



Report and Financial Statements for the year ended 31 July 2004

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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

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

London Metropolitan University

Senior Officers and Advisers as at 31 July 2004

Vice-Chancellor and Chief Executive	B A Roper BSc Econ (Hons) MA (Econ) D.Univ (Hon)
Deputy Vice-Chancellor Academic	Dr. R P T Aylett MA PhD
Deputy Vice-Chancellor Research and Development	C G Topley BSc
Deputy Vice-Chancellor Planning and Resources	P M Weaver LLB FRSA
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	PricewaterhouseCoopers LLP Chartered Accountants & Registered Auditors Southwark Towers 32 London Bridge Street London SE1 9SY
Internal Auditors	Mazars 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
Bankers	Barclays Bank Plc Holloway & Kingsland Business Centre London E8 2JK National Westminster Bank Plc 116 Fenchurch Street London EC3M 5AN Standard Chartered Bank Plc 1st. Floor H-2 Connaught Circus New Delhi 110 001 India

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 2004

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

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

J Sentamu	31.08.03
Professor RC Floud	21.04.04

The following were appointed as governors during the year, with effect from the dates shown:

S John	31.10.03
--------	----------

In their capacity as Directors, none held any interest in any contract with the University from 1 August 2003. Five directors have contracts with the University in their capacity as employees from 1 August 2003. None of the Directors had a beneficial interest in any group company from 1 August 2003.

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

M Bear (P)	P Swaffer (A)
C Howe (A)	P Zinkin (P)
S Menta (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 2004.

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 (2003).

CONSTITUTION

London Metropolitan University is a company limited by guarantee, comprising 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.

ACTIVITIES DURING THE YEAR

Student Numbers

Student numbers for the year 2003-04 are shown in the table below together with a comparison for the previous year.

Student numbers are taken from HESES forecast data submitted to the Funding Council in November of each academic year.

	Year to 31 July	
	2003	2004
Full Time (Home/EU)	14,994	14,418
Full Time (Overseas)	2,780	3,456
Part time	12,847	13,012
Short Course	7,340	5,836
Total	37,961	36,722

Research

The University has continued to operate a wide and varied research programme, supported partly from resources provided by HEFCE and partly by other sponsors.

Financial Highlights

	Year to 31 July		Percentage
	2003	2004	Increase
	£'m	£'m	%
Income	132.4	143.4	8.3
Expenditure	130.1	140.4	7.9
Operating Surplus after Interest and Tax	2.3	3.0	30.4
Net assets as at 31 July	56.1	62.0	10.5

Property Matters

The University continued its programme of improvements to its Estate. Our Graduate Centre at Holloway Road, designed by Studio Libeskind, opened in March 2004 and a new Law Building at Goulston Street opened in May 2004. Other major

construction work during the year included refurbishment of Central House and our Moorgate building and work across the University to comply with the Disability Discrimination Act.

Building work on the new Science Centre at Holloway Road is underway, with a planned completion date in 2006.

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

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 £294,570 for the year (2002-03 £161,694) was passed via Gift Aid to the University.

London Metropolitan University Student Centre Limited runs the facilities of the Student Centre, principally the bars, shop and entertainments. This company has also entered into Gift Aid arrangements to donate its taxable profits to the University. In 2003-04 the company made a loss of £11,590 (2002-03 Loss of £18,277). With effect from 1 August 2004, these activities were transferred to the University and this company became dormant.

These companies are 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.

Report of the Governors

EMPLOYMENT POLICY

London Metropolitan University is committed to equality of opportunity in all aspects of its employment policy. Guidelines and procedures operate throughout the institution 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.

During the year we also have implemented measures to comply with the Race Relations Act.

Our personnel policies and practices are aimed at promoting equality of opportunity in all areas of employment within the University. The University seeks to increase the number of black and ethnic minority people, women and people with disabilities that it employs.

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 Committees which meet on a regular basis. 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 representatives are elected by their colleagues to serve as members of the Board of Governors, the Academic Board and other committees. 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 take into account 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.

DONATIONS

The group makes no political or charitable donations.

AUDITORS

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

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 2004 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 group, and of the income & expenditure, cash flows and recognised gains & 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 the 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 the HEFCE are used only in accordance with the Financial Memorandum with the HEFCE and any other conditions which the 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 the 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 and compliance with its key elements is mandatory for listed companies. 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 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 Governors comprise 25 members, the maximum allowed for under the Education Acts 1988 and 1992. 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 of 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 the 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. The former Vice-Chancellor was also a member of these committees.

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 the 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 Additional 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 all Governors, except for those elected as Academic Board or Staff Governors. The Nominations Committee makes recommendations for appointment for all Governors against agreed criteria.

All Governors should be required to submit themselves for re-appointments 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 determines the annual remuneration of the Vice-Chancellor & 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.

Salary increases for senior staff take account of a performance measurement review.

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 7. 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 7 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 monetary controls.

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

The Financial Statements are fully considered by the 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 be rolled out to all University departments during 2004-05.

The University's internal auditors reviewed risk management procedures during the year and reported their findings to the Audit Committee in July 2004. Work to implement their recommendations will continue in 2004-05, 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 the 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 of the Combined Code 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.



J P McParland

Company Secretary

166-220 Holloway Road
London N7 8DB

16 December 2004

Independent Auditors' Report to the Members of London Metropolitan University

We have audited the financial statements which comprise the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes 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.

