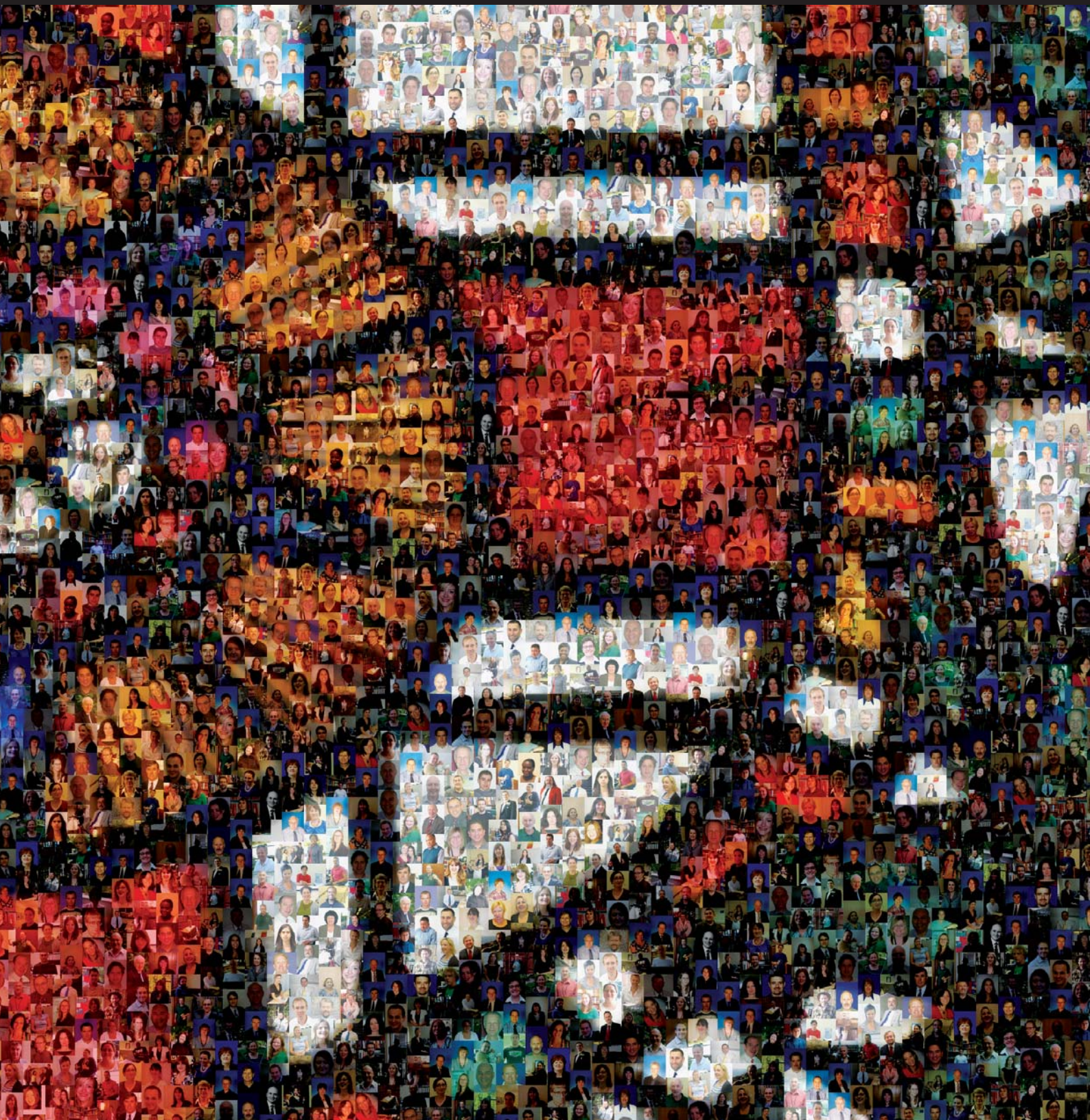
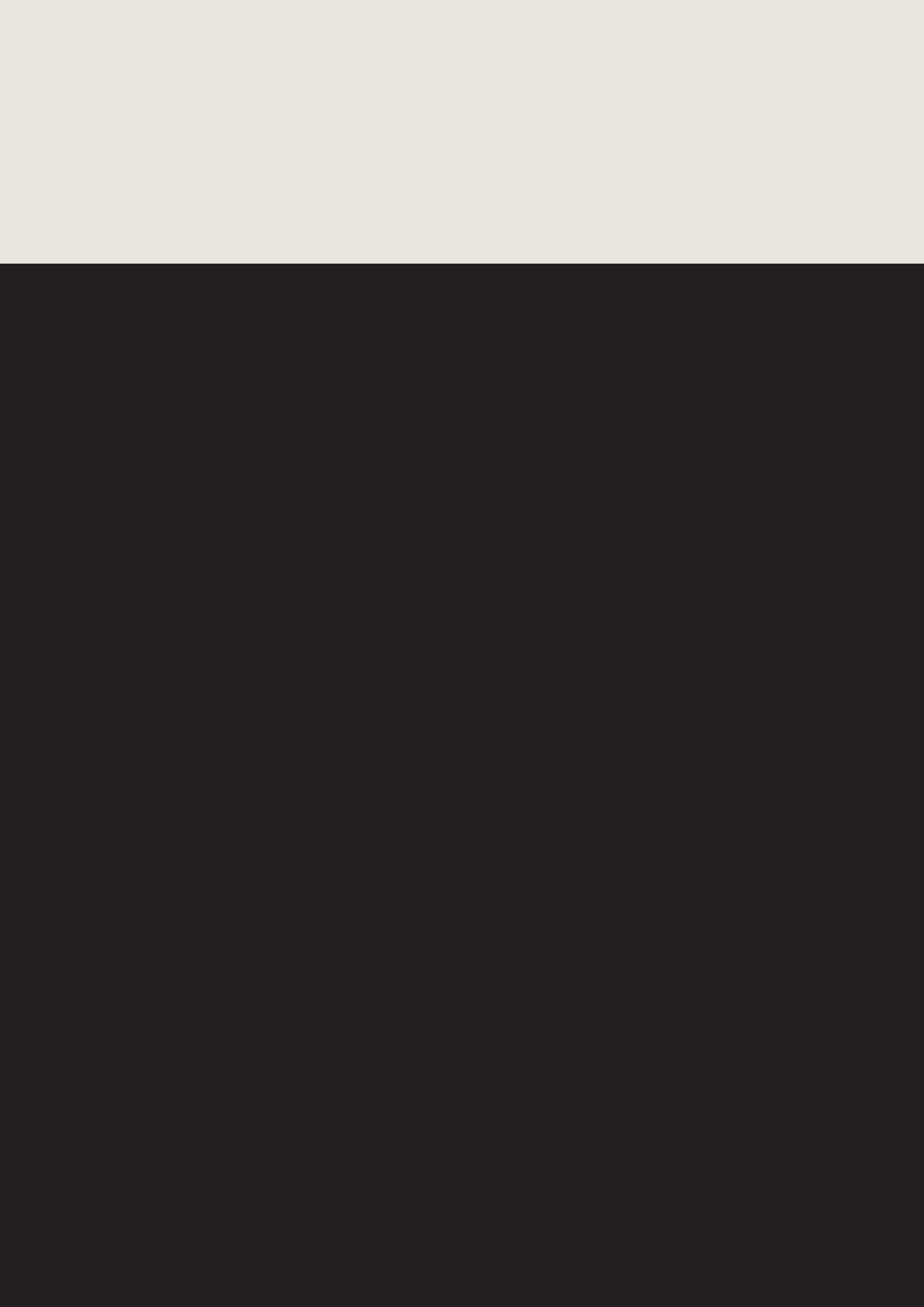


