Governor, the staff governor and the President of the Students' Union were members of 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 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. A full review of governance arrangements is underway under the aegis of the Governance Committee, as described in the Strategic Plan, and is due to report in March 2011.

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

The role of Chair of the Board (non-executive) is separate from that of the University's Vice-Chancellor and 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 Articles of Association and is set out above.

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 meets at least four times a year. Inter alia, it 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 reviews the University's Financial Statements, together with the accounting policies, and 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. During 2009-10 the Governance Committee met five times.

The Audit Committee meets at least four times a year and, inter alia, reviews the work of the internal and external auditors and receives reports on risk management and internal controls. 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.

It also receives and considers reports from HEFCE insofar as they affect the University's business. Management responses and implementation plans are considered and approved. 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, and the Audit Committee meets with the internal and external auditors, without any officers in attendance, for independent discussions.

All committees of the Board are required to report to the Board regularly, and minutes of all committee meetings are provided to Board members. In addition the Audit Committee provides an annual report on its activities for the Board, a copy of which is sent to HEFCE as part of the University's annual accountability return. 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 opportunity for Governors to request additional information through membership of committees and the Board itself.

There should be a formal, rigorous 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. The process adopted in 2009-10 to appoint a new Chair and independent governors included the preparation of written descriptions of the roles, based on a full evaluation of the balance of skills and experience needed, and publication of the vacancies in the national press, and was performed with the assistance of an executive search agency.

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 Financial Statements

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

The Finance and Human Resources Committee considers and agrees the remuneration of the Vice-Chancellor and Chief Executive and those staff specified in the Articles of Association. It is also 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 future development

The responsibilities of the Board of Governors and the role of the Finance and Human Resources Committee 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 Report of the Governors includes an Operating and Financial Review that describes activities during the year and future developments.

The Board should maintain a sound system of internal control

The Board of Governors acknowledges its responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives while safeguarding the public and other funds and assets for which the Board is responsible. However, any system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss.

(a) Risk management

The Board of Governors is of the view that there is now an ongoing process for identifying, evaluating and managing the principal risks to the University's achievement of its policies, aims and objectives.

Effective risk management:

- covers all risks – including governance, management, quality, compliance, reputational and financial – but is focused on the most important risks
- produces a balanced portfolio of risk exposure
- is based on a clearly articulated policy and approach
- requires regular monitoring and review, giving rise to action where appropriate
- needs to be managed by an identified individual and involve the demonstrable commitment of senior governors, academics and officers
- is integrated into normal business processes and aligned to the strategic objectives of the organisation.

During 2009-10 the University revised its risk management procedures to ensure that the key principles of effective risk management are applied. A revised risk management policy and strategy were approved and implemented, and the University's corporate risk register fully revised, as part of the Strategic Plan review. Risks are assessed on the basis of likelihood and impact, taking into account relevant internal controls. The risk register is reviewed monthly by the Executive Group, led by the Vice-Chancellor and Chief Executive, acting as a Risk Committee, and is reported to every meeting of the Audit Committee and, at least annually, to the Board of Governors. Risk registers have been prepared by every University faculty and department and are regularly reviewed and updated. These are monitored by the Director of the Strategic Programmes Office, who updates the corporate risk register for review by the Risk Committee.

(b) Review of the effectiveness of internal control

The Board has responsibility for reviewing the effectiveness of the system of internal control. Its view of the effectiveness of the system of internal control is informed by reports from the Audit Committee, which, as stated above, receives regular reports from internal audit on all major systems and departments.

The internal audit programme is agreed by the Audit Committee every year. In 2009-10 this programme was carried out by an internal audit consortium, Kingston City Group, of which the University is a member. Their programme of work was determined using a risk-based audit assessment to prioritise and inform the reviews carried out. The internal auditors also provided an independent summary report with their opinion on the adequacy and effectiveness of the overall system of internal control.

The University's view is also informed by comments made by the external auditors in their management letters and other reports, and by the work of executive management, who have responsibility of the development and maintenance of the internal control framework.

During 2009-10, the Board received two reports, from Sir David Melville and from Deloitte, on the retrospective grant adjustments agreed with HEFCE in the previous year which arose from the University's student data returns. Following discussion with HEFCE, a joint statement and an action plan setting out actions on governance to address the key issues raised in the reports was agreed[2]. Progress with regard to the actions set out in the plan, to make necessary changes to the existing arrangements has, as agreed, been reported on at least a quarterly basis to the Board and to HEFCE. All of the specific actions on governance were completed within the agreed timeframe. Actions to address the other issues are underway during 2010-11.

The University has considerably strengthened its arrangements for data quality since 2008-09; however it is recognised that further work is required which is ongoing. During 2009-10, effort has been concentrated on improving controls over the preparation of the HESA and HESES returns and in identifying changes to processes and systems that will improve the quality of underlying data in 2010-11.

The Board, through the Audit Committee, has reviewed the effectiveness of the system of internal control operating in 2009-10 and up to the date of this statement. Whilst there remain areas for development and improvement, significant progress has been made during the year, in particular in respect of the management of risk and the management and quality assurance of data submitted to HESA, HEFCE and other funding bodies.

As noted above, a review of governance arrangements is being carried out during 2010-11.

The Board should establish formal and transparent arrangements for considering how it 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 HEFCE Accountability and Audit Code of Practice. The external auditors are invited to all Audit Committee meetings and the Audit Committee meets with the auditors without management present.

The provision of external audit was the subject of a tendering exercise in 2010 and the successful bidder was appointed for one year. A further tendering exercise will be carried out in 2010-11 to appoint external auditors from 2010-11 onwards. Reappointment is considered annually and the Audit Committee makes a recommendation to the Annual General Meeting in accordance with the requirements of the Companies Act.

Publication of the financial statements is on the University's website

The Financial Statements are published on the University's website[1].

The financial statements on pages 22 to 54 were approved by the Board of Governors of London Metropolitan University on 17 November 2010 and were signed on its behalf on 22 November 2010 by:

Clive Jones
Chair of the Board of Governors

Malcolm Gillies

Professor Malcolm Gillies
Vice-Chancellor and Chief Executive

Date: 22 November 2010

[1] The maintenance and integrity of the website is the responsibility of the Vice-Chancellor and Chief Executive. The independent 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.