RESPECTIVE RESPONSIBILITIES OF THE GOVERNING BODY & AUDITORS

The governing body's responsibility for preparing the 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 United Kingdom law and accounting standards is set out in the Statement of the Responsibilities of the Board of Governors of the University set out on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the Governing Body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been properly applied in all material respects in accordance with the University's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England. We also report to you if, in our opinion, the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report of the Governors and the Corporate Governance Statement.

We also review the statement of internal control, included as part of the statement of corporate governance, and comment if the statement is inconsistent with our knowledge of the University. We are not required to consider whether the statement of internal control covers all risks and controls, or

to form an opinion on the effectiveness of the University's corporate governance procedures or its risk and control procedures.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with 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:

- a) The financial statements give a true and fair view of the state of affairs of the University and the group at 31 July 2004, and of the surplus of income over expenditure, recognised gains and losses and cashflows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice-Accounting for Further and Higher Education.
- b) In all material respects, income from the Higher Education Funding Council for England, Learning and Skills Council and Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received.
- c) In all material respects, income has been applied in accordance with the University's statutes and where appropriate in accordance with the financial memoranda, dated August 2000 & October 2003 with the Higher Education Funding Council for England.



PricewaterhouseCoopers LLP

Chartered Accountants & Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

16 December 2004

Consolidated Income & Expenditure Account for the year ended 31 July 2004

	<i>Notes</i>	2003 £'000	2004 £'000
Income			
Funding council grants	1	75,636	81,725
Tuition fees and education contracts	2	41,385	42,891
Research grants and contracts	3	2,001	3,173
Other income	4	12,794	15,062
Endowment income and interest receivable	5	626	538
Total income		<u>132,442</u>	<u>143,389</u>
Expenditure			
Staff costs	6	81,242	87,288
Other operating expenses	8	40,923	45,768
Depreciation	11	5,306	5,393
Interest payable and similar charges	9	2,474	1,982
Loss on disposal of asset		153	-
Total expenditure		<u>130,098</u>	<u>140,431</u>
Surplus for the year on continuing operations after depreciation of assets at valuation, disposal of assets and tax		<u>2,344</u>	<u>2,958</u>
Transfer to accumulated income within specific endowments	13	-	(3)
Surplus for the year retained within general reserves	21	<u>2,344</u>	<u>2,955</u>
Statement of consolidated historical cost surplus for the year			
Surplus for the year on continuing operations before and after tax		<u>2,344</u>	<u>2,955</u>
Difference between historical cost depreciation charge and the actual charge calculated on valuation of assets.	21	155	104
Historical cost surplus before and after tax		<u>2,499</u>	<u>3,059</u>

The income and expenditure account is in respect of continuing activities in both 2004 and 2003.

Consolidated Balance Sheet

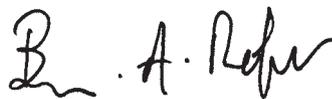
as at 31 July 2004

	Notes	2003 £'000	2004 £'000
Fixed Assets			
Tangible assets	11	92,334	100,166
Investments	12	64	64
		<u>92,398</u>	<u>100,230</u>
Endowment Asset Investments	13	<u>893</u>	<u>961</u>
Current Assets			
Stock	14	141	101
Debtors	15	8,113	9,515
Short term deposits		9,988	9,000
Cash at bank and in hand		655	934
		<u>18,897</u>	<u>19,550</u>
Creditors			
Amounts falling due within one year	16	(22,762)	(24,728)
Net Current Liabilities		<u>(3,865)</u>	<u>(5,178)</u>
Total Assets less Current Liabilities		89,426	96,013
Creditors			
Amounts falling due after more than one year	17	(30,005)	(30,945)
Provisions for Liabilities and Charges	18	(3,362)	(3,090)
Total Net Assets		<u>56,059</u>	<u>61,978</u>
Represented by:			
Deferred Capital Grants	19	<u>28,370</u>	<u>31,071</u>
Endowments	13	<u>893</u>	<u>961</u>
Reserves			
Revaluation	21	(3,580)	(3,039)
General reserve	21	30,376	32,985
		<u>26,796</u>	<u>29,946</u>
Total		<u>56,059</u>	<u>61,978</u>

The financial statements on pages 12 to 42 were approved by the Board of Governors of London Metropolitan University on 16 December 2004 and were signed on its behalf by:



Sir John Carter
Chair



BA Roper
Vice Chancellor & Chief Executive

University Balance Sheet

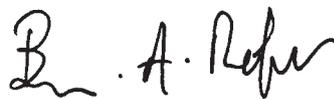
as at 31 July 2004

	Notes	2003 £'000	2004 £'000
Fixed Assets			
Tangible assets	10	83,277	92,086
Investments	12	<u>1,895</u>	<u>1,831</u>
		<u>85,172</u>	<u>93,917</u>
Endowment Asset Investments	13	<u>893</u>	<u>961</u>
Current Assets			
Stock	14	16	18
Debtors	15	10,784	10,940
Short term deposits		9,588	9,000
Cash at bank and in hand		<u>513</u>	<u>430</u>
		<u>20,901</u>	<u>20,388</u>
Creditors			
Amounts falling due within one year	16	<u>(22,601)</u>	<u>(23,998)</u>
Net Current Liabilities		<u>(1,700)</u>	<u>(3,610)</u>
Total Assets less Current Liabilities		84,365	91,268
Creditors			
Amounts falling due after more than one year	17	(30,005)	(30,945)
Provisions for Liabilities and Charges	18	(3,299)	(3,090)
Total Net Assets		<u>51,061</u>	<u>57,233</u>
Represented by:			
Deferred Capital Grants	19	<u>24,128</u>	<u>27,031</u>
Endowments	13	<u>893</u>	<u>961</u>
Reserves			
Revaluation	20	(3,580)	(3,039)
General reserve	20	<u>29,620</u>	<u>32,280</u>
		<u>26,040</u>	<u>29,241</u>
Total		<u>51,061</u>	<u>57,233</u>

