



Annual Report and Accounts

for the year ending 31. 07. 2005

Report and Financial Statements for the year ended 31 July 2005

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London Metropolitan University

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

Registered in the United Kingdom:
registration number 974438.

Registered Office:
31 Jewry Street
London
EC3N 2EY
Tel: 020 7423 0000
email: www.londonmet.ac.uk

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

London Metropolitan University

Senior Officers and Advisers as at 31 July 2005

Vice-Chancellor and Chief Executive	B A Roper BSc Econ (Hons) MA (Econ) D.Univ (Hon)
President	Professor Sir Roderick Floud MA D.Phil. FBA FCGI
Deputy Vice-Chancellor Academic	Dr R P T Aylett MA PhD
Deputy Vice-Chancellor Research and Development	C G Topley BSc
Director of Finance	P R Nelson BA (Hons) ACA
Director of Human Resources	L Link BA (Hons) FCIPD
Clerk to the Board of Governors and University Secretary	J P McParland BA (Hons) DMS
External Auditors	Grant Thornton UK LLP The Explorer Building Fleming Way Manor Royal Crawley RH10 9GT
Internal Auditors	Kingston City Group (from 01/08/05) 3rd Floor Millennium House 21 Eden Street Kingston upon Thames Surrey KT1 1BL Mazars (to 31/07/05) Chartered Accountants 24 Bevis Marks London EC3A 7NR
Solicitors	Ashurst Broadwalk House 5 Appold Street London EC2A 2HA Eversheds Senator House 85 Queen Victoria Street London EC4V 4JL Lawford & Co Watchmaker Court 65 St John Street London EC1M 4HQ

Senior Officers and Advisers as at 31 July 2005 (continued)

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

Members of the Board of Governors as at 31 July 2005

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

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

J Baines	04.04.05
S Konidari	30.07.04
F McLoughlin	17.12.04

The following was appointed as governor during the year, with effect from the date shown:

O Tsolak	01.08.04
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In their capacity as Director, none of the governors held any interest in any contract with the University from 1 August 2004. Five directors have contracts with the University in their capacity as employees from 1 August 2004. None of the Directors had a beneficial interest in any group company.

In addition, the following non-governors serve in a co-opted capacity:

C Howe (A)	P Zinkin (P)
S Mehta (A)	

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

Report of the Governors

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

The Governors have pleasure in submitting the company's annual report and audited financial statements for the year ended 31 July 2005.

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

CONSTITUTION

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

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

MISSION STATEMENT

The University aims to provide education and training which will help students to achieve their potential and London to succeed as a world city. Our full mission statement can be found on the University's website, www.londonmet.ac.uk

ACTIVITIES DURING THE YEAR

Student Numbers

Student numbers for the year 2004-05 are shown in the table below together with a comparison for the previous year.

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

	Year to 31 July	
	2005	2004
Full Time (Home/EU)	13,816	14,985
Full Time (Overseas)	3,517	4,024
Part time	13,825	13,442
Short Course	6,741	7,340
Total	37,899	39,791

Research

The University has continued to operate a wide and varied research programme, supported partly from resources provided by the Higher Education Funding Council for England (HEFCE) and partly by other sponsors.

Financial Highlights

	Year to 31 July		Percentage change
	2005	2004	
	£'m	£'m	%
Income	147.5	143.4	2.9
Expenditure	144.6	140.4	3.0
Operating Surplus after Interest and Tax	2.9	3.0	(3.3)
Net assets as at 31 July	70.9	62.0	14.4

Property Matters

An extensive programme of refurbishment work continued during the year together with work to enable the University to comply with the Disability Discrimination Act.

Building work on the new Science Centre at Holloway Road is well underway with completion planned for June 2006.

The most recent valuation of the group's properties, prepared by Nelson Bakewell Limited as at 28 February 2004, on an existing use basis, was £94.8m.

FUTURE DEVELOPMENTS

In June 2005, the Board of Governors approved the University's business plan 2005-2010. The business plan reflects the need for the University to plan all its activities so that, taken together, these remain sustainable over the period. The plan includes the estimated impact of changes currently underway in the higher education sector, including:

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

The business plan demonstrates the need to reduce our cost base and, as part of our cost review, the University has planned a reduction of 170 posts (7% of the workforce) over the four years to 2008/09. A voluntary severance scheme has been announced to staff since the year-end as part of this plan.

Report of the Governors

Key figures in the business plan are as follows:

	2005-06	2006-07	Forecast 2007-08	2008-09	2009-10
	£m	£m	£m	£m	£m
Income	149.3	161.5	178.2	190.2	196.2
Operating costs	(153.6)	(160.9)	(172.5)	(183.0)	(185.9)
Operating (deficit)/ surplus	(4.3)	0.6	5.7	7.2	10.3
Restructuring cost	(5.0)	(2.5)	–	(1.0)	–
(Deficit)/surplus	(9.3)	(1.9)	5.7	6.2	10.3

SUBSIDIARY TRADING COMPANIES

The University's trading subsidiary, London Metropolitan University Enterprises Limited, has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. A donation of £156,995 for the year (2003-04 £294,570) was passed via Gift Aid to the University.

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

PAYMENT OF CREDITORS

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

EMPLOYMENT POLICY

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

In accordance with its mission statement, the University actively seeks to recruit from all sections of the local and wider community, regardless of disability, gender, race, religion and sexuality. The University seeks to increase the number of black and ethnic minority people, women and people with disabilities that it employs where this is lower than the working population.

Our personnel policies and practices are aimed at responding proactively to changes in employment legislation and in promoting equality of opportunity in all areas of employment within the University, for example the University has in place policies and procedures to address positively its responsibilities under the Disability Discrimination Act both for prospective and existing employees.

Staff training needs are assessed annually to enable resources

to be objectively allocated to meet those priority needs which contribute to the achievement of the University's goals.

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

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

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

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

DIVERSITY AND EQUALITY POLICY

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

The University recognises its commitment under the law and is committed to providing equality of opportunity by aiming

Report of the Governors

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

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

DONATIONS

The group makes no political or charitable donations.

POST BALANCE SHEET EVENTS

Agreement has been reached concerning a property known as 'New Benwell Road' and the related deferred capital grant currently in the accounts of UNL Ltd, a wholly owned subsidiary, to be transferred to London Metropolitan University. This transfer was effected on 8 September 2005 and UNL Ltd then became dormant.

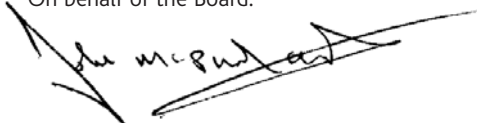
In November 2005 HEFCE made the University a grant to pay off its inherited loan liability, due to the London Borough of Kensington & Chelsea. The balance paid off is shown in these financial statements at £6.7m falling due after more than one year (note 17) and £0.2m falling due within one year (note 16). The revaluation reserve of (£2.9m) shown in note 20 would be adjusted to £4.0m as a result.