FINANCIAL STATEMENTS 2008–09 UNIVERSITY OF LONDON CENTRAL INSTITUTES AND ACTIVITIES





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Financial report

31 July 09

Scope of the Financial Statements

The Financial Statements comprise the consolidated results of the University and its trading subsidiary, Senate House Services Limited, which undertakes activities that, for legal or commercial reasons, are more appropriately channelled through a limited company. The subsidiary pays all its profits to the University.

Business Review

The University's consolidated Income and Expenditure Account for the year to 31 July 2008 is summarised as follows:

	2009 £M	2008 £M
Income	144.3	143.7
Expenditure	144.9	142.1
Operating result	(0.6)	1.6
Exceptional items	(1.5)	(0.3)
(Deficit)/surplus transferred (from)/to general reserve	(2.1)	1.3

The University's consolidated net assets at 31 July 2009 were as follows:

	2009 £M	2008 £M
Deferred capital grants	19.0	18.8
Endowments	54.3	60.6
Revaluation reserve	28.3	22.3
General reserve	63.0	65.3
Net assets	164.6	167.0

The University's total income increased by 0.4% in 2008–09 compared to 2007–08. However, total income for 2007–08 included a "one-off" surplus of £7.6M from the disposal of an investment property. If this surplus is excluded from total income, on a like-for-like basis, the underlying increase from £136.1M to £144.3M was 6.0%.

Set against this 6.0% adjusted increase in income, total expenditure increased by 2.0%. Therefore, the underlying performance of the University in the current year much improved; margins were increased and efficiency gains secured.

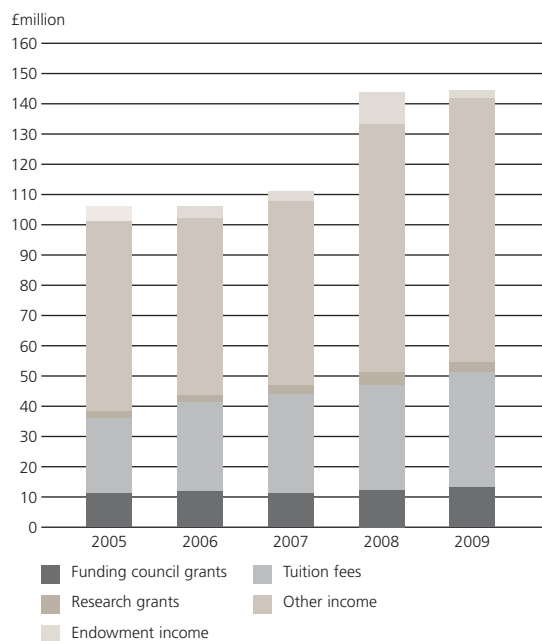
This enhanced performance particularly stemmed from increased income from the External System and the University's residences and catering. For the External System, income increased by 11.3% to £37.2M and the ratio of expenditure to income fell from 99.7% to 94.0% (£35.0M). For residences and catering, income increased by 2.9% to £20.5M and the ratio of expenditure to income fell from 104.2% to 90.0% (£18.5M).

Staff costs were constrained during the year. Excluding the Deaneries and London Higher, the University's FTE staff numbers fell from 814 to 767. The University's staff costs, therefore, expressed as a percentage of income (again excluding the Deaneries and London Higher) reduced from 34.1% (on income of £97.4M) to 33.1% (on income of £102.3M).