The financial statements on pages 12 to 42 were approved by the Board of Governors of London Metropolitan University on 16 December 2004 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 2004

		2003	2004
		£'000	£'000
Net Cash Inflow from Operating Activities	Notes		
Returns on investments and servicing of finance	25	11,963	5,984
Capital expenditure	26	(1,168)	(669)
	27	(11,338)	(8,093)
Cash Outflow before Use of Liquid Resources and Financing			
		<u>(543)</u>	<u>(2,778)</u>
Management of liquid resources	28	935	971
Financing	29	1,122	1,069
Increase/(Decrease) in Cash in the year		<u>1,514</u>	<u>(738)</u>

Reconciliation of Net Cash Flow to Movement in Net Debt

Increase/(decrease) in cash in the year		1,514	(738)
Movement relating to opening balances of endowment assets	30	-	86
Cash outflow from liquid resources	30	(935)	(971)
Net debt resulting from cash flows	30	(1,024)	(806)
Change in net funds resulting from cash flows	30	<u>(445)</u>	<u>(2,429)</u>
Net debt brought forward from previous year	30	(20,790)	(21,235)
Net Debt as at 31 July	30	<u>(21,235)</u>	<u>(23,664)</u>

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 July 2004

	<i>Notes</i>	2003 £'000	2004 £'000
Surplus for the year	21	2,344	2,955
Revaluation of endowment asset investments	13	34	40
Net additions to endowment asset investments	13	55	28
HEFCE reimbursement of payment of principal element of inherited loan liabilities	21	204	218
Subsidiary adjustment	21	-	(23)
Total recognised gains relating to the financial year		<u>2,637</u>	<u>3,218</u>
Reconciliation:			
Opening reserves and endowments	21	25,052	27,689
Total recognised gains and losses for the year		2,637	3,218
Closing reserves and endowments	21	<u>27,689</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 and with the Statement of Recommended Practice (SORP) for Further and Higher Education (2003), 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 consolidated financial statements do not include those of LGU Students Union, which was an independent entity until its non-representational activities were transferred into the University or into London Metropolitan University Student Centre Limited, on 1 February 2003.

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 £2,983 k (2003: £1,543 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 to exclusively 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.

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 shorter of the lease term or their useful economic life.

(iii) 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

Principal Accounting Policies

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 and 5 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.

(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 balance sheet at market value. Endowments have been disclosed in accordance with the SORP as revised in 2003. A prior year adjustment has not been completed for this change. If a prior year adjustment had been followed £2k of income would have been shown separately on the Income and Expenditure account as per the SORP.

(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

	2003 £'000	2004 £'000
1. Funding Council Grants		
HEFCE		
Recurrent grant	58,594	60,910
Inherited property costs	4,286	4,322
Pension liabilities	1,005	1,013
Reimbursement of debt charges	644	724
Restructuring grant	2,547	2,269
Other	4,055	6,012
Other Funding Bodies		
Learning and Skills Council grant	2,129	2,373
Teacher Training Agency grant	1,660	2,132
Deferred Capital Grants Released	716	1,970
	<u>75,636</u>	<u>81,725</u>
2. Tuition Fees and Education Contracts		
Full-time students		
Home/EU Students	16,807	15,834
Overseas Students	14,078	16,603
Part-time students	10,500	10,454
	<u>41,385</u>	<u>42,891</u>
3. Research Grants and Contracts		
Research councils	155	337
UK based charities	201	214
European Commission	982	1,281
Other grants and contracts	663	1,341
	<u>2,001</u>	<u>3,173</u>

Notes to the Financial Statements

	2003 £'000	2004 £'000
4. Other Income		
Other grants and contracts	829	673
Corporation of London grants	1,043	1,043
Consultancy	314	1,250
Trading project income	1,845	4,869
Sale of materials and other departmental income	2,035	919
Rental income and hire of facilities	1,078	830
Residence & catering income	3,334	3,329
Deferred capital grants released in year - non HEFCE	174	142
Miscellaneous income	2,142	2,007
	<u>12,794</u>	<u>15,062</u>

5. Endowment Income and Interest Receivable

Income from endowments	17	-
Income from Specific Endowments	-	13
Income from General Endowments	-	8
Interest receivable	609	517
	<u>626</u>	<u>538</u>

6. Staff - Consolidated

Number of Staff:		
Academic staff	1,100	1,145
Other staff	1,360	1,325
	<u>2,460</u>	<u>2,470</u>
Costs:		
Academic staff	43,700	48,816
Other staff	37,542	38,472
	<u>81,242</u>	<u>87,288</u>
Costs Comprise of:		
Wages and salaries	70,284	74,101
Social Security costs	5,526	6,200
Employers pension contributions	5,432	6,987
	<u>81,242</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.