AUDITORS

Following a tendering process during the year, PricewaterhouseCoopers LLP resigned as auditors with effect from 16 March 2005 and Grant Thornton UK LLP were appointed in their place.

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

On behalf of the Board.



J P McParland
Company Secretary

166-220 Holloway Road
London N7 8DB

14 December 2005

Statement of Corporate Governance

DIRECTORS

All Governors of the University are also Directors of the company. The names of Governors who served on the Board during the year ended 31 July 2005 are shown on page 4. The Board is grateful for the efforts of all those who served the University in this capacity during the year.

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

RESPONSIBILITIES OF THE BOARD OF GOVERNORS OF THE UNIVERSITY

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

The Companies Act 1985 and the Financial Memorandum with the Higher Educational Funding Council for England (HEFCE) require the Board of Governors to ensure that financial statements are prepared for each financial year which give a true and fair view of the state of affairs of the University and the group, and of the income and expenditure, cash flows and recognised gains and losses of the group for that period.

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

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

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

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

To assist the Board of Governors in discharging its ultimate responsibility the University's Finance and Human Resources

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

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

The Board of Governors is required by HEFCE to report on its responsibilities for corporate governance. Best practice in this area is set by the Combined Code on Corporate Governance, issued in July 2003. The Combined Code brings together the guidance set out in the Cadbury, Greenbury and Hempel reports. The internal control aspects of corporate governance have been amplified in the report of the Turnbull Committee (the Turnbull Report).

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

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

The University's Board of Governor is comprised of 25 members. The categories of governor are as defined in the legislation comprising 13 Independent Lay Governors, the Vice-Chancellor and Chief Executive, two Staff Governors elected from the Academic Board, the President of the Student Union and a balance of membership defined under the legislation as Additional Co-opted Governors. This category includes two staff governors elected cross - University by the teaching and non-teaching staff respectively together with nominees from external stakeholders.

With exception of the Vice-Chancellor and Chief Executive, the Academic Board Governors and the elected Staff Governors none of the Board are employees of the University. All Governors with exception of the Vice-Chancellor and Chief Executive serve in a non-executive capacity. The University is a company limited by guarantee and the Governors are Directors and Members of the company.

Statement of Corporate Governance

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

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

The Board of Governors meets four times a year and has three formally constituted committees, namely the Finance and Human Resources, Nominations and Audit Committees. Two sub-committees, the Remuneration Sub-Committee and the Property Sub-Committee, report to the Board through the Finance and Human Resources Committee. Membership of these committees is noted in the Annual Report (page 4).

These committees are fully non-executive, except that the Vice-Chancellor & Chief Executive is a member of the Finance and Human Resources Committee, its sub-committees and the Nominations Committee.

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

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

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

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

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

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

The composition of the Board of Governors is established in

the Memorandum and Articles of Association and is set out at the beginning of this section.

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

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

The Finance and Human Resources Committee, inter alia, recommends to the Board of Governors the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The committee also reviews the University's Annual Financial Statements together with the accounting policies. It also determines matters in relation to the conditions of employment of all University staff.

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

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

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

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

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

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

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

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

Statement of Corporate Governance

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

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

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

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

External professional advice is sought when required.

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

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

The role of the Finance and Human Resources Committee and the responsibilities of the Governors are outlined on page 8. These specifically deal with their responsibilities as to the preparation of the Financial Statements and their reasoning behind the adoption of the going concern basis in preparing the accounts.

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

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

The Board of Governors acknowledges its responsibility for the University's system of internal financial control in its statement on page 8 and the response to the specific issues identified in the Turnbull report.

Control environment and control activities.

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

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

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

Information communication and risk assessment.

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

This process is regularly reviewed by the Governing Body and accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

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

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

A Business Continuity Plan, covering all the University's buildings, was drawn up during the year. It will continue to be rolled out to all University departments during 2005-06.

The University's internal auditors reviewed risk management procedures and reported their findings to the Audit Committee in July 2004. Work to implement their recommendations has continued in 2004/05, and will be ongoing in 2005/06 including, further refinement of the risk register at departmental level and associated monitoring and review mechanisms and monitoring procedures.

Monitoring

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

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

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

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

Compliance

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

Statement of Corporate Governance

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

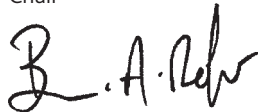
With respect to the publication of the financial statements on the University's website, the maintenance and integrity of the London Metropolitan University website is the responsibility of the Board, advised by the Vice-Chancellor & Chief Executive. The work carried out by the external auditors does not involve consideration of these matters and, accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

On behalf of the Board.



Sir John Carter
Chair



BA Roper
Vice Chancellor & Chief Executive

14 December 2005

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

We have audited the financial statements of London Metropolitan University for the year ended 31 July 2005 which comprise the principal accounting policies, the income and expenditure account, the balance sheet, the cash flow statement, the statement of recognised gains and losses and notes 1 to 35 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of principal accounting policies.

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

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

As described in the statement of responsibilities of the Board of Governors of the London Metropolitan University, the Board is responsible for the preparation of financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice - Accounting for Further and Higher Education, applicable law, and United Kingdom Accounting Standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice - Accounting for Further and Higher Education. We also report to you whether in our opinion, monies expended out of funds from whatever source administered by the University for specific purposes were properly applied for those purposes and where relevant managed in accordance with appropriate legislation and whether monies expended out of funds provided by the Higher Education Funding Council and Teacher Training Agency were applied in accordance with the financial memorandum and any other terms and conditions attached thereto.

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

We read the Report of Governors and the Corporate Governance Statement and consider the implications for our

report if we become aware of any apparent misstatement within it. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board, and the HEFCE Code of Practice. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion:

- i) the financial statements give a true and fair view of the state of affairs of the London Metropolitan University and the group as at 31 July 2005, and of the surplus of income over expenditure, recognised gains and losses and cashflows of the group for the year then ended; and the statements have been properly prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice on Accounting in Higher Education Institutions.
- ii) in all material respects, income from the Higher Education Funding Council for England, the Learning and Skills Council and the Teacher Training Agency grants and income for specific purposes and from other restricted funds administered by the institution have been applied only for the purposes for which they were received.
- iii) in all material respects, funds have been applied in accordance with the financial memorandum dated August 2000 and October 2003 and where appropriate in accordance with the financial memorandum with the Higher Education Funding Council for England.



GRANT THORNTON LLP

REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Gatwick

14 December 2005

Consolidated Income & Expenditure Account for the year ended 31 July 2005

	Notes	2005 £'000	2004 £'000
Income			
Funding council grants	1	82,773	81,725
Tuition fees and education contracts	2	45,836	42,891
Research grants and contracts	3	3,446	3,173
Other income	4	14,467	15,062
Endowment income and interest receivable	5	980	538
Total income		147,502	143,389
Expenditure			
Staff costs	6	92,354	87,288
Other operating expenses	8	44,329	45,768
Depreciation	10	6,288	5,393
Interest payable and similar charges	9	1,608	1,982
Total expenditure		144,579	140,431
Surplus for the year on continuing operations after depreciation of assets at valuation, disposal of assets and tax		2,923	2,958
Transfer to accumulated income within specific endowments	13	-	(3)
Surplus for the year retained within general reserves	20	2,923	2,955
Consolidated Statement of historical cost surplus for the year			
Surplus for the year on continuing operations before and after tax		2,923	2,955
Difference between historical cost depreciation charge and the actual charge calculated on valuation of assets.	20	104	104
Historical cost surplus before and after tax		3,027	3,059

The income and expenditure account is in respect of continuing activities in both 2005 and 2004.