These improvements in the underlying performance of the University all reflect the ongoing impact of its progressive corporate reorganisation programme.

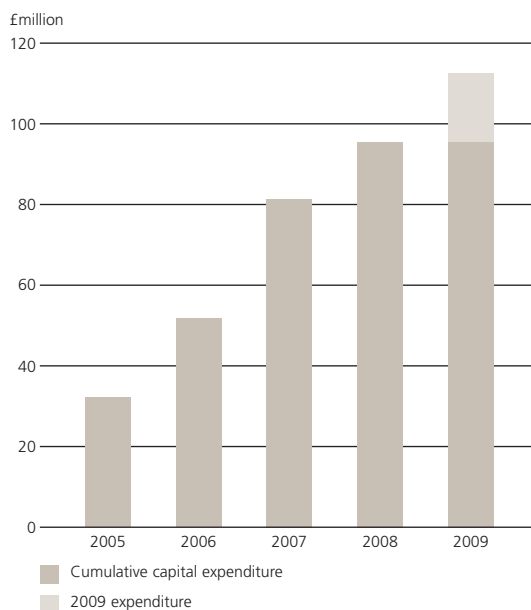
Income analysis

An analysis of the growth in income over the last five years is set out in the figure below:



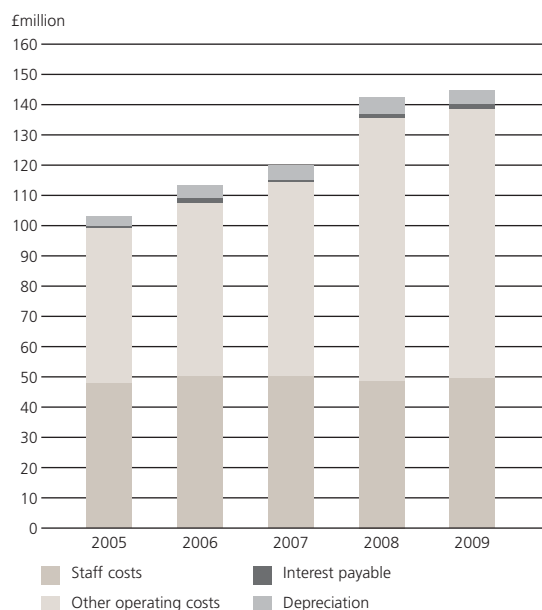
Capital expenditure

The figure below shows the cumulative capital expenditure of the University over the last five years.



Expenditure analysis

An analysis of the University's expenditure over the last five years is set out in the figure below.



The University has continued to invest consistently in improving and upgrading its teaching and research infrastructure, its student facilities and its estate generally. Over the last five years expenditure has averaged in excess of £25M per annum and, as at 31 July 2009, a further £11M of expenditure, to be financed from future asset sales, has been contracted to complete the current phase of the major refurbishment of Senate House.

An analysis of the principal components of the capital expenditure over the five year period to 31 July 2009 is as follows:

	£M
Halls of residence	48.7
Senate House	34.2
Stewart House	14.3
University of London Union	4.5
University of London Institute in Paris	2.9
Gordon, Torrington and Woburn Squares	2.5
Warburg Institute	1.1
Other projects, individually less than £1M	3.8
	112.0

Financial report

31 July 09

continued

The expenditure has been funded by asset sales (£54.0M), capital grants (£4.3M), additional borrowing (£41.1M), with the balance from working capital.

In July 2009 the University, pending the completion of certain asset sales which should be completed during 2009–10, arranged a further £10M borrowing by way of an unsecured facility repayable in October 2010 which bears a variable rate of interest set at 1.0% above LIBOR.

Cash flow

Cash and short term deposits at the year end amounted to £12.6M, down by £4.8M from the previous year end. This reflects the impact of the capital expenditure programme whereby costs have been incurred in advance of pending property realisations which are anticipated to total some £15M.

Throughout the year, the University has pursued a conservative treasury management policy with appropriate counterparty limits and security criteria in place. Accordingly, the University has avoided any exposure to the instability and liquidity issues which have affected certain deposit taking institutions.

As noted above, the outstanding capital commitments which have been contracted are to be financed from the proceeds from future asset sales and the continued anticipated improvement in the underlying trading position of the University should ensure that there is a return to a positive net cash inflow from operating activities going forwards.

Investment performance

During 2008–09 the University's endowment funds were managed by Newton Investment Management Limited and are invested in the University's Unified Trust Fund which has the investment objective of maintaining income growth at least in line with inflation and providing some capital growth. The long term objective for the Fund is to achieve a real return of 5% per annum.

On a total return basis the performance of the Fund for 2008–09 reflected the underlying market conditions and was a negative return of 7.8% (compared to the Fund's benchmark which showed a negative return of 2.0%). This was a disappointing performance but, nevertheless, on a 5 year basis, the Fund's return of 6.2% is substantially in line with its benchmark of 6.4%.

As at 31 October 2009 the value of the endowment funds has increased by some 11% to £60M which reflects the performance of the underlying investments since the balance sheet date.

The University's investment properties have been subject to an external professional valuation as at 31 July 2009 by Knight Frank, Chartered Surveyors. The valuation has resulted in an uplift to their carrying value of £6.4M to £27.7M (i.e. an increase of 30.2%) following the internal and external inspection undertaken as part of this exercise.