[2] These are available at londonmet.ac.uk/foi/classes

Report of the Independent Auditors to the Governing Body 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 2010 which comprise the consolidated income and expenditure account, the consolidated and University balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the consolidated statement of historical cost surplus for the year, the principal accounting policies 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 Chapter 3 of Part 16 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 governing body's responsibilities for preparing the Report of the Governors and the group financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 16.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Accounts Direction and the 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 Funding Council') and the Training and Development Agency for Schools.

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 also report to you if, in our opinion, the University has not kept proper 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 the Report of the Governors, the Statement of Corporate Governance, Financial Highlights, Members of the Board of Governors, and Senior Officers and Advisers and consider the implications for our report if we become aware of any apparent misstatements within them 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.

BASIS OF OPINION

We have conducted our audit in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the governing body in preparing the financial statements and whether the accounting policies are appropriate to the group and University's circumstances, consistently applied and adequately disclosed.

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

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

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the Group as at 31 July 2010 and of the Group's surplus of income over expenditure for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 2006, the Accounts Direction and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education,
- the information given in the Report of the Governors is consistent with the financial statements
- in all material respects, income from the Funding Council, the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2010 have been applied for the purposes for which they were received
- in all material respects, income during the year ended 31 July 2010 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Funding Council and the funding agreement with the Training and Development Agency for Schools

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: 22 November 2010

Consolidated Income and Expenditure Account for the year ended 31 July 2010

	Notes	2009-10 £'000	2008-09 £'000
Income			
Funding council grants	*1*	66,638	66,472
Tuition fees and education contracts	*2*	77,470	72,436
Research grants and contracts	*3*	3,389	3,947
Other income	*4*	10,734	12,340
Endowment and investment income	*5*	845	2,580
Total income		**159,076**	**157,775**
Expenditure			
Staff costs	*6*	92,790	101,427
Other operating expenses	*8*	53,142	58,235
Depreciation	*10*	8,234	8,463
Interest payable and other finance costs	*9*	4,043	2,908
Total expenditure		**158,209**	**171,033**
Surplus/(deficit) for the year on continuing operations after depreciation of assets at valuation		**867**	**(13,258)**
Surplus on sale of freehold residential property	*10*	-	22,657
Surplus for the year on continuing operations after disposal of assets		**867**	**9,399**
Surplus for the year transferred from accumulated income in endowment funds	*13*	2	12
Surplus for the year retained within general reserves	*21*	**869**	**9,411**

All items of income and expenditure arise from continuing operations.

Consolidated Statement of Historical Cost Surplus for the Year

	Notes	2009-10 £'000	2008-09 £'000
Surplus for the year on continuing operations before and after tax		**867**	**9,399**
Difference between historical cost depreciation charge and the actual charge calculated on valuation of assets	*21*	104	104
Historical cost surplus for the year		**971**	**9,503**

Consolidated Balance Sheet

as at 31 July 2010

	Notes	2010 £'000	Restated 2009 £'000
Fixed Assets			
Tangible assets	10	134,428	160,430
Investments	12	64	64
		134,492	**160,494**
Endowment Asset Investments	13	**1,103**	**964**
Current Assets			
Stock	14	72	68
Debtors	15	11,934	10,338
Investments	16	45,000	30,107
Cash at bank and in hand		1,032	3,029
		58,038	**43,542**
Creditors			
Amounts falling due within one year	*17*	(42,908)	(46,272)
Net Current Assets/(Liabilities)		**15,130**	**(2,730)**
Total Assets less Current Liabilities		**150,725**	**158,728**
Creditors			
Amounts falling due after more than one year	*18*	(39,341)	(49,568)
Provisions for Liabilities	*19*	**(3,293)**	**(3,611)**
Total Net Assets Excluding Pension Liability		**108,091**	**105,549**
Net Pension Liability	*23*	**(71,725)**	**(77,156)**
Total Net Assets Including Pension Liability		**36,366**	**28,393**
Represented by:			
Deferred Capital Grants	*20*	**60,809**	**61,171**
Endowments			
Expendable		436	426
Permanent		667	538
	13	**1,103**	**964**
Reserves			
General reserve excluding pension reserve		42,609	39,820
Pension reserve	19, 23	(71,645)	(77,156)
General reserve including pension reserve	*21*	(29,036)	(37,336)
Revaluation reserve	21	3,490	3,594
Total Reserves Including Endowments		**(24,443)**	**(32,778)**
Total Funds		**36,366**	**28,393**

The Financial Statements on pages 22 to 54 were approved by the Board of Governors of London Metropolitan University on 17 November 2010 and were signed on its behalf on 22 November 2010 by:

Clive Jones
Chair of Board of Governors

Malcolm Gillies

Professor Malcolm Gillies
Vice-Chancellor and Chief Executive

Registered company number: 974438

University Balance Sheet

as at 31 July 2010

	Notes	2010 £'000	Restated 2009 £'000
Fixed Assets			
Tangible assets	11	129,113	154,654
Investments	12	322	343
		129,435	**154,997**
Endowment Asset Investments	*13*	**1,103**	**964**
Current Assets			
Stock	*14*	22	22
Debtors	15	12,320	10,504
Investments	16	45,000	30,107
Cash at bank and in hand		902	2,383
		58,244	**43,016**
Creditors			
Amounts falling due within one year	*17*	(42,638)	(45,486)
Net Current Assets/(Liabilities)		**15,606**	**(2,470)**
Total Assets less Current Liabilities		**146,144**	**153,491**
Creditors			
Amounts falling due after more than one year	*18*	(39,341)	(49,568)
Provisions for Liabilities	*19*	**(3,293)**	**(3,611)**
Total Net Assets Excluding Pension Liability		**103,510**	**100,312**
Net Pension Liability	*23*	**(71,725)**	**(77,156)**
Total Net Assets Including Pension Liability		**31,785**	**23,156**
Represented by:			
Deferred Capital Grants	*20*	**56,907**	**56,739**
Endowments			
Expendable		436	428
Permanent		667	536
	13	**1,103**	**964**
Reserves			
General reserve excluding pension reserve		41,930	39,015
Pension reserve	19, 23	(71,645)	(77,156)
General reserve including pension reserve	22	(29,715)	(38,141)
Revaluation reserve	22	3,490	3,594
Total Reserves Including Endowments		**(25,122)**	**(33,583)**
Total Funds		**31,785**	**23,156**