Consolidated Balance Sheet

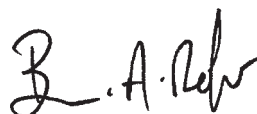
as at 31 July 2005

	Notes	2005 £'000	2004 £'000
Fixed Assets			
Tangible assets	10	113,324	100,166
Investments	12	64	64
		<u>113,388</u>	<u>100,230</u>
Endowment Asset Investments	13	<u>1,218</u>	<u>961</u>
Current Assets			
Stock	14	83	101
Debtors	15	12,656	9,515
Short term deposits		23,004	9,000
Cash at bank and in hand		1,523	934
		<u>37,266</u>	<u>19,550</u>
Creditors			
Amounts falling due within one year	16	(28,611)	(24,728)
Net Current Assets/(Liabilities)		<u>8,655</u>	<u>(5,178)</u>
Total Assets less Current Liabilities		123,261	96,013
Creditors			
Amounts falling due after more than one year	17	(49,554)	(30,945)
Provisions for Liabilities and Charges	18	(2,820)	(3,090)
Total Net Assets		<u>70,887</u>	<u>61,978</u>
Represented by:			
Deferred Capital Grants	19	<u>36,565</u>	<u>31,071</u>
Endowments	13	<u>1,218</u>	<u>961</u>
Reserves			
Revaluation	20	(2,908)	(3,039)
General reserve	20	36,012	32,985
		<u>33,104</u>	<u>29,946</u>
Total Funds		<u>70,887</u>	<u>61,978</u>

The financial statements on pages 13 to 43 were approved by the Board of Governors of London Metropolitan University on 14 December 2005 and were signed on its behalf by:



Sir John Carter
Chair



BA Roper
Vice Chancellor & Chief Executive

University Balance Sheet

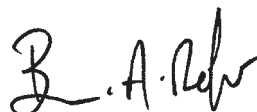
as at 31 July 2005

	Notes	2005 £'000	2004 £'000
Fixed Assets			
Tangible assets	11	106,103	92,086
Investments	12	<u>1,821</u>	<u>1,831</u>
		<u>107,924</u>	<u>93,917</u>
Endowment Asset Investments	13	<u>1,218</u>	<u>961</u>
Current Assets			
Stock	14	61	18
Debtors	15	13,990	10,940
Short term deposits		23,004	9,000
Cash at bank and in hand		<u>418</u>	<u>430</u>
		<u>37,473</u>	<u>20,388</u>
Creditors			
Amounts falling due within one year	16	<u>(28,911)</u>	<u>(23,998)</u>
Net Current Assets/(Liabilities)		<u>8,562</u>	<u>(3,610)</u>
Total Assets less Current Liabilities		117,704	91,268
Creditors			
Amounts falling due after more than one year	17	<u>(49,554)</u>	<u>(30,945)</u>
Provisions for Liabilities and Charges	18	<u>(2,820)</u>	<u>(3,090)</u>
Total Net Assets		<u>65,330</u>	<u>57,233</u>
Represented by:			
Deferred Capital Grants	19	<u>31,805</u>	<u>27,031</u>
Endowments	13	<u>1,218</u>	<u>961</u>
Reserves			
Revaluation	21	(2,908)	(3,039)
General reserve	21	<u>35,215</u>	<u>32,280</u>
		<u>32,307</u>	<u>29,241</u>
Total Funds		<u>65,330</u>	<u>57,233</u>

The financial statements on pages 13 to 43 were approved by the Board of Governors of London Metropolitan University on 14 December 2005 and were signed on its behalf by:



Sir John Carter
Chair



BA Roper
Vice Chancellor & Chief Executive

Consolidated Cash Flow Statement

for the year ended 31 July 2005

	<i>Notes</i>	2005 £'000	2004 £'000
Net Cash Inflow from Operating Activities	25	8,624	5,665
Returns on investments and servicing of finance	26	261	(350)
Capital expenditure	27	(12,372)	(8,093)
Cash Outflow before Use of Liquid Resources and Financing		<u>(3,487)</u>	<u>(2,778)</u>
Management of liquid resources	28	(14,074)	971
Financing	29	18,922	1,069
Increase/(Decrease) in Cash in the year		<u>1,361</u>	<u>(738)</u>

Reconciliation of Net Cash Flow to Movement in Net Debt

Increase / (decrease) in cash in the year		1,361	(738)
Movement relating to opening balances of endowment assets	30	-	86
Cash inflow / (outflow) from liquid resources	28	14,074	(971)
Cash inflows from new loans	29	(18,816)	(914)
Capital repayments of finance leases	29	129	108
Change in net funds resulting from cash flows	30	<u>(3,252)</u>	<u>(2,429)</u>
Net debt brought forward from previous year	30	(23,664)	(21,235)
Net Debt as at 31 July	30	<u>(26,916)</u>	<u>(23,664)</u>

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 July 2005

	<i>Notes</i>	2005 £'000	2004 £'000
Surplus for the year	20	2,923	2,955
Revaluation of endowment asset investments	13	177	40
Net additions to endowment asset investments	13	80	28
HEFCE reimbursement of payment of principal element of inherited loan liabilities	20	235	218
Subsidiary adjustment		-	(23)
Total recognised gains relating to the financial year		<u>3,415</u>	<u>3,218</u>
Reconciliation:			
Opening reserves and endowments	20	30,907	27,689
Total recognised gains and losses for the year		3,415	3,218
Closing reserves and endowments	20	<u>34,322</u>	<u>30,907</u>

Principal Accounting Policies

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

(A) Basis of Preparation

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

(B) Consolidation of Accounts

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

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

The University has taken advantage of the exemption in S230 of the Companies Act 1985 not to present its own Income and Expenditure account. The University surplus is £2,831 k (2004: £2,983 k).

(C) Income Recognition

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

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

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

(D) Taxation Status

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

appropriate expenditure heading.

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

(E) Tangible Fixed Assets

Introduction

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

(i) Land and Buildings

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

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

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

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

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

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.

(ii) Assets held under finance leases

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

Principal Accounting Policies

shorter of the lease term or their useful economic life.

(iii) Assets held under operating leases

The annual rentals arising from operating leases are charged to operating profit over the lease term.

(iv) Equipment

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

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

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

Alterations and Building Improvements

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

Computers and Other Equipment

Between 3, 5 and 10 years

Boiler System

25 years

(F) Stock

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

(G) Pension Scheme Arrangements

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

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

The funds are valued by actuaries using the aggregate method, the rates of contribution being determined on the advice of the actuaries. Pension costs are assessed on the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme after making allowance for future withdrawals, with the exception of the LPFA where, on the advice of the actuary the variation is spread over 20 years.