Key events

The University's separate *Annual Report 2008–09* provides a comprehensive account of its activities and achievements during the year under review. Some of the key events and highlights are noted below:

General

- The University's new governance arrangements have run for a full year and, from the joint endeavours of the Board of Trustees and the Collegiate Council, a five year

Copies of the Annual Report are available on the University's website – www.london.ac.uk/annual_reports

Strategic Plan has been formulated and was approved in July 2009. The plan defines the strategic aims of the University as:

- 1 to maintain and enhance the academic excellence of the federal University;
 - 2 to deliver highly effective services to Colleges, offering excellent value for money;
 - 3 to ensure the financial sustainability of all University operations;
 - 4 to fulfil the regional, national and international roles of the University; and
 - 5 the creation and retention of a workforce with the necessary ethos, working practices and competences to deliver the Strategic Plan.
- The Strategic Plan is accompanied by a Business Change Programme (BCP) which specifically focuses on the need to secure financial sustainability. This programme builds on the work of the former Corporate Reorganisation Project and consists of a number of co-ordinated cross-divisional projects that seek to increase income, reduce costs, develop staff and improve team performance.
 - The University has a number of other complementary projects to the BCP which include:
 - 1 the Business Transformation Programme within the External System which aims to optimise the service it provides including the implementation of a new student records management system;
 - 2 the implementation of a five year strategic plan for the University's libraries (the University of London Research Library Services); and

3 the refurbishment of Senate House to provide a rewired, refurbished and revitalised location that is fit for purpose.

Estates and Facilities

- The refurbishment of Senate House South Block has been substantially completed so that moves commenced in August 2009 with work currently in progress on the tower and work on the North Block to follow.
- The creation of an accommodation bureau for the University's eight halls of residence has streamlined the application and admissions process, and 30 new student rooms have been developed in previously redundant space within the halls.
- Provision of advice and support on housing matters during the year to over 35,000 students.
- Strengthening the conferences and events team to secure the use of Senate House and the central estate as an events venue coupled with the installation of a computerised room booking system.

London Deanery

- The new state of the art London Dental Education Centre developed in partnership with King's College London was opened in June 2009. This comprised one of the biggest projects supported by the Simulated and Technology-enhanced Learning Initiative (STeLI) involving the investment of £11M in equipment and training for senior medical staff who, in turn, will take on the role as trainers within NHS trusts.
- Further supporting training in response to the challenges of the working time directive with the Faculty Development programme.
- Receiving a commendation following the visit of the regulator, the Postgraduate Medical Education and Training Board, for the introduction of trust liaison deans, working to ensure trainers had time for the role, the STeLi project, the training and support of lay chairs and board members and encouraging trainees to develop guidelines for whistle-blowing.

Financial report

31 July 09

continued

School of Advanced Study

- The School's Strategic Plan covering 2009–10 through to 2012–13 and identifying strategic objectives and priorities to fulfil the national mission centred on research promotion and facilitation of the humanities and social sciences, was agreed by HEFCE in June 2009.
- The launch in April 2009 of the Consortium of Institutes of Advanced Studies and in June 2009 of a Human Rights Consortium.
- Over 1,400 separate events were staged during 2008–09 attracting some 32,000 participants.

The Careers Group, University of London

- Consultancy income increased by 50% to £330,000 including the provision of a year-long mentoring project at Guy's and St Thomas' NHS Foundation Trust and the *Take it Higher* website for the Southeast London Life Long Learning Network.
- A taster course programme providing the opportunity to sample university life, ran from January to July 2009 offering 161 courses to 7,023 applicants. The University's undergraduate and postgraduate open days attracted 5,750 visitors.
- A collaboration with the London Development Agency resulted in the production of a unique online resource for London's job-seeking graduates (www.london.gov.uk/graduates).

University Marine Biological Station, Millport

- During the year discussions were held with the Scottish Association for Marine Science with regard to a possible merger with the Station. It was, however, finally decided that retention of the Station by the University was the most appropriate way to fulfil the needs of its stakeholders in the provision of fieldwork facilities and to exploit the scientific value of the site.
- Improvements have been made to the Station's facilities during the year, especially its computer facilities, and the construction of the new 11 metre vessel, *RV Actinia*, designed to serve inshore teaching needs is on schedule to replace the 32 year old *RV Aplysia* before the end of 2009.

University of London Computer Centre (ULCC)

- ULCC has supported the delivery of business-critical IT projects to the University during 2009 and won new external business across all its services which span the areas of digital preservation, e-learning services, the provision of a helpdesk and service monitoring, co-located and fully managed hosting, IT support, and web development and hosting.
- ULCC's annual Future of Technology in Education event (FOTE) is held in October each year and is attended by more than 300 delegates. Most recently it has focused particularly on cloud computing, mobile learning and social media.

University of London External System

- New student registrations for 2008–09 numbered more than 14,000 bringing the External System's total student population to over 45,000 and reinforcing its position as an international leader in the provision of high quality distance education.
- The range of over 100 study programmes continues to expand. Economics, Management, Finance and Social Sciences (a partnership with LSE) and the Undergraduate Laws programme (a partnership with the Law Schools of Birkbeck, King's College London, LSE, Queen Mary, SOAS and UCL) are currently the most popular options. During 2008–09 an MSc/postgraduate diploma in Petroleum Geoscience, a new range of finance-related postgraduate programmes and a Diploma in Common Law and Certificate of Higher Education in Philosophy, Religion and Ethics have all been added.
- The Business Transformation Programme couples the development of a new administrative database system with the operational infrastructure changes that will accompany this. The aim is to enable the External System to meet the expectations and changing needs of all its stakeholders in a scalable way. In particular, students and lead Colleges will be enabled to access admissions, registration, exam entry, exam marking, script distribution information, study material dispatch information etc.