	2003 £'000	2004 £'000
Directors' Emoluments		
Salaries	543	528
Benefits in kind	2	2
Pension contributions	50	68
	<u>595</u>	<u>598</u>

The number of directors including the Vice-Chancellor & Chief Executive was:

8	7
---	---

Highest Paid Directors

The Vice-Chancellor & Chief Executive

Salaries	167	189
Benefits in kind	1	1
Pension contributions	16	25
	<u>184</u>	<u>215</u>

The Vice-Chancellor (To 31/03/2004)

Salaries	147	118
Benefits in kind	1	1
Pension contributions	14	118
	<u>162</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 contribution for the Vice-Chancellor for 2003/04 is 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 Teachers Pension Scheme 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:

	2003 No.	2004 No.
£70,000 to £80,000	19	15
£80,001 to £90,000	2	3
£90,001 to £100,000	5	-
£100,001 to £110,000	4	3
£110,001 to £120,000	-	3
£140,001 to £150,000	1	1
£160,001 to £170,000	1	-
£180,001 to £190,000	-	1
	<u>32</u>	<u>26</u>

Notes to the Financial Statements

	2003 £'000	2004 £'000
8. Other Operating Expenses		
Residences	2,351	2,476
Consumables & laboratories	1,383	1,662
Books & periodicals	1,637	1,651
Student travel & awards	652	724
Energy & water	1,428	1,587
Repairs & maintenance	2,954	4,119
Operating leases - property	5,327	4,932
Operating leases - equipment	168	304
External auditors' remuneration (audit)	121	114
Internal auditors' remuneration (audit)	82	96
External auditors' remuneration (other)	9	8
Internal auditors' remuneration (other)	33	90
Staff related costs	5,492	5,913
Postage and telecommunications	1,578	1,436
IT maintenance	1,606	1,152
Publicity	1,511	1,494
Facilities cost	2,175	2,724
Consultancy and subscriptions	2,679	3,103
Franchise costs	1,373	1,194
Enhanced pension liabilities	980	1,013
Merger related costs	980	880
Print costs	3,038	3,322
Rates	320	246
Examination expenses	336	569
Insurance	564	709
Other expenses	2,146	4,250
	<u>40,923</u>	<u>45,768</u>

Where applicable the 2003 analysis has been restated to ensure consistency with the analysis in 2004.

9. Interest Payable and Similar Charges

Finance lease	462	507
Unwinding of discount in respect of the enhanced pensions provision	138	161
Interest payable on bank loans, overdrafts and other loans:		
Repayable within 5 years	6	4
Repayable wholly or partly in more than 5 years	1,868	1,310
	<u>2,474</u>	<u>1,982</u>

Notes to the Financial Statements

10. Tangible Fixed Assets (University)

	Freehold Property		Under Construction		Alterations & Improvements		Short Leasehold Property		Equipment		Total £'000
	Academic £'000	Residential £'000	Residential £'000	Construction £'000	Improvements £'000	Academic £'000	Residential £'000	Owned £'000	Leased £'000		
Cost											
At 31 July 2003	49,972	7,570	7,570	15,789	8,191	7,339	350	29,774	501		119,486
Additions	4,267	-	-	2,507	2,060	-	-	4,318	-	-	13,152
Transfers	14,093	-	-	(13,854)	(239)	-	-	501	(501)	-	-
At 31 July 2004	68,332	7,570	7,570	4,442	10,012	7,339	350	34,593	-	-	132,638
Depreciation											
At 1 July 2003	6,848	862	862	-	1,171	2,124	350	24,353	501		36,209
Charge for year	937	97	97	-	464	280	-	3,232	-	-	5,010
Transfers	(667)	-	-	-	-	-	-	501	(501)		(667)
At 31 July 2004	7,118	959	959	-	1,635	2,404	350	28,086	-	-	40,552
Net Book Value at 31 July 2004	61,214	6,611	6,611	4,442	8,377	4,935	-	6,507	-	-	92,086
Net Book Value at 31 July 2003	43,124	6,708	6,708	15,789	7,020	5,215	-	5,421	-	-	83,277
Cost of land included in above	5,981	3,816	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 2004	2,140	53	53	-	-	6,184	-	-	-	-	8,377

Notes to the Financial Statements

11. Tangible Fixed Assets (Group)

	Freehold Property		Under Construction		Alterations & Improvements		Short Leasehold Property		Long Leasehold Property		Equipment		
	Academic £'000	Residential £'000	Residential £'000	Construction £'000	Academic £'000	Residential £'000	Academic £'000	Residential £'000	Academic £'000	Residential £'000	Owned £'000	Leased £'000	Total £'000
Cost													
At 31 July 2003	58,950	7,570	7,570	15,789	8,199	7,339	350	1,175	31,409	501	131,282		
Additions	4,267	-	-	2,507	2,060	-	-	-	4,391	-	13,225		
Disposals	-	-	-	-	-	-	-	-	(522)	-	(522)		
Transfers	12,828	-	-	(13,854)	1,028	-	-	-	497	(501)	(2)		
At 31 July 2004	76,045	7,570	7,570	4,442	11,287	7,339	350	1,175	35,775	-	143,983		
Depreciation													
At 1 July 2003	8,076	862	-	-	1,234	2,124	350	88	25,713	501	38,948		
Charge for year	1,132	97	-	-	539	280	-	19	3,326	-	5,393		
Eliminated on disposals	-	-	-	-	-	-	-	-	(522)	-	(522)		
Transfers	(136)	-	-	-	138	-	-	-	497	(501)	(2)		
At 31 July 2004	9,072	959	-	1,911	2,404	2,404	350	107	29,014	-	43,817		
Net Book Value at 31 July 2004	66,973	6,611	6,611	4,442	9,376	4,935	-	1,068	6,761	-	100,166		
Net Book Value at 31 July 2003	50,874	6,708	6,708	15,789	6,965	5,215	-	1,087	5,696	-	92,334		
Cost of land included in above	7,832	3,816	435	-	-	1,174	-	-	-	-	13,257		
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 2004	3,139	53	-	-	-	6,184	-	-	-	-	9,376		

Land and buildings to a cost of £31,209k have been financed by exchequer funds. Should these assets be sold, the University may be required, under the terms of the Finance Memorandum with the Council, 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 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.