(H) Investments

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

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

(I) Cash Flows and Liquid Resources

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

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

(J) Provisions

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

(K) Bad Debts Provision

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

(L) Foreign Currencies

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

Notes to the Financial Statements

	2005 £'000	2004 £'000
1. Funding Council Grants		
HEFCE		
Recurrent grant	65,528	60,910
Inherited property costs	4,103	4,322
Inherited pension liabilities	1,038	1,013
Reimbursement of debt charges	611	724
Restructuring grant	1,852	2,269
Other	2,916	6,012
Other Funding Bodies		
Learning and Skills Council grant	2,424	2,373
Teacher Training Agency grant	2,428	2,132
Deferred Capital Grants Released	1,873	1,970
	<u>82,773</u>	<u>81,725</u>
2. Tuition Fees and Education Contracts		
Full-time students		
Home / EU Students	16,033	15,834
Overseas Students	19,345	16,603
Part-time students	10,458	10,454
	<u>45,836</u>	<u>42,891</u>
3. Research Grants and Contracts		
Research councils	947	337
UK based charities	263	214
European Commission	862	1,281
Other grants and contracts	1,374	1,341
	<u>3,446</u>	<u>3,173</u>

Notes to the Financial Statements

	2005 £'000	2004 £'000
4. Other Income		
Other grants and contracts	326	673
Corporation of London grants	1,043	1,043
Consultancy	1,292	1,250
Trading project income	5,233	4,869
Sale of materials and other departmental income	1,097	919
Rental income and hire of facilities	372	830
Residence & catering income	3,497	3,329
Deferred capital grants released in year - non HEFCE	171	142
Miscellaneous income	1,436	2,007
	<u>14,467</u>	<u>15,062</u>

5. Endowment Income and Interest Receivable

Income from specific endowment asset investments	13	13
Income from general endowment asset investments	11	8
Interest receivable	956	517
	<u>980</u>	<u>538</u>

6. Staff

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

Academic staff	1,146	1,145
Other staff	<u>1,334</u>	<u>1,325</u>
	<u>2,480</u>	<u>2,470</u>
Costs:		
Academic staff	50,665	48,816
Other staff	<u>41,689</u>	<u>38,472</u>
	<u>92,354</u>	<u>87,288</u>
Costs Comprise of:		
Wages and salaries	77,790	74,101
Social Security costs	6,366	6,200
Employers pension contributions	<u>8,198</u>	<u>6,987</u>
	<u>92,354</u>	<u>87,288</u>

Notes to the Financial Statements

7. Remuneration of Directors and Higher-Paid Employees

A. Directors

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

	2005 £'000	2004 £'000
The number of directors including the Vice-Chancellor & Chief Executive was:	<u>6</u>	<u>7</u>
Directors' Emoluments		
Salaries	417	528
Benefits in kind	1	2
Pension contributions	<u>47</u>	<u>68</u>
	<u>465</u>	<u>598</u>
Highest Paid Directors		
The Vice-Chancellor & Chief Executive		
Salaries	213	189
Benefits in kind	1	1
Pension contributions	<u>29</u>	<u>25</u>
	<u>243</u>	<u>215</u>
The Vice-Chancellor (to 31/03/04)		
Salaries	-	118
Benefits in kind	-	1
Pension contributions	<u>7</u>	<u>118</u>
	<u>7</u>	<u>237</u>

The Vice-Chancellor retired from office on 31 March 2004 and this role was combined with that of the Chief Executive from 1 April 2004.

The pension contributions for the Vice-Chancellor (to 31/03/04) are inclusive of pension fund adjustments on early retirement.

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

B. Higher Paid Employees

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

These are grouped as follows:

	2005 No.	2004 No.
£70,000 to £80,000	8	15
£80,001 to £90,000	9	3
£90,001 to £100,000	1	-
£100,001 to £110,000	3	3
£110,001 to £120,000	2	3
£140,001 to £150,000	-	1
£180,001 to £190,000	-	1
£210,001 to £220,000	1	-

Notes to the Financial Statements

	2005 £'000	2004 £'000
8. Other Operating Expenses		
Residences	2,747	2,476
Consumables and laboratories	1,635	1,662
Books and periodicals	1,819	1,651
Student travel and awards	1,347	724
Energy and water	1,735	1,587
Repairs and maintenance	3,190	4,119
Operating leases - property	4,655	4,932
Operating leases - equipment	266	304
External auditors' remuneration (audit)	59	114
Internal auditors' remuneration (audit)	141	96
External auditors' remuneration (other)	-	8
Internal auditors' remuneration (other)	1	90
Other audit fees	112	-
Staff related costs	6,983	5,913
Postage and telecommunications	1,238	1,436
IT maintenance	1,372	1,152
Publicity	1,906	1,494
Facilities cost	2,729	2,724
Consultancy and subscriptions	3,331	3,103
Franchise costs	1,080	1,194
Enhanced pension liabilities	1,075	1,013
Merger related costs	467	880
Print costs	2,938	3,322
Rates	473	246
Examination expenses	509	569
Insurance	641	709
Other expenses	1,880	4,250
	<u>44,329</u>	<u>45,768</u>

9. Interest Payable and Similar Charges

Finance lease	538	507
Unwinding of discount in respect of the enhanced pensions provision	147	161
Interest payable on bank loans, overdrafts and other loans:		
Repayable within 5 years	-	4
Repayable wholly or partly in more than 5 years	923	1,310
	<u>1,608</u>	<u>1,982</u>

Notes to the Financial Statements

10. Tangible Fixed Assets (Group)

Cost/Valuation	Freehold Property		Alterations & Improvements £'000	Short Leasehold Property		Long Leasehold Property		Total £'000
	Academic £'000	Residential £'000		Academic £'000	Residential £'000	Academic £'000	Residential £'000	
At 31 July 2004	76,045	7,570	11,287	7,339	350	1,175	35,775	143,983
Additions	355	-	1,942	-	-	-	5,880	19,492
Disposals	-	-	-	-	-	-	-	(46)
Transfers	-	-	19	-	-	-	-	-
At 31 July 2005	76,400	7,570	13,248	7,339	350	1,175	41,655	163,429
Depreciation								
At 31 July 2004	9,072	959	1,911	2,404	350	107	29,014	43,817
Charge for year	1,509	96	664	281	-	20	3,718	6,288
At 31 July 2005	10,581	1,055	2,575	2,685	350	127	32,732	50,105
Net Book Value at 31 July 2005	65,819	6,515	10,673	4,654	-	1,048	8,923	113,324
Net Book Value at 31 July 2004	66,973	6,611	9,376	4,935	-	1,068	6,761	100,166
Cost of land included in above	5,981	3,816	-	1,174	-	-	-	11,406
Alterations and Improvements								
The alterations and improvements total can be allocated to the various categories of fixed assets as follows:								
Net Book Value at 31 July 2005	4,394	50	-	6,229	-	-	-	10,673

Land and buildings to a cost of £36,998k have been financed by exchequer funds. Should these assets be sold, the University may be required, under the terms of the Finance Memorandum with HEFCE, to surrender the proceeds.