The Financial Statements on pages 22 to 54 were approved by the Board of Governors of London Metropolitan University on 17 November 2010 and were signed on its behalf on 22 November 2010 by:

Clive Jones
Chair of Board of Governors

Professor Malcolm Gillies
Vice-Chancellor and Chief Executive

Registered company number: 974438

Consolidated Cash Flow Statement

for the year ended 31 July 2010

	Notes	2009-10 £'000	2008-09 £'000
Net cash inflow from operating activities	*26*	2,721	177
Returns on investments and servicing of finance	27	391	1,365
Capital receipts and financial investments	28	20,636	89
Management of liquid resources	29	(14,923)	1,238
Financing	30	(10,822)	(970)
(Decrease)/increase in cash in the year		**(1,997)**	**1,899**

Reconciliation of Net Cash Flow to Movement in Net Funds

	Notes	2009-10 £'000	2008-09 £'000
(Decrease)/increase in cash in the year		**(1,997)**	**1,899**
Change in short term deposits	*29*	14,923	(1,238)
Change to endowment cash asset investments	31	50	-
Change in debt: loans	30	10,474	674
Change in debt: finance leases	30	348	296
Change in net funds	*31*	**23,798**	**1,631**
Net funds brought forward from previous year	*31*	10,971	9,340
Net Funds at 31 July	*31*	**34,769**	**10,971**

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 July 2010

	Notes	2009-10 £'000	Restated 2008-09 £'000
Surplus for the year		**869**	**9,411**
Unrealised gain/(loss) on endowment asset investments	13	108	(176)
Net additions/(disposals) to endowment asset investments	13	31	(8)
Actuarial gain/(loss) recognised in the pension fund	21	7,247	(34,034)
Actuarial gain recognised in the enhanced pensions provision	21	80	-
Total recognised gains/(losses) relating to the financial year		**8,335**	**(24,807)**
Prior year adjustment - see note 21		(928)	-
Total gains/(losses) recognised since last financial statements		**7,407**	**(24,807)**
Reconciliation:			
Opening reserves and endowments	*21*	(32,778)	(7,043)
Prior year adjustment - see note 21		-	(928)
Total recognised gains/(losses) for the year		8,335	(24,807)
Closing reserves and endowments	*21*	**(24,443)**	**(32,778)**

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 and in accordance with applicable Accounting Standards.

Going Concern

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.

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 and other public announcements, and which will affect all institutions in the sector, the Board is satisfied that the current reviews described in the University's Strategic Plan, 2010-13 will address the need for further net savings 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 2012. The financial forecasts of the University show that sufficient funding is in place to support the University's activities throughout the period of implementation of the sustainability action plan required by the strategic plan. The Board considers that the use of the going concern basis is appropriate because, at the date of approval of the financial statements, it is 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 £2.2m in respect of interest-free capital loans and £34.3m in respect of repayments of grant as at 31 July 2010. 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's surplus for the year ended 31 July 2010 is £995k (2009: surplus £9,509k).

(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.

Endowment 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 under construction

Assets under construction are accounted for at cost, and are not depreciated until they have been completed.

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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.

(ix) 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 five 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 which is 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 Pensions Fund Authority ('LPFA') scheme for non-academic staff.

The schemes are statutory, contributory, defined benefit and are contracted out of the State Earnings-Related Pension Scheme. The LPFA scheme and the funds of the USS are valued every three years. The funds of the TPS are valued every five years. In the intervening years, the actuaries review true progress of the schemes.

The University is able to identify its share of the underlying assets and liabilities of the LPFA scheme and thus fully adopt FRS17. The scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality bond rates.

It is not possible to identify the University's share of the underlying assets and liabilities in the TPS and USS schemes and hence, using the exemption under FRS17, contributions to the scheme are accounted for as if they were defined contribution schemes. The employer contributions payable to the scheme are charged as expenditure in the period to which they relate.

(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.

(N) Prior Year Adjustments

A prior year adjustment has been made to correct accounting treatments adopted in previous years in respect of performance-related pay and in respect of grant received for the purchase of land.

Performance-related pay is now included in the Financial Statements on an accruals basis, to recognise the cost in the year to which the pay relates. Previously, it was accounted for in the year of payment.

Capital grant received for the purchase of land, which is not depreciated, is now released to the income and expenditure account on receipt. Previously, it was retained indefinitely within deferred capital grants.

Further details are given in note 21.

Notes to the Financial Statements

	2009-10 £'000	2008-09 £'000

1. Funding Council Grants

	2009-10 £'000	2008-09 £'000
Higher Education Funding Council for England		
Recurrent grant	54,181	53,713
Inherited property costs	3,831	3,831
Inherited pension liabilities	1,135	1,117
Other	2,708	3,450
Other Funding Bodies		
Learning and Skills Council grant	-	36
Training and Development Agency grant	2,679	2,248
Deferred Capital Grants Released		
Buildings	1,603	1,452
Equipment	501	625
	66,638	**66,472**

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 2009-10 grant is considered remote and, on this basis, no provision for retrospective grant adjustment has been made.

2. Tuition Fees and Education Contracts

	2009-10 £'000	2008-09 £'000
Full-time students		
Home and EU students	38,205	36,921
Overseas students	24,579	22,261
Part-time students	14,686	13,254
	77,470	**72,436**

3. Research Grants and Contracts

	2009-10 £'000	2008-09 £'000
Research councils	610	685
UK based charities	358	414
European Commission	1,456	1,366
Other grants and contracts	965	1,482
	3,389	**3,947**

4. Other Income

	2009-10 £'000	2008-09 £'000
Other grants and contracts	148	13
Consultancy	762	1,025
Trading project income	5,672	6,637
Sale of materials and other departmental income	708	692
Rental income and hire of facilities	114	176
Residence & catering income	1,490	1,698
Deferred capital grants released - non HEFCE	889	897
Miscellaneous income	951	1,202
	10,734	**12,340**

Miscellaneous income includes £134k of surplus from the disposal of the Arcade hall of residence (see Note 10).