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 including 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 notes 10 and 11. 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 insured value for 2003/4 is £12.3m.

Assets under construction

The assets in 'Assets Under Construction' include The Science Centre (£4,176 k).

Notes to the Financial Statements

12. Investments

Group	Status	Impairment		2004 £'000
		2003 £'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	1,058	(11)	1,047
LGU Enterprises Ltd (LGUE)	Wholly-owned subsidiary Holding Company	-	-	-
University of North London Ltd	Wholly-owned subsidiary Holding Company	-	-	-
Metropolitan New Media Limited (MNM)	Wholly-owned subsidiary	423	(53)	370
		<u>1,895</u>	<u>(64)</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 (2003: £nil) and the net assets are £350 k (2003: £350k).

London Metropolitan University Student Centre Ltd

The principal business activities of London Metropolitan University Student Centre Ltd are the promotion of events in the Student Centre and the operation of the student shop and two bars at the Holloway Road site. The deficit for this subsidiary is £12k (2003: Deficit £18k) and the net assets are £1,047k (2003: £1,058k). On the 14 July 2004 the Board of Directors passed a resolution to wind up the company on 31 July 2004. From 1 August 2004 the activities of the company will be administered by London Metropolitan University. This company will then become dormant. As such the financial statements have been presented on a break up basis as the company ceased to trade on 1 August 2004.

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 £30k (2003: £235k) and the net assets are £370k (2003: £423k).

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. 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 (2003: £nil) and the net assets are £4,040k (2003: £4,242k).

LGU Enterprises Ltd

The company did not trade in 2003/04 or 2002/03, 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 £2k (2003: £Nil) and the net assets are £2 (2003: £2k).

Notes to the Financial Statements

	2003 £'000	2004 £'000
13. Endowments		
University and Group		
Endowment Assets		
Balance as at 1 August	804	893
Capital appreciation of endowment asset investments	34	40
Revenue appreciation of endowment asset investments	11	11
Increase in cash balances	44	20
Decrease in debtors balances	-	(3)
Balance at 31 July	<u>893</u>	<u>961</u>

Represented by:

Fixed interest stocks	130	130
Equities	20	16
Cash and short term investments	83	103
Shares in Managed Growth Fund	657	712
Debtors	3	-
Total	<u>893</u>	<u>961</u>

	2003 £'000	2003 £'000	2003 £'000	2004 £'000	2004 £'000	2004 £'000
	Specific	General	Total	Specific	General	Total
University and Group						
Endowment Reserves						
Balance as at 1 August	647	157	804	693	200	893
Additions	15	38	53	16	9	25
Appreciation of endowment asset investments	29	5	34	41	(1)	40
Income for year	13	7	20	13	8	21
Expenditure for year	(11)	(7)	(18)	(11)	(7)	(18)
Balance at 31 July	<u>693</u>	<u>200</u>	<u>893</u>	<u>752</u>	<u>209</u>	<u>961</u>

Representing:

Special Trust Funds	474	-	474	515	-	515
Sinking Fund	219	-	219	237	-	237
Other Funds	-	200	200	-	209	209
	<u>693</u>	<u>200</u>	<u>893</u>	<u>752</u>	<u>209</u>	<u>961</u>

The Special Trust Funds as at 31 July included:

The Women's Library Trust Fund	261	-	261	283	-	283
The Wood Brothers Prize Fund	17	-	17	19	-	19
The Sadd Brown Library Trust Fund	18	-	18	20	-	20
The Women's History Fellowship Trust Fund	71	-	71	76	-	76
The Kaufman Awards Fund	7	-	7	14	-	14
The Teaching Studies Fund	43	-	43	44	-	44
Other	57	-	57	59	-	59
	<u>474</u>	<u>-</u>	<u>474</u>	<u>515</u>	<u>-</u>	<u>515</u>

Notes to the Financial Statements

	2003 £'000	2004 £'000
14. Stocks		
University		
Goods purchased for resale	<u>16</u>	<u>18</u>
	<u>16</u>	<u>18</u>
Group		
Work in progress	12	8
Goods purchased for resale	<u>129</u>	<u>93</u>
	<u>141</u>	<u>101</u>
15. Debtors		
University		
Amounts falling due within one year:		
Trade debtors	3,448	4,135
Due from HEFCE	461	846
Loans to staff & students	108	114
Owed by subsidiaries	3,064	2,805
Other debtors	4	5
Prepayments & accrued income	<u>3,699</u>	<u>3,035</u>
	<u>10,784</u>	<u>10,940</u>
Group		
Amounts falling due within one year:		
Trade debtors	3,681	5,365
Due from HEFCE	461	846
Loans to staff & students	108	114
Other debtors	53	70
Prepayments & accrued income	<u>3,810</u>	<u>3,120</u>
	<u>8,113</u>	<u>9,515</u>

Notes to the Financial Statements

	2003 £'000	2004 £'000
16 Creditors - amounts falling due within one year		
University		
Trade creditors	6,804	8,481
Deferred HEFCE grants and amounts owed to HEFCE	1,107	3,552
Taxation & pension contributions	2,524	2,867
Accruals for interest	251	308
Bank overdrafts (unsecured)	78	1,128
Bank mortgage and HEFCE loans	1,654	1,498
Owed to subsidiaries	505	-
Finance lease	95	130
Accruals & deferred income	8,625	5,990
Other	958	44
	<u>22,601</u>	<u>23,998</u>
Group		
Trade creditors	7,045	8,954
Deferred HEFCE grants and amounts owed to HEFCE	1,107	3,552
Taxation & pension contributions	2,525	2,867
Accruals for interest	251	308
Bank overdrafts (unsecured)	111	1,128
Bank mortgage and HEFCE loans	1,654	1,498
Finance lease	108	130
Accruals & deferred income	8,992	6,243
Other	969	48
	<u>22,762</u>	<u>24,728</u>