The Learning Centre

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

The Women's Library

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

Jewry Street

London Metropolitan University occupies premises in Jewry Street, which are not included in the statement above. The building is held rent free under a right of use from Sir John Cass's Foundation by virtue of a charity Commission Scheme dated 24 April 1970, under section 18 of the Charities Act 1960. The University also has the obligation to repair and maintain the building. The existing use value as at 28 February 2003 was estimated at £9.9m

Assets under construction

The major asset in 'Assets Under Construction' is the Science Centre: £ 12,693 k.

Notes to the Financial Statements

11. Tangible Fixed Assets (University)

Cost / Valuation	Freehold Property		Under Construction £'000	Alterations & Improvements £'000	Short Leasehold Property		Equipment £'000	Total £'000
	Academic £'000	Residential £'000			Academic £'000	Residential £'000		
At 31 July 2004	68,332	7,570	4,442	10,012	7,339	350	34,593	132,638
Transfer in - LMU Student Centre Ltd Additions	-	-	-	1,021	-	-	444	1,465
Disposals	355	-	11,315	1,899	-	-	5,635	19,204
Transfers	-	-	(46)	-	-	-	-	(46)
	-	-	(19)	19	-	-	-	-
At 31 July 2005	68,687	7,570	15,692	12,951	7,339	350	40,672	153,261
Depreciation								
At 31 July 2004	7,118	959	-	1,635	2,404	350	28,086	40,552
Transfer in - LMU Student Centre Ltd Charge for year	-	-	-	235	-	-	388	623
	1,314	96	-	651	281	-	3,641	5,983
At 31 July 2005	8,432	1,055	-	2,521	2,685	350	32,115	47,158
Net Book Value at 31 July 2005	60,255	6,515	15,692	10,430	4,654	-	8,557	106,103
Net Book Value at 31 July 2004	61,214	6,611	4,442	8,377	4,935	-	6,507	92,086
Cost of land included in above	5,981	3,816	435	-	1,174	-	-	11,406
Alterations and Improvements								
The alterations and improvements total can be allocated to the various categories of fixed assets as follows:								
Net Book Value at 31 July 2005	4,151	50	-	-	6,229	-	-	10,430

Notes to the Financial Statements

12. Investments

Group	Status	Impairment		2004 £'000
		2005 £'000	in value £'000	
CVCP Properties plc	University holds small (<20%) shareholding	64	-	64
		<u>64</u>	<u>-</u>	<u>64</u>
University				
CVCP Properties plc	University holds small (<20%) shareholding	64	-	64
London Metropolitan University Enterprises Ltd	Wholly-owned subsidiary	350	-	350
London Metropolitan University Student Centre Ltd	Wholly-owned subsidiary	1,047	-	1,047
Shoreditch Consortium Ltd	Wholly-owned subsidiary Holding Company	-	-	-
University of North London Ltd	Wholly-owned subsidiary Holding Company	-	-	-
Metropolitan New Media Limited (MNM)	Wholly-owned subsidiary	360	(10)	370
		<u>1,821</u>	<u>(10)</u>	<u>1,831</u>

CVCP Properties plc

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

Subsidiary Companies

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

London Metropolitan University Enterprises Ltd

The principal business activities of London Metropolitan University Enterprises Ltd are the provision of research, short courses, and consultancy services; the operation of a print centre, production of microwave equipment and the provision of bespoke computer courses. The surplus for this subsidiary is £ nil (2004: £ nil) and the net assets are £ 350 k (2004: £ 350k).

London Metropolitan University Student Centre Ltd

On the 14 July 2004 the Board of Directors passed a resolution to wind up the company on 31 July 2004. On 1 August 2004 responsibility for administration of the activities of the company transferred to the London Metropolitan University. This company has now become dormant.

Metropolitan New Media Ltd

The principal business activity of Metropolitan New Media Ltd (MNM) was the provision of training courses in multimedia and information technology. Its activities were transferred to London Metropolitan University Enterprises Ltd with effect from 1 May 2003. The deficit for this subsidiary is £ 10k (2004: £ 30k) and the net assets are £ 360k (2004: £ 370k).

University of North London Ltd

The building known as New Benwell Road was retained by the University of North London Ltd upon the merger due to legal reasons. The transfer was effected on 8 September 2005 and UNL Ltd then became dormant (see note 35). Expenditure and income associated with this building is reported in the accounts of University of North London Ltd. The surplus for this subsidiary is £ nil (2004: £ nil) and the net assets are £ 4,040k (2004: £ 4,242k).

Shoreditch Consortium Ltd (formerly LGU Enterprises Ltd)

The company changed its name on 26 January 2005 and did not trade in 2004/05 or 2003/04, but continues to hold a bank account on which it incurs charges. The company receives income in the form of loan repayments on behalf of the University. These activities were transferred to the University on 1 August 2004. The deficit for this subsidiary is £ nil (2004: £ 2k) and the net assets are £ 2k (2004: £ 2k).

Notes to the Financial Statements

	2005 £'000	2004 £'000
13. Endowments		
University and Group		
Endowment Assets		
Balance at 1 August	961	893
Capital appreciation of endowment asset investments	177	40
Revenue appreciation of endowment asset investments	11	11
Increase in cash balances	69	20
Decrease in debtors balances	-	(3)
Balance at 31 July	<u>1,218</u>	<u>961</u>

Represented by:		
Fixed interest stocks	130	130
Unit Trusts	24	16
Cash and short term investments	173	103
Shares in Managed Growth Fund	891	712
Total	<u>1,218</u>	<u>961</u>

	2005 £'000	2005 £'000	2005 £'000	2004 £'000	2004 £'000	2004 £'000
	Specific	General	Total	Specific	General	Total
University and Group						
Endowment Reserves						
Balance at 1 August	790	171	961	726	167	893
Additions	74	-	74	20	5	25
Appreciation of endowment asset investments	163	14	177	41	(1)	40
Income for year	16	8	24	14	7	21
Expenditure for year	(17)	(1)	(18)	(11)	(7)	(18)
Balance at 31 July	<u>1,026</u>	<u>192</u>	<u>1,218</u>	<u>790</u>	<u>171</u>	<u>961</u>

Representing:						
Special Trust Funds	730	-	730	553	-	553
Sinking Fund	296	-	296	237	-	237
Other Funds	-	192	192	-	171	171
	<u>1,026</u>	<u>192</u>	<u>1,218</u>	<u>790</u>	<u>171</u>	<u>961</u>

The Special Trust Funds as at 31 July included:

The Women's Library Trust Fund	354	-	354	283	-	283
The Wood Brothers Prize Fund	23	-	23	19	-	19
The Sadd Brown Library Trust Fund	25	-	25	20	-	20
The Women's History Fellowship Trust Fund	96	-	96	76	-	76
The Kaufman Awards Fund	9	-	9	14	-	14
The Teaching Studies Fund	47	-	47	44	-	44
The Lord Limerick Memorial Bursary Fund	93	-	93	38	-	38
The Maggie Sanderson Memorial Fund	10	-	10	-	-	-
Other	73	-	73	59	-	59
	<u>730</u>	<u>-</u>	<u>730</u>	<u>553</u>	<u>-</u>	<u>553</u>

Notes to the Financial Statements

	2005 £'000	2004 £'000
14. Stocks		
University		
Goods purchased for resale	<u>61</u>	<u>18</u>
	<u>61</u>	<u>18</u>
Group		
Work in Progress	5	8
Goods purchased for resale	<u>78</u>	<u>93</u>
	<u>83</u>	<u>101</u>
15. Debtors		
University		
Amounts falling due within one year:		
Trade debtors	5,596	4,135
Due from HEFCE	1,516	846
Loans to staff and students	246	114
Owed by subsidiaries	1,884	2,805
Other debtors	1	5
Prepayments and accrued income	<u>4,747</u>	<u>3,035</u>
	<u>13,990</u>	<u>10,940</u>
Group		
Amounts falling due within one year:		
Trade debtors	6,028	5,365
Due from HEFCE	1,516	846
Loans to staff and students	246	114
Other Debtor	35	70
Prepayments and accrued income	<u>4,831</u>	<u>3,120</u>
	<u>12,656</u>	<u>9,515</u>

Notes to the Financial Statements

	2005 £'000	2004 £'000
16 Creditors - amounts falling due within one year		
University		
Trade creditors	9,656	8,481
Deferred HEFCE grants and amounts owed to HEFCE	5,495	3,552
Taxation and pension contributions	2,950	2,867
Accruals for interest	275	308
Bank overdrafts (unsecured)	356	1,128
Bank Mortgage and HEFCE loans	1,540	1,498
Owed to subsidiaries	1,160	-
Finance lease	166	130
Accruals and deferred income	7,184	5,990
Other	129	44
	<u>28,911</u>	<u>23,998</u>
Group		
Trade creditors	10,134	8,954
Deferred HEFCE grants and amounts owed to HEFCE	5,495	3,552
Taxation and pension contributions	2,950	2,867
Accruals for interest	275	308
Bank overdrafts (unsecured)	356	1,128
Bank Mortgage and HEFCE loans	1,540	1,498
Finance lease	166	130
Accruals and deferred income	7,538	6,243
Other	157	48
	<u>28,611</u>	<u>24,728</u>

Notes to the Financial Statements

	2005 £'000	2004 £'000
17. Creditors - amounts falling due after more than one year		
University and Group		
Inherited loan liabilities (unsecured)		
Principal payable within two to five years	1,186	1,109
Principal payable after five years	<u>5,482</u>	<u>5,809</u>
	<u>6,668</u>	<u>6,918</u>
Bank mortgages (secured)		
Principal payable within two to five years	2,655	3,407
Principal payable after five years	<u>1,387</u>	<u>1,542</u>
	<u>4,042</u>	<u>4,949</u>
HEFCE Loans (interest free, unsecured)		
Principal payable within two to five years	6,196	1,396
Principal payable after five years	<u>2,247</u>	<u>1,396</u>
	<u>8,443</u>	<u>2,792</u>
Deferred HEFCE Revenue Grant		
Principal payable within two to five years	15,324	6,042
Principal payable after five years	<u>6,320</u>	<u>3,037</u>
	<u>21,644</u>	<u>9,079</u>
HEFCE Holdback		
Principal payable within two to five years	1,252	-
Principal payable after five years	-	-
	<u>1,252</u>	<u>-</u>
LPFA Employers Pension Contribution		
Principal payable within two to five years	463	-
Principal payable after five years	-	-
	<u>463</u>	<u>-</u>
Finance lease obligations (secured)		
Principal payable within two to five years	1,096	913
Principal payable after five years	<u>5,946</u>	<u>6,294</u>
	<u>7,042</u>	<u>7,207</u>
Total	<u>49,554</u>	<u>30,945</u>

Bank Mortgages included (a) mortgages repayable in quarterly instalments until September 2008 and September 2016 at fixed rates of interest of 6.6% and 6.7% respectively (b) Euro denominated mortgages repayable in quarterly instalments until October 2017 at 1.25% and 1.5% over EURIBOR, currently 3.34% and 3.59% respectively. Mortgages detailed in (a) and (b) are secured on the University's Holloway Road site and Stapleton House.

The HEFCE loans are repayable over a period of 5 - 10 years in annual instalments.

The HEFCE Deferred Revenue Grant relates to the lump sum 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.

Notes to the Financial Statements

	2005 £'000	2004 £'000
18. Provisions for Liabilities and Charges (University and Group)		
Enhanced Pensions		
At 1 August	2,669	2,673
Unwinding of discount	147	161
Provision utilised in the year	(181)	(165)
At 31 July	<u>2,635</u>	<u>2,669</u>
Building Contracts		
At 1 August	421	689
Provision utilised in the year	(236)	(268)
At 31 July	<u>185</u>	<u>421</u>
Total		
At 1 August	3,090	3,362
Provision utilised in the year	(236)	(268)
Unwinding of discount	147	161
Provision utilised in the year	(181)	(165)
At 31 July	<u>2,820</u>	<u>3,090</u>

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

The building contracts provision is in respect of work carried out on the University's estate for which no final claim has been agreed with the contractor. A settlement was agreed on one of the contracts during the year and negotiations continue in regard to the remaining contract.

Notes to the Financial Statements

	2005 £'000	2004 £'000
19. Deferred Capital Grants		
HEFCE		
At 1 August		
Buildings	23,288	20,995
Equipment	<u>1,171</u>	<u>741</u>
	<u>24,459</u>	<u>21,736</u>
Cash Received		
Buildings	5,947	4,043
Equipment	1,099	656
Accrued income	<u>492</u>	<u>(6)</u>
	<u>7,538</u>	<u>4,693</u>
Released to Income & Expenditure Account		
Buildings	(1,536)	(1,744)
Equipment	<u>(337)</u>	<u>(226)</u>
	<u>(1,873)</u>	<u>(1,970)</u>
At 31 July		
Buildings	28,191	23,288
Equipment	<u>1,933</u>	<u>1,171</u>
	<u>30,124</u>	<u>24,459</u>

Notes to the Financial Statements

	2005 £'000	2004 £'000
19. Deferred Capital Grants (Continued)		
Other		
At 1 August		
Buildings	<u>6,612</u>	<u>6,634</u>
	<u>6,612</u>	<u>6,634</u>
Cash Received		
Buildings	-	408
Adjustment	<u>-</u>	<u>(288)</u>
	<u>-</u>	<u>120</u>
Released to Income & Expenditure Account		
Buildings	<u>(171)</u>	<u>(142)</u>
	<u>(171)</u>	<u>(142)</u>
At 31 July		
Buildings	<u>6,441</u>	<u>6,612</u>
	<u>6,441</u>	<u>6,612</u>
Group Total at 31 July		
Buildings	34,632	29,900
Equipment	1,933	1,171
	<u>36,565</u>	<u>31,071</u>
University Total at 31 July		
Buildings	30,794	25,860
Equipment	1,011	1,171
	<u>31,805</u>	<u>27,031</u>