5. Endowment and Investment Income

	2009-10 £'000	2008-09 £'000
Income from expendable endowment investments	13	10
Income from permanent endowment asset investments	-	5
Income from short-term investments	832	2,565
	845	**2,580**

	2009-10	2008-09
	£'000	£'000

6. Staff Costs

	2009-10 £'000	2008-09 £'000
Costs:		
Academic staff	54,528	58,825
Other staff	38,262	42,602
	92,790	**101,427**
Costs Comprise :		
Wages and salaries	76,839	84,401
Social Security costs	6,621	6,927
Other pension costs	9,330	10,099
	92,790	**101,427**

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

	2009-10	2008-09
Academic staff	1,034	1,134
Other staff	1,013	1,162
	2,047	**2,296**

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 six governors (2008-09: four) 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.

	2009-10	2008-09
	£'000	£'000
Directors' Emoluments		
Salaries	424	333
Benefits in kind	-	1
Pension contributions	48	49
	472	**383**
Highest Paid Director		
The Vice-Chancellor and Chief Executive (appointed 25 January 2010)		
Salary	133	142
Benefits in kind	-	1
	133	143
Pension contributions	22	20
	155	**163**

The pension contribution of the Vice-Chancellor and Chief Executive 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 £100,000 during the year. These are grouped as follows:

	No.	No.
£100,001 to £110,000	3	1
£110,001 to £120,000	3	-
£120,001 to £130,000	1	3
£130,001 to £140,000	3	-
£140,001 to £150,000	-	1
£150,001 to £160,000	-	1
£170,001 to £180,000	1	-
£230,001 to £240,000	-	1
	11	**7**

	2009-10	2008-09
	£'000	£'000

8. Other Operating Expenses

	2009-10 £'000	2008-09 £'000
Halls of residence	71	1,630
Consumables and laboratory materials	1,478	1,944
Books and periodicals	1,883	1,944
University bursaries	4,977	5,363
Student travel and expenses	654	515
Other student awards	1,364	1,144
Energy and water	2,701	2,741
Repairs and maintenance	5,149	3,339
Operating leases - property	4,610	4,554
Operating leases - equipment	205	172
External auditors' remuneration (audit) - current year	78	71
External auditors' remuneration (audit) - prior year	99	42
Internal auditors' remuneration (audit)	166	163
External auditors' remuneration (other)	20	19
Internal auditors' remuneration (other)	1	2
Staff related costs	8,105	8,002
Restructuring costs	1,331	5,915
Postage and telecommunications	870	1,013
IT maintenance and licences	1,621	1,764
Publicity	1,559	1,706
Facilities cost	2,176	2,661
Legal and other professional fees	1,317	629
Consultancy and overseas agency fees	4,042	2,517
Subscriptions	667	631
Franchise costs	1,337	2,420
Inherited pension liabilities	1,135	1,117
Print costs	1,479	1,604
Rates	233	668
Examination and degree expenses	895	765
Insurance	506	519
Other expenses	2,413	2,661
	53,142	**58,235**

9. Interest Payable and Other Finance Costs

	2009-10 £'000	2008-09 £'000
Interest payable on bank loans, overdrafts and other loans, repayable wholly or partly in less than five years	2	3
Interest payable on bank loans, overdrafts and other loans, repayable wholly or partly in more than five years	51	57
Finance lease	312	502
Net charge on pension scheme deficit	3,526	2,233
Unwinding of discount in respect of the enhanced pension provision	152	113
	4,043	**2,908**

10. Tangible Fixed Assets (Group)

	Freehold Land and Buildings				Short Finance Leasehold Land & Buildings	Long Leasehold Buildings		
	Academic £'000	Residential £'000	Under Construction £'000	Alterations & Improvements £'000	Academic £'000	Academic £'000	Equipment Owned £'000	Total £'000
Cost								
At 1 August 2009	107,019	25,119	5,741	26,718	7,551	10,675	57,704	240,527
Adjustment to cost b/fwd (see below)	-	-	-	-	-	-	(39,888)	(39,888)
Additions	188	-	2,224	1,457	-	-	3,065	6,934
Disposals	-	(24,666)	-	(57)	-	-	-	(24,723)
Transfers	-	-	(3,680)	3,680	-	-	-	-
At 31 July 2010	**107,207**	**453**	**4,285**	**31,798**	**7,551**	**10,675**	**20,881**	**182,850**
Depreciation								
At 1 August 2009	18,420	144	-	7,037	3,815	585	50,096	80,097
Adjustment to depreciation b/fwd (see below)	-	-	-	-	-	-	(39,888)	(39,888)
Charge for year	2,272	10	-	1,555	291	210	3,896	8,234
Eliminated on disposal	-	-	-	(21)	-	-	-	(21)
At 31 July 2010	**20,692**	**154**	**-**	**8,571**	**4,106**	**795**	**14,104**	**48,422**
Net Book Value at 31 July 2010	**86,515**	**299**	**4,285**	**23,227**	**3,445**	**9,880**	**6,777**	**134,428**
Net Book Value at 31 July 2009	**88,599**	**24,975**	**5,741**	**19,681**	**3,736**	**10,090**	**7,608**	**160,430**
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:

	Academic £'000	Residential £'000	Under Construction £'000	Alterations & Improvements £'000	Short Finance Leasehold Academic £'000	Long Leasehold Academic £'000	Equipment Owned £'000	Total £'000
Net Book Value at 31 July 2010	**14,220**	**-**	**-**	**-**	**8,361**	**646**	**-**	**23,227**

Group and University
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 17 May 2010 the University completed the sale of the Arcade hall of residence, a freehold residential property. From 11 September 2009 to 16 May 2010 a third party operated the Arcade under license from the University. The sale generated a surplus on disposal of £134k which is disclosed in Miscellaneous Income (note 4). This was as follows: Sales proceeds of £24,906k, less book value at disposal £24,702k, less net costs associated with the disposal of £204k.
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.
Equipment Owned
During the year an exercise was carried out to identify more accurately the net book value of computing assets. Accordingly owned equipment values have been adjusted to reflect the disposal of fully written down computer equipment for periods prior to 2005-6.
The Learning Centre
The amounts shown under 'Short Finance Leasehold Land & Buildings 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 LLP in October 2008.