University of London Institute in Paris (ULIP)

- The expanded undergraduate programme, run in conjunction with Queen Mary and Royal Holloway, has once again bucked the trend for undergraduate modern languages recruitment with strong demand with two students applying for each of the sixty places available in 2009–10.

- At Master's level new course developments have also ensured that more students than in previous years have been attracted.
- An active approach to research programmes has been pursued with the appointment of a Director of Research and a series of major conferences taking place including "Naked Lunch at 50" in Paris after William Burroughs' landmark work, a conference in London in association with the Institute of Germanic & Romance Studies *Génétiq ue et Culture Française* and, in Tangier, "Performing Tiger".

University of London Research Library Services (ULRLS)

- The future of the Senate House Library was considered by the Collegiate Council following the review carried out by Sir Ivor Crewe for HEFCE of the funding of the Senate House Library which concluded that much of its special funding should be withdrawn over a two year period commencing 2008–09, thereby, potentially increasing the deficit of the library in future. The Council agreed to retain the Library as a federal resource subject to the development of the strategic future.
- In the light of the above, there is a project currently in progress to secure a sustainable way forward as a key shared resource of the federal University as approved by the Board of Trustees in accordance with the Collegiate Council's recommendation.

Looking forward

The University has been through a sustained period of restructuring and reorganisation which has impacted materially on its financial statements and performance during the period of my tenure as Vice-Chancellor.

It is my belief that we have made the substantial and necessary progress that was required to secure the future of the University. The consultation which I launched in May 2005 to examine the ways in which the federal University of London could be strengthened to the benefit of the Colleges and their staff and students has culminated, following extensive discussion and debate, in the reform of the University's governance structure whereby, the Collegiate Council now occupies the central role of advising the Board of Trustees on the strategic academic direction of the University and ensuring the proper discharge of its academic affairs.

The University's strategic plan, which covers the period to 2014, articulates its strategic aims and objectives and, it is within this context, that the operational plans for the central academic bodies and activities are being developed.

The academic role of the central University has been substantially changed to give recognition to the fact that a number of its Colleges have chosen to exercise degree awarding powers. The central academic bodies of the University – the School of Advanced Study, the External System, the University of London Institute in Paris and the University Marine Biological Station, Millport – have all been thoroughly reviewed and revitalised so they can perform their critical roles within the context of the whole University. Likewise, the central services, comprising as well as the central administration, the Careers Group, the Halls of Residence, the London Deanery, the University of London Research Library Services, the University of London Computer Centre, the University of London Housing Services and the University of London Union, have all been subject to a programme of systematic review and are engaged in the execution of a thorough-going restructuring process.

These financial statements underline the imperative for the University of securing its financial sustainability. The outcome for 2008–09 demonstrates that real and tangible progress has been made but there is more to do and substantial challenges remain to be met. Notwithstanding this, however, I can report that the underlying spirit of the institution, embracing both the Colleges and the centre, is one of unity of purpose and intent. Having regard to this I am confident that I will be handing over to my successor a robust, vibrant institution with all staff fully engaged in building its future and creating an institution that is truly "fit for purpose".



Sir Graeme Davies

Vice-Chancellor

1 December 2009

Corporate governance statement

The following statement is given to assist readers of the financial statements to obtain an understanding of the governance procedures of the University. The University endeavours to conduct its business in accordance with the seven Principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). The University has applied the principles set out in Section 1 of the revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2003, incorporating internal control guidance as amended by the British Universities Finance Directors' Group. The University is satisfied that it has complied with the provisions of the Code, in so far as it is applicable.

The University is an independent corporation which was incorporated originally by Royal Charter in 1836 and is, at present, incorporated by Royal Charter granted in 1863. It is now governed by the University of London Act 1994 and by the Statutes made under that Act, approved by the Privy Council on 11 June 2008 and effective from 1 August 2008, which set out its objectives, powers and framework of governance.

The University's **Board of Trustees**, the governing and executive body of the University, comprises nine appointed independent persons, all of whom are non-executive, the Vice-Chancellor and four Heads of Colleges, appointed by the **Collegiate Council**. The role of the Chair of Board of Trustees is separated from the role of the University's chief executive, the Vice-Chancellor. The powers of the Board of Trustees are set out in the Statutes of the University, by its Statement of Responsibilities and under the Financial Memorandum with the Higher Education Funding Council for England. The Board of Trustees, which normally meets not less than six times a year, holds to itself, inter alia, responsibility for the ongoing strategic direction of the University, approval of major developments and the receipt of regular minutes from its Committees on the day to day operations of its business and of its subsidiary company.

The Board of Trustees is supported by the **Collegiate Council** which comprises the Heads of the Colleges of the University, the Dean of the School of Advanced Study and, its chairman, the Vice-Chancellor. The Collegiate Council is responsible for determining and advising the Board of Trustees on the collective view of the Colleges in respect of all matters concerning the University including its strategic direction, and is responsible for ensuring the proper discharge of its academic affairs.

The Collegiate Council, inter alia, approves the strategic plans of the University's constituent academic bodies and activities and recommends to the Board of Trustees the University's annual budgets for these bodies and activities. It monitors performance against these plans and budgets and makes proposals and recommendations to the Board of Trustees regarding the resources and services provided by the University to the Colleges and on the funding of those services.

The University's Statutes provide that the Board of Trustees shall appoint an Audit and Risk Committee and that the Board of Trustees and the Collegiate Council may from time to time establish additional standing, special and advisory committees, sub-committees or boards. The Committees which the Board of Trustees has established, in addition to the Audit and Risk Committee, include Remuneration, Nominations, Investments and Safety. All of these Committees are formally constituted with terms of reference and include members drawn from the independent membership of the Board of Trustees.