Notes to the Financial Statements

	2003 £'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	1,036	1,109
Principal payable after five years	<u>6,115</u>	<u>5,809</u>
	<u>7,151</u>	<u>6,918</u>
Bank mortgages (secured)		
Principal payable within two to five years	5,476	3,407
Principal payable after five years	<u>6,519</u>	<u>1,542</u>
	<u>11,995</u>	<u>4,949</u>
HEFCE Loan (interest free, unsecured)		
Principal payable within two to five years	1,796	1,396
Principal payable after five years	<u>1,726</u>	<u>1,396</u>
	<u>3,522</u>	<u>2,792</u>
Deferred HEFCE Revenue Grant		
Principal payable within two to five years	-	6,042
Principal payable after five years	<u>-</u>	<u>3,037</u>
	<u>-</u>	<u>9,079</u>
Finance lease obligations (secured)		
Principal payable within two to five years	747	913
Principal payable after five years	6,590	6,294
	<u>7,337</u>	<u>7,207</u>
Total	<u>30,005</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 EURBOR, 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. As at 31 July 2003, bank mortgages included a mortgage repayable in annual instalments until October 2017 at the lenders base rate plus 1%, secured on Commercial Road and Tower Hill. This mortgage was repaid in full during 2003/04.

The HEFCE loan is repayable over a period of 10 years in annual instalments.

The HEFCE Deferred Revenue Grant relates to the lump sum received 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. This deferred revenue grant is being released over 7.4 years from March 2004.

Notes to the Financial Statements

	2003 £'000	2004 £'000
18. Provisions for Liabilities and Charges		
Enhanced Pensions		
At 1 August	2,294	2,673
Increase	402	-
Unwinding of discount	138	161
Provision utilised in year	(161)	(165)
As at 31 July	<u>2,673</u>	<u>2,669</u>
Building Contracts		
At 1 August	712	689
Decrease	(23)	(268)
As at 31 July	<u>689</u>	<u>421</u>
Other		
At 1 August	115	-
Provision utilised in year	(115)	-
As at 31 July	<u>-</u>	<u>-</u>
Total		
At 1 August	3,121	3,362
Increase / (Decrease)	379	(268)
Unwinding of discount	138	161
Provision utilised in year	(276)	(165)
As at 31 July	<u>3,362</u>	<u>3,090</u>

The pension provision is in respect of pension enhancements payable to staff who took early retirement pre-1994.

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.

All figures relate to the University except £Nil (2003: £46k) of the building contracts provision which relates to London Metropolitan University Enterprises Ltd and £Nil (2003:£17k) which relates to the London Metropolitan University Student Centre Ltd.

Notes to the Financial Statements

	2003 £'000	2004 £'000
19. Deferred Capital Grants		
HEFCE		
As at 1 August		
Buildings	16,298	20,995
Equipment	600	741
	<u>16,898</u>	<u>21,736</u>
Cash Received		
Buildings	5,127	4,043
Equipment	404	656
Adjustment	23	(6)
	<u>5,554</u>	<u>4,693</u>
Released to Income & Expenditure Account		
Buildings	(453)	(1,744)
Equipment	(263)	(226)
	<u>(716)</u>	<u>(1,970)</u>
As at 31 July		
Buildings	20,995	23,288
Equipment	741	1,171
	<u>21,736</u>	<u>24,459</u>

Notes to the Financial Statements

	2003 £'000	2004 £'000
19. Deferred Capital Grants (Continued)		
Other		
As at 1 August		
Buildings	5,782	6,634
Equipment	-	-
	<u>5,782</u>	<u>6,634</u>
Cash Received		
Buildings	163	408
Equipment	-	-
Adjustment	863	(288)
	<u>1,026</u>	<u>120</u>
Released to Income & Expenditure Account		
Buildings	(174)	(142)
Equipment	-	-
	<u>(174)</u>	<u>(142)</u>
As at 31 July		
Buildings	6,634	6,612
Equipment	-	-
	<u>6,634</u>	<u>6,612</u>
Total as at 31 July		
Buildings	27,629	29,900
Equipment	741	1,171
	<u>28,370</u>	<u>31,071</u>

All figures relate to both the University and the Group except £4,040 k (2003: £4,242k) which relates to a deferred capital grant from HEFCE for New Benwell Road in the accounts of the University of North London Ltd.