11. Tangible Fixed Assets (University)

	Freehold Land and Buildings: Academic £'000	Freehold Land and Buildings: Residential £'000	Freehold Land and Buildings: Under Construction £'000	Alterations & Improvements £'000	Short Finance Leasehold Land & Buildings Academic £'000	Long Leasehold Buildings Academic £'000	Equipment Owned £'000	Total £'000
Cost								
At 1 August 2009	103,285	25,119	5,741	25,972	7,551	9,500	54,980	232,148
Adjustment to cost b/fwd (see Note 10)	-	-	-	-	-	-	(39,888)	(39,888)
Additions	18	-	2,224	1,457	-	-	3,054	6,753
Disposals	-	(24,666)	-	(57)	-	-	-	(24,723)
Transfers	-	-	(3,680)	3,680	-	-	-	-
At 31 July 2010	**103,303**	**453**	**4,285**	**31,052**	**7,551**	**9,500**	**18,146**	**174,290**
Depreciation								
At 1 August 2009	18,196	144	-	6,874	3,815	380	48,085	77,494
Adjustment to depreciation b/fwd (see Note 10)	-	-	-	-	-	-	(39,888)	(39,888)
Charge for year	2,039	10	-	1,555	291	190	3,507	7,592
Eliminated on disposal	-	-	-	(21)	-	-	-	(21)
Transfers	-	-	-	-	-	-	-	-
At 31 July 2010	**20,235**	**154**	**-**	**8,408**	**4,106**	**570**	**11,704**	**45,177**
Net Book Value at 31 July 2010	**83,068**	**299**	**4,285**	**22,644**	**3,445**	**8,930**	**6,442**	**129,113**
Net Book Value at 31 July 2009	**85,089**	**24,975**	**5,741**	**19,098**	**3,736**	**9,120**	**6,895**	**154,654**
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 Owned	Total
Net Book Value at 31 July 2010	**13,637**	**-**	**-**	**-**	**8,361**	**646**	**-**	**22,644**

The University owns a number of heritage assets, described below, which 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 Library 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 2009 £'000	Impairment in value £'000	31 July 2010 £'000
Group			
CVCP Properties plc	64	-	64
	64	**-**	**64**
University			
CVCP Properties plc	64	-	64
London Metropolitan University Enterprises Limited	-	-	-
Metropolitan New Media Limited	279	(21)	258
	343	**(21)**	**322**

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 Limited 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 2009-10 is £126k (2008-09: £98k) and the net assets at 31 July 2010 are £3,785k (2009: £4,439k).

Metropolitan New Media Limited
The principal business activity of Metropolitan New Media Limited was the provision of training courses in multimedia and information technology. Its activities were transferred to London Metropolitan University Enterprises Limited 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 2009-10 is £21k (2008-09: £21k) and the net assets at 31 July 2010 are £258k (2009: £279k).

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. The deficit for this subsidiary in 2008-09 was £1k and the net assets at 31 July 2009 were £36k.

	2009-10 £'000	2008-09 £'000

13. Endowment Asset Investments

	2009-10 £'000	2008-09 £'000
University and Group Endowment Assets		
Balance at 1 August	964	1,148
Capital appreciation/(depreciation) of endowment asset investments	108	(176)
Revenue appreciation of endowment asset investments	-	4
Increase in cash balances held for endowment funds	31	1
Decrease in debtor balances	-	(13)
Balance at 31 July	**1,103**	**964**
Represented by:		
Fixed interest stocks	118	123
Unit Trusts	24	21
Cash and short term investments	132	102
Shares in Managed Growth Fund	829	718
Total	**1,103**	**964**

	Restricted Permanent £'000	Restricted Expendable £'000	2009-10 £'000	2008-09 £'000
University and Group Endowment Reserves				
Balance at 1 August				
Capital	457	373	830	1,016
Accumulated income	81	53	134	132
	538	**426**	**964**	**1,148**
New endowments	28	5	33	4
Investment Income	-	13	13	15
Expenditure	(7)	(8)	(15)	(27)
	(7)	5	(2)	(12)
Increase/(decrease) in market value of investments	108	-	108	(176)
Balance at 31 July	**667**	**436**	**1,103**	**964**
Represented by:				
Capital	590	371	961	830
Accumulated income	77	65	142	134
	667	**436**	**1,103**	**964**

Top ten endowment funds by value:	2009-10	2008-09
Women's Library Trust Fund	416	323
Lord Limerick Memorial Bursary Fund	110	106
Rubber Fund	98	95
Women's History Fellowship Trust Fund	96	85
Design Trust	58	55
Teaching Studies Fund	54	53
Library Fund	43	36
Sadd Brown Library Trust Fund	27	22
Wood Brothers Prize Fund	25	21
D Osbourne Prize Fund	15	15
	942	**811**

	2010 £'000	2009 £'000

14. Stocks

	2010 £'000	2009 £'000
Group		
Goods purchased for resale	72	68
	72	**68**
University		
Goods purchased for resale	**22**	**22**

15. Debtors

	2010 £'000	2009 £'000
Group		
Amounts falling due within one year:		
Trade debtors	7,364	5,490
Due from HEFCE	188	114
Loans to staff and students	138	158
Other debtors	636	642
Prepayments and accrued income	3,608	3,934
	11,934	**10,338**
University		
Amounts falling due within one year:		
Trade debtors	6,912	5,146
Due from HEFCE	188	114
Loans to staff and students	138	158
Other debtors	586	362
Prepayments and accrued income	3,513	3,824
Amounts due from subsidiary companies	983	900
	12,320	**10,504**

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)

	2010 £'000	2009 £'000
Deposits maturing in one year or less	**45,000**	**30,107**

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 2010 the weighted average interest rate of the fixed rate deposits was 1.47% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 116 days. The fair value of these deposits was not materially different from the book value.

17. Creditors - amounts falling due within one year

	2010 £'000	Restated 2009 £'000
Group		
Trade creditors	9,214	10,840
Deferred HEFCE grants and amounts owed to HEFCE	10,195	6,745
Taxation and pension contributions	3,329	3,587
Bank mortgage and HEFCE loans	1,649	6,643
Obligations under finance lease	405	348
Other creditors	49	46
Accruals	8,554	12,324
Deferred income	9,513	5,739
	42,908	**46,272**
University		
Trade creditors	9,127	10,567
Deferred HEFCE grants and amounts owed to HEFCE	10,195	6,745
Taxation and pension contributions	3,329	3,587
Bank mortgage and HEFCE loans	1,649	6,643
Obligations under finance lease	405	348
Other creditors	38	39
Accruals	8,222	11,740
Deferred income	9,501	5,643
Amounts due to subsidiary companies	172	174
	42,638	**45,486**

18. Creditors - amounts falling due after more than one year (Group and University)

	2010 £'000	2009 £'000
Bank mortgages (secured)		
Principal payable within two to five years	472	442
Principal payable after five years	140	270
	612	712
HEFCE loans (interest free, unsecured)		
Principal payable within two to five years	698	2,247
Finance lease obligations (secured)		
Principal payable within two to five years	5,518	2,020
Principal payable after five years	23	3,926
	5,541	5,946
Deferred HEFCE revenue grant		
To be released within two to five years	2,490	6,321
HEFCE holdback		
Payable within two to five years	30,000	34,342
Total	**39,341**	**49,568**

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 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 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, included within Creditors - amounts falling due within one year (note 17).