The **Audit and Risk Committee**, which meets at least four times a year, is responsible for meeting with the external auditors to discuss audit findings, and with the internal auditors to consider their detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's responses and implementation plans. The Committee also receives reports on value for money, considers reports from the Higher Education Funding Council for England and the National Audit Office as they affect the University's business, and monitors adherence to the regulatory requirements. The Committee advises the Board of Trustees on the appointment and

remuneration of the external and internal auditors with whom it meets on their own for independent discussions. Whilst senior executives attend the meetings of the Committee as necessary, they are not members of the Committee. The Committee considers, and recommends to the Board of Trustees, comprehensive Financial Regulations for the conduct of the financial affairs of the University and reviews the University's annual financial statements together with the accounting policies.

The **Remuneration Committee** determines the remuneration of the Vice-Chancellor and other senior staff, the **Nominations Committee** considers nominations for independent vacancies on the Board of Trustees and the **Investments Committee** is responsible for matters relating to the investments of the University, including recommending to the Board of Trustees the appointment of investment managers. The **Safety Committee** is responsible for reviewing and taking action as appropriate on the University's safety policies which ensure the health and safety of employees, students, visitors and others who may be affected by the University's activities.

The principal academic and administrative officer of the University is the Vice-Chancellor, who is responsible to the Board of Trustees for securing the implementation of the decisions of the Board and maintaining and promoting the efficiency and good order of the University. The Vice-Chancellor is also, under the terms of the Financial Memorandum between the University and the Higher Education Funding Council for England, the designated Accounting Officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

The Ordinances of the University specify that the University's Director of Administration should normally act as Secretary of the Board of Trustees, and any enquiries about the constitution and governance of the University should be addressed to the Director of Administration.

Responsibilities of the Board of Trustees

In accordance with the Charter and Statutes of the University of London, the Board of Trustees of the University is responsible for the administration and management of the affairs of the University, including ensuring an effective system of internal control is maintained, and is required to present consolidated audited financial statements each financial year.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University's Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education and all other relevant accounting and financial reporting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England and the University, the Board, through its designated office holder (the Vice-Chancellor), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for the year.

In causing the consolidated financial statements to be prepared, the Board has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Board is satisfied that the University has adequate resources to continue in operation for the foreseeable future. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

The Board has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council has from time to time prescribed;

- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative units;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board;
- a formalised treasury management policy;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit and Risk Committee and the Board;
- a professional Internal Audit Provider, whose annual programme is approved by the Audit and Risk Committee; and
- an ongoing process designed to identify the principal risks (whether business, operational, compliance or financial) to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The reporting method uses a system whereby risks are ranked in terms of likelihood and impact, and are reviewed and periodically reported to the Board to ensure that procedures are in place for the identified risks to be managed.

The Audit and Risk Committee, on behalf of the Board, has reviewed the effectiveness of the University's system of internal control. Any system of internal financial control can, however, provide only reasonable but not absolute assurance against material misstatement of loss.

Statement of internal control

As the Governing Body of the University, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the Board in the University of London 1994 Act and Statutes, and the Financial Memorandum with the HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives: it can, therefore, provide only reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2009 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

As the Governing Body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- We meet no less than three times a year to consider the plans and strategic direction of the University.
 - We receive periodic reports from the Chair of the Audit and Risk Committee concerning internal control, and we require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
 - We have established a Risk Management Steering Group reporting to the Audit and Risk Committee, to oversee risk management.
 - The Audit and Risk Committee receives regular reports from the internal audit service, which includes its independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
- Facilitated workshops are held to identify and to keep up to date the record of risks facing the University.
 - A programme of risk awareness training.
 - A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis has been established.
 - An organisation-wide risk register is maintained.
 - Reports are received from budget holders, department heads and project managers on internal control activities.

The review of the Board of the effectiveness of the system of internal control is informed by the work of the internal auditors, Grant Thornton LLP. They operate to the standards defined in "Accountability and Audit: HEFCE Code of Practice".

Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Independent auditors' report to the Board of Trustees of the University of London

We have audited the financial statements of the University of London for the year ended 31 July 2009 which comprise the consolidated income and expenditure account, the statement of consolidated historical cost surpluses and deficits, the statement of total consolidated recognised gains and losses, the Group and University balance sheets, the consolidated cash flow statement and the related notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Board of Trustees of the University, as a body, in accordance with the Charter and Statutes of the University and the Financial Memorandum, dated June 2008. Our audit work has been undertaken so that we might state to the Board of Trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board and the Board's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of The Board of Trustees and auditors

The Board of Trustees' responsibilities for preparing the Financial Report and the financial statements in accordance with the University's Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education and other applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of the Board of Trustees' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and

Higher Education. We also report whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We also report if, in our opinion, the information given in the Financial Report is not consistent with the financial statements, if the University has not kept adequate 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 Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Financial Report.

We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the University's corporate governance procedures or its risk and control procedures.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Trustees in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group'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 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 as at 31 July 2009 and of the deficit of the Group for the year then ended;
- (b) the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice on Accounting for Further and Higher Education;
- (c) in all material respects income from the Higher Education Funding Council for England, 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; and
- (d) in all material respects income has been applied in accordance with the University's Statutes and, where appropriate, with the Financial Memorandum, dated June 2008 with the Higher Education Funding Council for England.