Notes to the Financial Statements

	2003 £'000	2004 £'000
20. Movement on University Reserves		
Revaluation Reserve		
As at 1 August	531	(3,580)
Transfer from general reserve - inherited liabilities	(4,160)	-
Transfer from general reserve - depreciation	-	427
Reimbursement of principal on inherited loan	204	218
Transfer to general reserve - depreciation	(155)	(104)
As at 31 July	<u>(3,580)</u>	<u>(3,039)</u>
General Reserve		
As at 1 August	23,764	29,620
Transfer to revaluation reserve - inherited liabilities	4,160	-
Transfer to revaluation reserve - depreciation	-	(427)
Transfer from revaluation reserve - depreciation	155	104
Surplus for the year	1,543	2,983
Subsidiary adjustment	(2)	-
As at 31 July	<u>29,620</u>	<u>32,280</u>
Endowments		
As at 1 August	804	893
Net movement in endowments (note 13)	89	68
As at 31 July	<u>893</u>	<u>961</u>
Total University reserves	<u>26,933</u>	<u>30,202</u>

Notes to the Financial Statements

	2003 £'000	2004 £'000
21. Movement on Consolidated Reserves		
Revaluation Reserve		
As at 1 August	531	(3,580)
Transfer from general reserve - inherited liabilities	(4,160)	-
Transfer from general reserve - depreciation	-	427
Reimbursement of principal on inherited loan	204	218
Transfer to general reserve - depreciation	(155)	(104)
As at 31 July	<u>(3,580)</u>	<u>(3,039)</u>
General Reserve		
As at 1 August	23,717	30,376
Transfer to revaluation reserve - inherited liabilities	4,160	-
Transfer to revaluation reserve - depreciation	-	(427)
Transfer from revaluation reserve - depreciation	155	104
Surplus for the year	2,344	2,955
Subsidiary adjustment	-	(23)
As at 31 July	<u>30,376</u>	<u>32,985</u>
Endowments		
As at 1 August	804	893
Net movement in endowments (note 13)	89	68
As at 31 July	<u>893</u>	<u>961</u>
Total consolidated reserves	<u>27,689</u>	<u>30,907</u>

Following the merger of London Guildhall University and the University of North London, London Metropolitan University re-assessed its revaluation reserve to bring the two previous accounting policies into agreement and comply with the SORP: Accounting for Higher and Further Education. As a result, a transfer was made from the general reserve to ensure that the debit balance on the revaluation reserve on merger was equal to the remaining value at that date of the loans inherited from the London Residuary Body in 1989, net of credit for revaluation in London Guildhall University

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 2003/04 was £2,224,871 (2002/03: £2,092,239).

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, Hymans Robertson, and is based on an actuarial valuation as at 31 March 2001 using the projected unit method. The most significant actuarial assumptions were:-

	March 2001 % p.a.	Real % p.a.
Investment Return/		
Discount Rate	6.30-6.60%	3.50-3.80%
Pay Increases	4.30%	1.50%
Price Inflation/		
Pension Increases	2.80%	—

The valuation of assets has been taken at market value at the valuation date but adjusted to allow for average market levels during the 12 months prior to the valuation date using appropriate market indices. The value of assets so derived may be described as a smoothed market value.

The actuarial valuation as at 31 March 2001 showed that the market value of the Fund's assets attributable to the University was estimated at approximately £79.65m and that the actuarial value of those assets represented 106.6% 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.

In accordance with SSAP24 the University has contacted the actuaries of the fund to determine the size of prepayment or accrual that should be included in the University accounts (i.e. to spread the surplus or deficit over the average service lives of employees). No additional asset or liability has been created as the University believes that it would be imprudent to do so, given the possible deficit now on the fund, under an actuarial method of valuation. As the fund will be revalued as

at 31 March 2004, the University will review this area once the valuations are published in 2004/05.

The actuaries undertook further calculations at 31 July 2003, and 31 July 2004 for the purpose of providing information required to be disclosed under the accounting standard on Retirement Benefits (FRS17) and these are detailed on pages 36 and 37.

Notes to the Financial Statements

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 2004 by a qualified independent actuary.

The major assumptions used by the actuary were as follows:

	2002	2003	2004
Rate of increase in salaries	3.9%	4.1%	4.4%
Rate of increase in pensions in payment	2.4%	2.6%	2.9%
Discount rate	6.0%	5.5%	5.8%
Inflation assumption	2.4%	2.6%	2.9%

Fund assets

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

	Long term rate of return expected at 31 July 2002	Value at 31 July 2002 £'000	Long term rate of return expected at 31 July 2003	Value at 31 July 2003 £'000	Long term rate of return expected at 31 July 2004	Value at 31 July 2004 £'000
Equities	8.0%	983,200	8.0%	1,052,900	7.9%	1,093,000
Bonds	5.5%	182,580	5.0%	169,800	5.4%	159,000
Property	6.0%	-	6.0%	65,800	6.7%	105,000
Cash	4.0%	17,000	3.5%	-	4.5%	17,000
Total		<u>1,182,780</u>		<u>1,288,500</u>		<u>1,374,000</u>

Net pension liability

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

	2003 £,000	2004 £,000
Estimated employers assets	70,230	76,699
Present value of scheme liabilities	(104,720)	(112,445)
Present value of unfunded liabilities	(3,020)	(2,591)
Total value of liabilities	<u>(107,740)</u>	<u>(115,036)</u>
Net pension liability	<u>(37,510)</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:

	2003 £,000	2004 £,000
Net assets excluding pension liability	56,059	61,978
Pension liability	<u>(37,510)</u>	<u>(38,337)</u>
Net assets including pension liability	<u>18,549</u>	<u>23,641</u>
General reserve excluding pension liability	30,376	32,985
Pension liability	<u>(37,510)</u>	<u>(38,337)</u>
General reserve including pension liability	<u>(7,134)</u>	<u>(5,352)</u>

Notes to the Financial Statements

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:

	2003 £,000	2003 £'000	2004 £'000	2004 £'000
Analysis of amounts charged to income and expenditure account				
Current service cost		2,970		2,864
Past service cost		-		-
Curtailment and settlements		-		-
Financing:				
- Expected return on pension fund assets	5,240		5,308	
- Interest on fund liabilities	(5,150)		(5,980)	
- Net (liability)/return		(90)		672
Net income and expenditure account cost		<u>2,880</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	(4,810)	45
Experience gains and losses arising on fund liabilities	1,100	384
Changes in assumptions underlying the present value of fund liabilities	(12,700)	(153)
Total actuarial loss recognised	<u>(16,410)</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:

	2003 £000	2004 £000
Deficit on fund at 1 August	(20,460)	(37,510)
Movements in year:		
- current service cost	(2,970)	(2,864)
- contributions	2,240	2,225
- contributions in respect of unfunded benefits	-	208
- net return on assets	90	(672)
- actuarial loss	(16,410)	276
Deficit on fund at 31 July	<u>(37,510)</u>	<u>(38,337)</u>

Experience gains and losses in the year

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

	2003 £000	2004 £000
Difference between the expected and actual return on fund assets	(4,810)	45
Value of assets	70,230	76,699
Percentage of scheme assets	(6.8%)	0.1%
Experience gains and losses on fund liabilities	1,100	384
Present value of liabilities	107,740	115,036
Percentage of the present value of fund liabilities	1.0%	0.3%
Total amount recognised in the statement of total recognised gains and losses	(16,410)	276
Present value of liabilities	107,740	115,036
Percentage of the present value of the fund liabilities	(15.2%)	0.2%

Notes to the Financial Statements

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 2003/04 was £4,665,261 (2002/03: £3,302,714).

Under definitions set out in Financial Reporting Standards 17: Retirement Benefits 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 FRS 17 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 Financial Reporting Standards 17: Retirement Benefits and SSAP24, the USS 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 FRS 17 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 at 31 March 2005 when the above rates will be reviewed.

The University's contribution to the USS for 2003/04 was £96,809 (2002/03: £69,620) 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

	2003 £'000	2004 £'000
23. Capital Commitments		
Commitments contracted at 31 July	6,698	20,174
Authorised but not contracted at 31 July	25,983	14,919
	<u>32,681</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	-	438
Expiring in over five years	4,459	5,350
Other:		
Expiring between two and five years inclusive	196	373
	<u>4,655</u>	<u>6,161</u>

The figures relate to both the University and Group

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

Surplus on continuing operations	2,344	2,958
Depreciation	5,306	5,393
Loss on disposal of tangible fixed assets	153	-
Deferred capital grants released to income	(890)	(2,112)
Interest payable	2,474	1,982
(Increase)/decrease in stocks	(12)	40
Increase in debtors	(1,068)	(1,402)
Increase in creditors	3,725	1,083
Increase/(decrease) in provisions	241	(272)
Interest receivable	(626)	(538)
Reimbursement of debt charges	(644)	(724)
Donations received	(36)	(62)
Adjustments to deferred capital grants	886	(294)
Adjustments in respect of Metro New Media	-	(23)
Exchange rate loss/(profit)	110	(45)
Net cash inflow from operating activities	<u>11,963</u>	<u>5,984</u>

Notes to the Financial Statements

	2003 £'000	2004 £'000
26. Returns on Investments and Servicing of Finance		
Donations received	36	62
Interest paid	(2,474)	(1,982)
HEFCE reimbursement of interest payable	644	724
Income from endowments	17	21
Adjustment for non cash revenue appreciation from endowments	-	(11)
Other interest received	609	517
Net cash outflow	<u>(1,168)</u>	<u>(669)</u>
27. Capital Expenditure		
Purchase of tangible fixed assets	(17,052)	(13,225)
Receipts from sale of tangible assets	20	-
Endowments received	-	25
Deferred capital grants received	5,694	5,107
Net cash outflow	<u>(11,338)</u>	<u>(8,093)</u>
28. Management of Liquid Resources		
Decrease in short term deposits	935	988
Movement in endowment cash investments	-	(20)
Movement in endowment debtors	-	3
Net cash inflow/(outflow)	<u>935</u>	<u>971</u>
29. Financing		
Debt due beyond one year:		
New long-term loans	1,898	9,079
Repayment of long term loans	(804)	(8,120)
Repayment of capital element of finance lease	(176)	(108)
HEFCE reimbursement of inherited debts	204	218
	<u>1,122</u>	<u>1,069</u>

Notes to the Financial Statements

	As at 1 August 2003	Other Changes	Cashflows	As at 31 July 2004
30. Analysis of Changes in Net Funds				
Cash at bank and in hand	655	-	279	934
Bank overdraft	(111)	-	(1,017)	(1,128)
Endowment asset investments	-	83	20	103
	<u>544</u>	<u>83</u>	<u>(718)</u>	<u>(91)</u>
Endowment debtors	-	3	(3)	-
Short term deposits	9,988	-	(988)	9,000
Debt due within 1 year	(1,654)	(1,498)	1,654	(1,498)
Debt due after 1 year	(22,668)	1,498	(2,568)	(23,738)
Finance leases	(7,445)	-	108	(7,337)
	<u>(21,235)</u>	<u>86</u>	<u>(2,515)</u>	<u>(23,664)</u>
			2003	2004
			£'000	£'000

31. Access Funds

Balance at 1 August	292	227
Funding Council grant	2,677	2,326
Interest	43	32
Disbursed to students and administration	(2,785)	(2,390)
Balance at 31 July	<u>227</u>	<u>195</u>

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

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

32. Teacher Training Bursary Funds

	2003	2004
	£'000	£'000
Balance at 1 August	93	112
Funding Council grant	1,220	1,580
Disbursed to students and administration	(1,201)	(1,513)
Balance at 31 July	<u>112</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 contractors 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.