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 teaching grant. The total amount repayable was £36,525k, of which £183k was repaid in 2008-09 and £2.0m in 2009-10. £4.0m has been transferred to Creditors – amounts falling due within one year (note 17) as this is due in 2010-11.

	2009-10 £'000	2008-09 £'000

19. Provisions for Liabilities (Group and University)

	2009-10 £'000	2008-09 £'000
Redundancy Provision		
At 1 August	953	-
Increase	-	953
Release of provision	(953)	
At 31 July	**-**	**953**
Onerous Leases		
At 1 August	-	-
Increase	735	-
Release of provision	-	-
At 31 July	**735**	-
Enhanced Pensions		
At 1 August	2,473	2,266
Increase	-	266
Unwinding of discount	152	113
Provision utilised in year	(172)	(172)
Actuarial gain	(80)	-
At 31 July	**2,373**	**2,473**
Building Contracts		
At 1 August	185	185
Release of provision	-	-
At 31 July	**185**	**185**
Total		
At 1 August	3,611	2,451
Increase	735	1,219
Release of provision	(953)	-
Unwinding of discount	152	113
Provision utilised in year	(172)	(172)
Actuarial gain	(80)	-
At 31 July	**3,293**	**3,611**

The redundancy provision related to staff who were given notice of compulsory redundancy before 31 July 2009 and were made redundant in 2009/10. The provision was fully utilised during the year.

As part of the Cost Improvement Plan the University has vacated 133 Whitechapel High Street and 100 Hornsey Road. A provision of £735k has been made to cover the University's lease obligations on these vacant properties to the end of the lease terms which are 2014 and 2015 respectively.

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 FRS17, Retirement benefits, are as follows:

	31 July 2010 Group
Discount rate	5.4%
Inflation	0.0%

The actuarial gain of £80k disclosed above includes a past service gain of £175k together with an actuarial loss of £95k. The actuarial gain of £80k has been disclosed on the balance sheet within pension reserves.
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

Group

	HEFCE £'000	Other Grants £'000	Total £'000
At 1 August 2009			
Buildings	41,559	18,166	59,725
Buildings - Prior Year Adjustment (see note 21)	(819)	-	(819)
Equipment	1,142	1,123	2,265
	41,882	**19,289**	**61,171**
Cash Received			
Buildings	2,631	-	2,631
Equipment	-	-	-
	2,631	-	2,631
Released to Income and Expenditure Account			
Buildings	(1,603)	(563)	(2,166)
Equipment	(501)	(326)	(827)
	(2,104)	(889)	(2,993)
At 31 July 2010			
Buildings	41,768	17,603	59,371
Equipment	641	797	1,438
	42,409	**18,400**	**60,809**

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

University

	HEFCE £'000	Other Grants £'000	Total £'000
At 1 August 2009			
Buildings	41,559	14,857	56,416
Buildings - Prior Year Adjustment (see note 21)	(819)	-	(819)
Equipment	1,142	-	1,142
	41,882	**14,857**	**56,739**
Cash Received			
Buildings	2,631	-	2,631
Equipment	-	-	-
	2,631	-	2,631
Released to Income and Expenditure Account			
Buildings	(1,602)	(361)	(1,963)
Equipment	(500)	-	(500)
	(2,102)	(361)	(2,463)
At 31 July 2010			
Buildings	41,769	14,496	56,265
Equipment	642	-	642
	42,411	**14,496**	**56,907**

21. Movement on Consolidated Reserves

	2010 £'000	Restated 2009 £'000
General Reserve		
At 1 August	(37,336)	(11,889)
Prior year adjustment	-	(928)
At 1 August (as restated)	(37,336)	(12,817)
Transfer from revaluation reserve - depreciation	104	104
	(37,232)	(12,713)
Surplus for the year	869	9,411
Actuarial gain on pension fund (note 23)	7,247	(34,034)
Actuarial gain on enhanced pensions provision (note 19)	80	-
At 31 July	**(29,036)**	**(37,336)**
Revaluation Reserve		
At 1 August	3,594	3,698
Transfer to general reserve - depreciation	(104)	(104)
At 31 July	**3,490**	**3,594**
Endowments		
At 1 August	964	1,148
Net movement in endowments (note 13)	139	(184)
At 31 July	**1,103**	**964**
Total Reserves	**(24,443)**	**(32,778)**

Prior Year Adjustments

Prior year adjustments represent the following:

	£'000
Correction of accounting treatment of performance- related pay (PRP) awarded to academic and non-academic staff	(1,747)
Correction of accounting treatment to release capital grant for undepreciated land	819
	(928)

In previous years the cost of PRP has been recognised in the accounts in the year in which it was paid. From 2009-10 the accounting treatment has been changed to recognise the cost of PRP in the year in which it was earned. The accrual for PRP included in the 2009-10 accounts is £1,747k and is based on the payments made in 2009-10 for PRP earned in 2008-09. The actual payments made in 2008-09 were not materially different and therefore the 2008-09 income and expenditure account has not been restated.

The release of the deferred capital grant relates to a grant received from HEFCE in 1999 for the purchase of land for the development of the Science Centre. Normal practice is to release the deferred capital grant in line with depreciation, however as land is not depreciated, this has necessitated the need to release the grant in full.