Deloitte LLP

Chartered Accountants and Statutory Auditors
St Albans, UK
2 December 2009

Statement of the University's principal accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): *Accounting for Further and Higher Education 2007* and in accordance with applicable Accounting Standards. They conform to guidance published by the Higher Education Funding Council for England.

Basis of accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

Basis of consolidation

The consolidated financial statements include the University and its principal subsidiary undertaking Senate House Services Limited. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the University of London Union have not been consolidated because the University does not control those activities.

Related party transactions

The University is partly funded by subscriptions from the Colleges within the federation and by charges for specific services supplied by the University to Colleges. Heads of Colleges within the federation are ex officio members of the Collegiate Council. The Colleges are not related parties because of their autonomy as independent higher education institutions.

Taxation

The University is an exempt charity under Schedule 2 to 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.

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

Foreign currencies

Transactions made in foreign currency are recorded at the rate of exchange ruling at the date of the transaction, except that transactions made by the University of London Institute in Paris in euros are recorded initially in the accounting record maintained in Paris and recorded in the financial statements at the year-end rate.

Monetary assets and liabilities denominated in foreign currency are translated into sterling at the year-end rate, and gains and losses arising on conversion are dealt with in the income and expenditure account.

Recognition of income and expenditure

Fee income is stated gross and credited to the income and expenditure account over the period the students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Unspent balances are carried forward.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Donations with restrictions are recognised when relevant conditions have been met, generally when expenditure is incurred on specific purposes. Donations which are to be retained for the benefit of the University are recognised in the statement of total gains and losses and in endowments. Other donations are recognised by inclusion as other income in the income and expenditure account.

Income from endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to endowments and recognised therein as accumulated income.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

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 24 hours or one working day without penalty.

Liquid resources comprise assets held as a readily disposable store of value. They include sums on short-term deposits with recognised banks and building societies and government securities.

Endowment funds

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these are accounted for as endowments. The University distinguishes two types:

- 1 Restricted permanent endowments – where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective; and
- 2 Restricted expendable endowments – where the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income.

Land and buildings

Land and buildings are stated at cost less amounts written off to reflect any permanent impairment in value. Depreciation rates have been reviewed during the year. Depreciation is charged on the capital cost or valuation of the buildings. Non-residential freehold properties and subsequent refurbishments are depreciated over 50 years and residential properties and subsequent refurbishments are depreciated over 30 years. For leasehold properties, the depreciation term is the period of the lease, if lower than the freehold rates. Where buildings are acquired with the aid of specific grants the related grants are credited to a deferred capital grants account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Assets in the course of construction are not depreciated. Developmental interest incurred directly as a consequence of major capital developments is capitalised as part of the capital costs of the related asset.

Heritage assets

The University has received gifts and bequests of works of art, library collections and other decorative items and has also purchased works of art with funds from specific benefactions and public grants. In accordance with FRS15, all acquisitions since 1 August 1998 have been capitalised at cost, or in the case of donated assets, at valuation where reasonably obtainable. In line with the accounting policy for other tangible assets, the threshold for capitalising assets is £20,000. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

Other tangible assets – equipment

Equipment, other than motor vehicles, but including computers and software costing less than £20,000 per individual item or group of related items, is written off in the year of acquisition. All other equipment is capitalised and written off over its estimated useful economic life, namely:

Motor vehicles	3 years
Computing equipment	4–7 years
Other plant and machinery	5–20 years
Boats and boat equipment	10–25 years

Assets of all categories did not commence depreciation until 1990. Prior to this date no assets were depreciated.

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements, which 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 as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements.

The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding.

Statement of the University's principal accounting policies continued

Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Intangible assets

Course development expenditure within the External System is charged to the income and expenditure account in the year incurred unless it meets the recognition criteria for capitalisation as set out in SSAP 13 – *Accounting for research and development*. When the recognition criteria has been met then such expenditure on course development is capitalised and the resultant intangible asset written down and charged to the income and expenditure account, when it becomes available for use, on a straight line basis over a period of five years, the expected economic life of the course. An impairment test is carried out annually and where it is judged that the carrying value of the intangible asset exceeds the likely future economic benefit, then it is written down appropriately.

Investments

Both fixed asset investments and endowment asset investments are stated at market value in the balance sheet.

Investment properties

In accordance with SSAP 19 *Accounting for Investment properties*, investment properties are revalued annually at a valuation determined by the Board of Trustees with the assistance of qualified external valuers. Changes in the market value of investment properties are taken to the statement of total recognised gains and losses. No depreciation is provided in respect of investment properties.

Stocks

Stocks, which principally comprise study materials for resale, are valued at the lower of cost or net realisable value, after making due provision for obsolete and slow-moving items.

Provisions and contingent liabilities

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

Contingent liabilities are disclosed by way of note, when the definition of a provision is not met and include three

scenarios: a possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

Pension schemes

The University participates in the University Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). These are externally funded defined benefits schemes which are contracted out of the State Second Pension. The liabilities of both these schemes are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuation of the schemes, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services.

The University contributes to the National Health Service Superannuation Scheme (NHSS), an unfunded defined benefit scheme for the academic and non-academic staff at the London and Kent, Surrey and Sussex (KSS) Deaneries.

The University contributes to the French State Social Security System, an unfunded defined contribution scheme for the academic and non-academic staff at the University of London Institute in Paris.

The University complies with FRS17 *Retirement Benefits*. Its defined benefit schemes (USS, SAUL and NHSS) are all multi-employer schemes and, accordingly, given that it is not possible to identify the University's underlying share of their assets and liabilities, are accounted for as if they were defined contribution schemes.