Notes to the Financial Statements

	2005 £'000	2004 £'000
20. Movement on Consolidated Reserves		
Revaluation Reserve		
At 1 August	(3,039)	(3,580)
Transfer from general reserve - depreciation	-	427
Reimbursement of principal on inherited loan	235	218
Transfer to general reserve - depreciation	(104)	(104)
At 31 July	<u>(2,908)</u>	<u>(3,039)</u>
General Reserve		
At 1 August	32,985	30,376
Transfer to revaluation reserve - depreciation	-	(427)
Transfer from revaluation reserve - depreciation	104	104
Surplus for the year	2,923	2,955
Subsidiary adjustment	-	(23)
At 31 July	<u>36,012</u>	<u>32,985</u>
Endowments		
At 1 August	961	893
Net movement in endowments (note 13)	257	68
At 31 July	<u>1,218</u>	<u>961</u>
Total Reserves	<u>34,322</u>	<u>30,907</u>

Notes to the Financial Statements

	2005 £'000	2004 £'000
21. Movement on University Reserves		
Revaluation Reserve		
At 1 August	(3,039)	(3,580)
Transfer from general reserve - depreciation	-	427
Reimbursement of principal on inherited loan	235	218
Transfer to general reserve - depreciation	(104)	(104)
At 31 July	<u>(2,908)</u>	<u>(3,039)</u>
General Reserve		
At 1 August	32,280	29,620
Transfer to revaluation reserve - depreciation	-	(427)
Transfer from revaluation reserve - depreciation	104	104
Surplus for the year	2,831	2,983
At 31 July	<u>35,215</u>	<u>32,280</u>
Endowments		
At 1 August	961	893
Net movement in endowments (note 13)	257	68
At 31 July	<u>1,218</u>	<u>961</u>
Total University Reserves	<u>33,525</u>	<u>30,202</u>

Notes to the Financial Statements

22. Pension Arrangements

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

A. THE LONDON PENSION FUND

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

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

The University's contribution to the LPFA Fund for 2004/05 was £2,805,743 (2003/04: £2,224,871).

In addition to the above, the University accrued a sum of £463,048 in its 2004/5 accounts to reflect the difference between the actual contribution rate required from 1 April 2005 (19.6%) and the rate at which contributions were paid (14.3%). Agreement was reached with the LPFA to phase contributions paid to the required rate of 19.6% over a 3 year period.

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

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

The actuarial valuation as at 31 March 2004 showed that the market value of the Fund's assets attributable to the University was estimated at approximately £72.39m and the actuarial value of those assets represented 74% of the value of the benefits that have accrued to the University's pensioners, deferred pensioners and current members based upon past service but allowing for assumed pay increases and pension increases.

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

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

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

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

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

The actuaries undertook further calculations at 31 July 2004, and 31 July 2005 for the purpose of providing information required to be disclosed under the accounting standard on Retirement Benefits (FRS17) and these are detailed on pages 37 and 38.

Notes to the Financial Statements

22. Pension Arrangements (Continued)

LONDON PENSION FUND - FRS 17 STATEMENTS

The University participates in a defined benefit scheme in the UK, operated by the London Pension Fund Authority. A full FRS 17 actuarial valuation was carried out at 31 July 2005 by a qualified independent actuary.

The major assumptions used by the actuary were as follows:

	2005	2004	2003
Rate of increase in salaries	4.3%	4.4%	4.1%
Rate of increase in pensions in payment	2.8%	2.9%	2.6%
Discount rate	5.0%	5.8%	5.5%
Inflation assumption	2.8%	2.9%	2.6%

Fund assets

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

	Long term rate of return expected at 31 July 2005	Value at 31 July 2005 £'000	Long term rate of return expected at 31 July 2004	Value at 31 July 2004 £'000	Long term rate of return expected at 31 July 2003	Value at 31 July 2003 £'000
Equities	7.3%	1,389,000	7.9%	1,092,600	8.0%	1,052,900
Bonds	4.7%	169,800	5.4%	159,300	5.0%	169,800
Property	5.4%	119,600	6.7%	105,100	6.0%	65,800
Cash	4.5%	82,400	4.5%	17,500	3.5%	-
Total		<u>1,760,800</u>		<u>1,374,500</u>		<u>1,288,500</u>

Net pension liability

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

	2005 £,000	2004 £,000
Estimated employers assets	<u>87,889</u>	<u>76,699</u>
Present value of scheme liabilities	(135,225)	(112,445)
Present value of unfunded liabilities	(2,934)	(2,591)
Total value of liabilities	<u>(138,159)</u>	<u>(115,036)</u>
Net pension liability	<u>(50,270)</u>	<u>(38,337)</u>

Impact on the income and expenditure reserve

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

	2005 £,000	2004 £,000
Net assets excluding pension liability	70,887	61,978
Pension liability	(50,270)	(38,337)
Net assets including pension liability	<u>20,617</u>	<u>23,641</u>
General reserve excluding pension liability	36,012	32,985
Pension liability	(50,270)	(38,337)
General reserve including pension liability	<u>(14,258)</u>	<u>(5,352)</u>

Notes to the Financial Statements

22. Pension Arrangements (Continued)

Income and expenditure effect of accounting for pension costs under FRS17

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

	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Analysis of amounts charged to income and expenditure account				
Current service cost		3,889		2,864
Curtailment and settlements		36		-
Financing:				
- Expected return on pension fund assets	(5,773)		(5,308)	
- Interest on fund liabilities	6,733		5,980	
- Net liability		<u>960</u>		<u>672</u>
Net income and expenditure account cost		<u>4,885</u>		<u>3,536</u>
Analysis of amounts recognised in the statement of total recognised gains and losses				
Actual return less expected return on pension fund assets		9,078		45
Experience gains/(losses) arising on fund liabilities		(2,436)		384
Changes in assumptions underlying the present value of fund liabilities		<u>(16,703)</u>		<u>(153)</u>
Total actuarial (loss)/gain recognised		<u>(10,061)</u>		<u>276</u>

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:

	2005 £000	2004 £000
Deficit on fund at 1 August	(38,337)	(37,510)
Movements in year:		
- current service cost	(3,889)	(2,864)
- contributions	2,801	2,225
- contributions in respect of unfunded benefits	212	208
- Impact of curtailment and settlements	(36)	-
- net return on assets	(960)	(672)
- actuarial gains/(losses)	<u>(10,061)</u>	<u>276</u>
Deficit on fund at 31 July	<u>(50,270)</u>	<u>(38,337)</u>

Experience gains/(losses) in the year

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

	2005 £000	2004 £000	2003 £000
Difference between the expected and actual return on fund assets	9,078	45	(4,810)
Value of assets	87,889	76,699	70,230
Percentage of scheme assets	10.3%	0.1%	(6.8)%
Experience gains/(losses) on fund liabilities	(2,436)	384	1,100
Present value of liabilities	138,159	115,036	107,740
Percentage of the present value of fund liabilities	(1.8)%	0.3%	1.0%
Total amount recognised in the statement of total recognised gains and losses	(10,061)	276	(16,410)
Present value of liabilities	138,159	115,036	107,740
Percentage of the present value of the fund liabilities	(7.3)%	0.2%	(15.2)%

Notes to the Financial Statements

22. Pension Arrangements (Continued)

B. THE TEACHER'S PENSION SCHEME

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

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

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

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

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

The University's contribution to the TPS for 2004/05 was £4,741,365 (2003/04: £4,665,261).