The effect of the restatement is as follows:

	£'000
Closing general reserve as at 31 July 2009 as originally stated	(36,408)
Prior year adjustment	(928)
Adjusted closing general reserve as at 31 July 2009	**(37,336)**

22. Movement on University Reserves

	2010 £'000	Restated 2009 £'000
General Reserve		
At 1 August (as previously stated)	(38,141)	(12,792)
Prior year adjustment (note 21)	-	(928)
At 1 August (as restated)	(38,141)	(13,720)
Transfer from revaluation reserve - depreciation	104	104
	(38,037)	(13,616)
Surplus for the year	995	9,509
Actuarial gain on pension fund (note 23)	7,247	(34,034)
Actuarial gain on enhanced pensions provision - (note 19)	80	-
At 31 July	**(29,715)**	**(38,141)**
Revaluation Reserve		
At 1 August	3,594	3,698
Transfer to general reserve - depreciation	(104)	(104)
At 31 July	**3,490**	**3,594**
Endowments		
At 1 August	964	1,148
Net movement in endowments (note 13)	139	(184)
At 31 July	**1,103**	**964**
Total Reserves	**(25,122)**	**(33,583)**

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 treated under FRS 17 as defined contribution schemes. The LPFA is accounted for under FRS 17 as a defined benefit scheme.

A. THE LONDON PENSION FUND AUTHORITY (LPFA)

The LPFA (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 2009-10 was £5,016,682 (2008-09: £5,550,561). The University's estimated contribution to the Fund for 2010-11 is £4,977,017.

The contribution rate payable by the University for 2009-10 was 19.6%. From 1 April 2008 the Fund introduced variable employee contribution rates dependent on the employee's 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 is expected to be published in January 2011. Any change in certified contribution rates will take effect from 1 April 2011.

The actuaries undertook a further calculation at 31 July 2010 for the purpose of providing information required to be disclosed under the accounting standard on Retirement Benefits (FRS17) and this is provided on pages 47 and 48.

23. Pension Arrangements (continued)

LPFA – FRS 17 STATEMENTS

The University participates in a defined benefit scheme in the UK, operated by the LPFA. A full FRS17 actuarial valuation was carried out as at 31 July 2010 by a qualified independent actuary.

The major assumptions used by the actuary were as follows:

	2010	2009	2008
Rate of increase in salaries	4.7%	5.1%	5.3%
Rate of increase in pensions in payment - RPI	3.2%	3.6%	3.8%
Rate of increase in pensions in payment - CPI	2.7%	-	-
Discount rate	5.4%	6.0%	6.7%
Inflation assumption	2.7%	3.6%	3.8%

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

	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 2010	Value at 31 July 2010 £'000	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
Equities	7.3%	90,115	7.5%	77,537	7.6%	66,635
Target return portfolio	4.5%	15,672	6.2%	11,710	6.3%	22,343
Alternative assets	6.3%	19,590	6.7%	16,713	6.8%	25,357
Cash	3.0%	2,612	3.0%	7,731	4.8%	438
Other bonds	5.4%	2,612	-	-	-	-
Total		**130,601**		**113,691**		**113,897**

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

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Fair value of employer assets	130,601	113,691	113,897	118,367	101,301
Present value of scheme liabilities	(199,988)	(187,691)	(153,391)	(151,056)	(152,120)
Present value of unfunded liabilities	(2,338)	(3,156)	(3,063)	(2,885)	(2,943)
Total value of liabilities	(202,326)	(190,847)	(156,454)	(153,941)	(155,063)
Net pension liability	**(71,725)**	**(77,156)**	**(42,557)**	**(35,574)**	**(53,762)**

Analysis of the amount charged to the income and expenditure account

	2009-10 £'000	2008-09 £'000
Current service costs	4,514	4,140
Interest on fund liabilities	11,550	10,667
Expected return on pension fund assets	(8,024)	(8,434)
Impact of curtailment and settlement	240	72
Total charge to income and expenditure account	**8,280**	**6,445**
Actual Return on Plan Assets	**11,616**	**(7,553)**

23. Pension Arrangements (continued)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	2009-10 £'000	2008-09 £'000
Actuarial return less expected return on Fund assets	3,593	(15,987)
Experience gains arising on Fund liabilities	696	-
Past service gain (note * below)	11,026	-
Changes in assumptions	(8,068)	(18,047)
Actuarial gains/(losses) recognised in STRGL	**7,247**	**(34,034)**
Cumulative actuarial losses recognised in STRGL	**(27,996)**	**(35,243)**

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:

	2009-10 £'000	2008-09 £'000
At 1 August	(77,156)	(42,557)
Movements in year:		
- current service cost	(4,514)	(4,140)
- contributions	6,243	5,649
- contributions in respect of unfunded benefits	221	231
- past service costs	11,026	-
- impact of curtailment and settlements	(240)	(72)
- net return on assets	(3,526)	(2,233)
- actuarial losses	(3,779)	(34,034)
At 31 July	**(71,725)**	**(77,156)**

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

	2009-10 £'000	2008-09 £'000
At 1 August	190,847	156,454
Movement in year:		
- current service cost	4,514	4,140
- interest cost	11,550	10,667
- contributions by members	1,804	1,975
- actuarial losses	7,372	18,047
- past service costs	(11,026)	-
- impact on curtailment and settlements	240	72
- estimated unfunded benefits paid	(221)	(231)
- estimated benefits paid	(2,754)	(277)
At 31 July	**202,326**	**190,847**

Analysis of movement in the market value of the Fund assets

	2009-10 £'000	2008-09 £'000
At 1 August	113,691	113,897
Movement in year:		
- expected rate of return on Fund assets	8,024	8,434
- contributions by members	1,804	1,975
- contributions by the employer including unfunded benefits	6,464	5,880
- actuarial losses	3,593	(15,987)
- estimated benefits paid including unfunded benefits	(2,975)	(508)
At 31 July	**130,601**	**113,691**

*** Pension fund change to CPI**

The gain of £11,026k arises from a change in the FRS17 (Retirement Benefits) actuarial assessment for the LPFA superannuation scheme. Future pensions are now linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) used previously, in line with announced government policy. The resultant reduction in future pensions (because CPI is historically lower than RPI) is regarded as a change in actuarial assumption, and the related reduction in the pension liability is a gain recognised through the Statement of Consolidated Total Recognised Gains and Losses.

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

	2009-10 £000	2008-09 £000	2007-08 £000	2006-07 £000	2005-06 £000
Defined benefit obligation	(202,326)	(190,847)	(156,454)	(153,941)	(155,063)
Scheme assets	130,601	113,691	113,897	118,367	101,301
Deficit	(71,725)	(77,156)	(42,557)	(35,574)	(53,762)
Experience adjustments on scheme assets	3,593	(15,987)	(17,622)	5,205	4,068
Percent of assets	2.8%	(14.1)%	(15.5)%	4.4%	4.0%
Experience adjustments on scheme liabilities	696	-	10,480	408	(28)
Percentage of liabilities	0.3%	0.0%	6.7%	0.3%	0.0%
Cumulative actuarial gains and losses	(39,022)	(35,243)	(1,209)	6,473	(11,651)

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 2009-10 was £5,186,370 (2008-09: £5,688,986). The University's estimated contribution to the scheme for 2010-11 is £4,898,577.

The Government Actuary (GA) performs a regular valuation of the scheme. The last valuation covered the period 1 April 2001 to 31 March 2004. The GA's report of November 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%.

The next scheme valuation will be the 2008 formal valuation assessment.

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.

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 2009-10 was £393,122 (2008-09: £299,187) including outstanding contributions at the balance sheet date.

The contribution rate payable by the University was 14% of pensionable salaries (Aug – Sept 09). From October 2009 the contribution rate increased to 16% on pensionable salary.

The latest triennial actuarial valuation of the scheme was at March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An 'inflation risk premium' adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historical scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

The assumed life expectations on retirement at age 65 are:

Males 22.8 years

Females 24.8 years

At the valuation date, the value of the assets of the scheme was £38,842.6 million and the value of the scheme's technical provisions was £28,135.3m indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% 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. On the scheme's historical gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts), the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004, the scheme was 107% funded; on a buy-out basis (ie assuming the scheme had discounted on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

23. Pension Arrangements (continued)

The technical provisions relate essentially to the past service liabilities and funding, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high.

There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historical, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 m). Compared to the previous 12 months, the funding level has improved from 74% (as at 31 March 2009) to 91%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the scheme's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, whereas a surplus could, perhaps, be used to similarly reduce contribution requirements.

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 major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, 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 needs to take on a degree of investment risk relative to the liabilities. 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 what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, 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 although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. 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 and may be reviewed more frequently.

	2010 £'000	2009 £'000

24. Capital Commitments

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

	2010 £'000	2009 £'000
Commitments contracted	1,603	4,114
Authorised but not contracted	16,297	1,957
	17,900	**6,071**

25. Commitments Under Operating Leases

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

	2010 £'000	2009 £'000
Land and buildings:		
Expiring within one year	57	-
Expiring within two - five years	353	-
Expiring in over five years	3,991	4,425
Other:		
Expiring within one year	215	346
Expiring within two - five years	14	-
	4,630	**4,771**

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

	2009-10 £'000	2008-09 £'000
Surplus on continuing operations	867	9,399
Depreciation	8,234	8,463
Deferred capital grants released to income	(2,993)	(2,966)
Interest payable	4,043	2,908
(Increase)/decrease in stocks	(4)	4
(Increase)/decrease in debtors	(1,660)	3,165
(Decrease)/increase in creditors	(2,763)	5,254
(Decrease)/increase in provisions	(363)	1,160
Interest receivable	(845)	(2,580)
Donations received	(26)	(17)
Adjustment for non cash revenue depreciation of endowments	-	10
Difference between pension charge and cash contributions	(1,710)	(1,668)
Exchange rate loss/(gain)	75	(298)
Profit on sale of fixed asset	(134)	(22,657)
Net cash inflow from operating activities	**2,721**	**177**

	2009-10 £'000	2008-09 £'000

27. Returns on Investments and Servicing of Finance

	2009-10 £'000	2008-09 £'000
Donations received	26	17
Interest paid	(355)	(659)
Income from endowments	13	15
Other interest received	707	1,992
Net cash inflow	**391**	**1,365**

28. Capital Receipts/(Expenditure) and Financial Investment

	2009-10 £'000	2008-09 £'000
Purchase of tangible fixed assets	(6,934)	(30,953)
Receipts from disposal of fixed assets	24,906	26,283
Deferred capital grants received	2,631	4,755
Endowments received	33	4
Net cash inflow	**20,636**	**89**

29. Management of Liquid Resources

	2009-10 £'000	2008-09 £'000
(Increase)/decrease in current asset investments	(14,893)	1,240
Movement in endowment cash investments	(30)	(2)
Net cash (outflow)/inflow	**(14,923)**	**1,238**

30. Financing

	2009-10 £'000	2008-09 £'000
Unsecured HEFCE loan	-	5,000
Repayment of capital element of loans	(10,474)	(5,674)
Repayment of capital element of finance lease	(348)	(296)
Net cash (outflow)	**(10,822)**	**(970)**

31. Analysis of Changes in Net Debt

	At 1 August 2009 £'000	Other Changes £'000	Cashflows £'000	At 31 July 2010 £'000
Cash at bank and in hand	3,029	-	(1,997)	1,032
Endowment cash asset investments	52	50	30	132
	3,081	50	(1,967)	1,164
Short term investments	30,107	-	14,893	45,000
Debt due within 1 year	(6,643)	(1,649)	6,643	(1,649)
Debt due after 1 year	(9,280)	1,649	3,831	(3,800)
Finance leases	(6,294)	-	348	(5,946)
	10,971	**50**	**23,748**	**34,769**

The analysis of changes in net debt excludes HEFCE holdback of £34.3m (2009: £36.3m) 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

	2009-10 £'000	2008-09 £'000
Balance at 1 August	59	36
HEFCE grant	772	834
Interest	24	10
Disbursed to students and administration	(738)	(821)
Balance at 31 July	**117**	**59**

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

	2009-10 £'000	2008-09 £'000
Balance at 1 August	-	132
TDA grant	1,958	1,454
Disbursed to students and administration	(1,958)	(1,586)
Balance at 31 July	**-**	**-**

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).

34. Financial Instruments

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

	Fair value 2010 £'000	Fair value 2009 £'000
Foreign currency forward contracts	-	1,536

The University used foreign currency forward contracts during 2008/9 to reduce its exposure to exchange rate movements. Two contracts were entered into for the forward sale of anticipated receipts of Dollars and Euros. The expiry date of the contracts was April 2010 and June 2010 respectively and both contracts have been fully discharged. No further contracts were entered into during 2009-10.

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 (drawn from the 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

There are no post balance sheet events that require to be disclosed in these Financial Statements.

PD3096

London Metropolitan University
31 Jewry Street
London EC3N 2EY
Tel: 020 7423 0000