Under definitions set out in FRS17 and SSAP24, the TPS scheme is a multi employer pension scheme. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly the University has taken advantage of the exemption in FRS17 and SSAP24 and has accounted for its contributions to the scheme as if it was a defined contribution scheme.

C. THE UNIVERSITIES SUPERANNUATION SCHEME

The University participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme.

The assets of the fund are held in a separate trustee-administered fund. Under definitions set out in FRS17 and SSAP24, the TPS scheme is a multi employer pension scheme. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly the University has taken advantage of the exemption in FRS17 and SSAP24 and has accounted for its contributions to the scheme as if it was a defined contribution scheme.

The cost recognised within the surplus/deficit for the year in the income and expenditure account is regarded as being equal to the contributions payable to the fund for the year.

The latest actuarial valuation of the Fund was at 31 March 2002.

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

At the valuation date, the market value of the assets of the fund was £19,938 million (including an estimated £18 million in respect of outstanding bulk transfer payments due) and the value of the past service liabilities was £19,776 million leaving a surplus of assets of £162 million. The assets therefore were sufficient to cover 101% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 million of the surplus. This left a past service surplus of £79.5 million (including the Supplementary Section) to be carried forward.

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

The University's contribution to the USS for 2004/05 was £129,340 (2003/04: £96,809) including outstanding contributions at the balance sheet date.

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

Notes to the Financial Statements

	2005 £'000	2004 £'000
23. Capital Commitments		
Commitments contracted at 31 July	13,653	20,174
Authorised but not contracted at 31 July	18,676	14,919
	<u>32,329</u>	<u>35,093</u>

The figures relate to both the University and Group

24. Commitments Under Operating Leases

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

Land and buildings:		
Expiring between two and five years inclusive	424	438
Expiring in over five years	5,240	5,350
Other:		
Expiring in over five years	331	373
	<u>5,995</u>	<u>6,161</u>

The figures relate to both the University and the Group

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

Surplus on continuing operations	2,923	2,958
Depreciation	6,288	5,393
Deferred capital grants released to income	(2,044)	(2,112)
Interest payable	1,608	1,982
Decrease in stocks	18	40
(Increase) in debtors	(3,141)	(1,402)
Increase in creditors	4,302	775
(Decrease) in provisions	(270)	(272)
Interest receivable	(980)	(538)
Reimbursement of debt charges	(611)	(724)
Donations Received	(3)	(62)
Adjustments to deferred capital grants	492	(294)
Adjustment for non cash revenue appreciation from endowments	(13)	(11)
Adjustments in respect of Metro New Media	-	(23)
Exchange rate loss / (profit)	55	(45)
	<u>8,624</u>	<u>5,665</u>

Notes to the Financial Statements

	2005 £'000	2004 £'000
26. Returns on Investments and Servicing of Finance		
Donations received	3	62
Interest paid	(1,333)	(1,674)
HEFCE reimbursement of interest payable	611	724
Income from endowments	24	21
Other interest received	956	517
Net cash inflow / (outflow)	<u>261</u>	<u>(350)</u>
27. Capital Expenditure		
Purchase of tangible fixed assets	(19,492)	(13,225)
Deferred capital grants received	7,046	5,107
Endowments received	74	25
Net cash (outflow)	<u>(12,372)</u>	<u>(8,093)</u>
28. Management of Liquid Resources		
(Increase)/decrease in short term deposits	(14,004)	988
Movement in endowment cash investments	(70)	(20)
Movement in endowment debtors	-	3
Net cash inflow / (outflow)	<u>(14,074)</u>	<u>971</u>
29. Financing		
Debt due beyond one year:		
New long-term loans	21,791	9,079
Repayment of long term loans	(2,975)	(8,120)
Repayment of capital element of finance lease	(129)	(108)
HEFCE reimbursement of inherited debts	235	218
	<u>18,922</u>	<u>1,069</u>

Notes to the Financial Statements

	As at 1 August 2004	Other Changes	Cashflows	As at 31 July 2005
30. Analysis of Changes in Net Debt				
Cash at bank and in hand	934	-	589	1,523
Bank overdraft	(1,128)	-	772	(356)
Endowment asset investments	103	-	70	173
	<u>(91)</u>	<u>-</u>	<u>1,431</u>	<u>1,340</u>
Short term deposits	9,000	-	14,004	23,004
Debt due within 1 year	(1,498)	(1,540)	1,498	(1,540)
Debt due after 1 year	(23,738)	1,540	(20,314)	(42,512)
Finance leases	(7,337)	-	129	(7,208)
	<u>(23,664)</u>	<u>-</u>	<u>(3,252)</u>	<u>(26,916)</u>

	2005 £'000	2004 £'000
31. Access Funds		
Balance at 1 August	195	227
Funding Council grant	1,838	2,326
Interest	42	32
Disbursed to students and administration	(1,872)	(2,390)
Balance at 31 July	<u>203</u>	<u>195</u>

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

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

	2005 £'000	2004 £'000
32. Teacher Training Bursary Funds		
Balance at 1 August	179	112
Funding Council grant	1,927	1,580
Disbursed to students and administration	(1,847)	(1,513)
Balance at 31 July	<u>259</u>	<u>179</u>

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

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

Notes to the Financial Statements

33. Contingent Liabilities

University

The University is in negotiation with a contractor over final claims for building works. The University's professional advisers have indicated that there are very good grounds to consider that any significant payments on items not provided for in these accounts is unlikely. The amount claimed not provided for is £361,308.

34. Related Party Transactions

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

35. Post Balance Sheet Events

- (a) Agreement has been reached concerning a property known as 'New Benwell Road' and the related deferred capital grant currently in the accounts of UNL Ltd, a wholly owned subsidiary, to be transferred to London Metropolitan University. This transfer was effected on 8 September 2005 and UNL Ltd then became dormant.
- (b) In November 2005 HEFCE made the University a grant to pay off its inherited loan liability, due to the London Borough of Kensington & Chelsea. The balance paid off is shown in these financial statements at £6.7m falling due after more than one year (note 17) and £0.2m falling due within one year (note 16). The revaluation reserve of (£2.9m) shown in note 20 would be adjusted to £4.0m as a result.



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