London Higher

London Higher is the representative 'umbrella' organisation for universities and higher education colleges in London. London Higher became a separate legal entity on 31 March 2009. The University of London acted as the sponsoring university for London Higher and, as such, it entered into all contracts and transactions on its behalf and reflected these within the income and expenditure account up to 31 March 2009.

From 1 April 2009, London Higher entered into its own contracts and their transactions are not recorded here other than the onward transmission of HEFCE funding.

Consolidated income and expenditure account

for the year ended 31 July 2009

Note	2009 £'000	2008 Restated £'000
Income		
1	12,657	12,298
2	38,401	34,763
3	2,984	3,812
4	87,449	82,089
5	2,803	10,695
	144,294	143,657
Expenditure		
6	(49,183)	(48,550)
7	(89,828)	(86,381)
8	(1,786)	(2,198)
10	(4,155)	(4,936)
	(144,952)	(142,065)
	(658)	1,592
(Deficit)/surplus on continuing operations after depreciation of assets at cost		
Exceptional items:		
9	(1,711)	(1,044)
	227	797
	(2,142)	1,345
(Deficit)/surplus after depreciation, exceptional items and disposal of assets		
	(150)	(520)
	(2,292)	825
(Deficit)/surplus for the year transferred (from)/to reserves		

Statement of consolidated historical cost surpluses and deficits

for the year ended 31 July 2009

Note	2009 £'000	2008 Restated £'000
	(2,412)	1,345
19	–	839
	(2,412)	2,184
Historical cost (deficit)/surplus for the year		

The consolidated income and expenditure relates wholly to continuing activities. 2008 figures have been restated and details of this are provided in note 21.

Statement of consolidated total recognised gains and losses

for the year ended 31 July 2009

Note	2009 £'000	2008 Restated £'000
	(2,142)	1,345
12	(6,827)	(3,844)
12	(439)	(256)
12	6,430	(1,993)
18	434	60
18	–	(1,964)
Total recognised gains and losses relating to the year	(2,544)	(6,652)
Reconciliation		
	148,177	
	(2,544)	
Closing reserves and endowments	145,633	
Reconciliation of movement in funds to the last Annual Report		
	(2,544)	
21	238	
Total movement in funds since last report	(2,306)	

Balance sheets

as at 31 July 2009

Note	Consolidated		University		
	2009 £'000	2008 Restated £'000	2009 £'000	2008 Restated £'000	
	Fixed assets				
10	Tangible assets	153,231	140,159	151,232	138,697
11	Intangible assets	359	238	359	238
12	Investments	31,006	25,082	31,006	25,082
12	Endowment assets	54,341	60,584	54,341	60,584
		238,937	226,063	236,938	224,601
	Current assets				
	Stocks	2,038	2,000	2,038	1,999
13	Debtors	13,746	13,129	14,191	13,715
	Cash at bank and in hand	4,201	9,342	4,199	9,339
		19,985	24,471	20,428	25,053
14	Creditors: amounts falling due within one year	(32,696)	(32,344)	(31,356)	(31,656)
	Net current liabilities	(12,711)	(7,873)	(10,928)	(6,603)
	Total assets less current liabilities	226,226	218,190	226,010	217,998
15	Creditors: Amounts falling due after more than one year	(60,606)	(50,931)	(60,606)	(50,931)
16	Provisions for liabilities and charges	(976)	(228)	(976)	(228)
	Total net assets	164,644	167,031	164,428	166,839
	Represented by				
17	Deferred capital grants	19,011	18,854	19,011	18,854
18	Permanent endowments	48,784	54,654	48,784	54,654
18	Expendable endowments	5,557	5,930	5,557	5,930
19	Revaluation reserve	28,297	22,306	28,297	22,306
20	General reserve	62,995	65,287	62,779	65,095
	Total funds	164,644	167,031	164,428	166,839

Approved by the Board of Trustees on 1 December 2009 and signed on its behalf by:

Dame Jenny Abramsky
Chairman, Board of Trustees

Richard Cryer
Director of Finance

Sir Graeme Davies
Vice-Chancellor

The notes on pages 21 to 36 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 July 2009

Note		2009 £'000	2008 £'000
24	Net inflow from operating activities	596	1,414
25	Returns on investments and servicing of finance	1,017	20,670
26	Capital expenditure and financial investment	(16,269)	(14,258)
	Cash (outflow)/inflow before use of liquid resources and financing	(14,656)	7,826
27	Management of liquid resources	(313)	(8,036)
28	Financing	9,828	8,818
	(Decrease)/increase in cash	(5,141)	8,608
Reconciliation of net cash flow to movement in net debt			
27	(Decrease)/increase in cash for the period	(5,141)	8,608
27	Increase in short term deposits	313	8,036
27	Increase in net loan finance	(9,828)	(8,818)
	Change in net funds	(14,656)	7,826
	Net debt at 1 August	(33,580)	(41,406)
	Net debt at 31 July	(48,236)	(33,580)

Notes to the financial statements

for the year ended 31 July 2009

1. Funding body grants

	2009 £'000	2008 £'000
Higher Education Funding Council in England – recurrent	12,296	12,014
Release of deferred capital grants (note 17)		
Buildings	323	246
Equipment	38	38
	12,657	12,298

2. Tuition fees and education contracts

	2009 £'000	2008 £'000
External system student fees	37,173	33,387
Full time credit bearing courses – home fees	439	669
Full time credit bearing courses – international fees	527	420
Part time credit bearing courses	262	220
Certificate and Diploma courses at the University of London Institute in Paris	–	67
	38,401	34,763

3. Research grants and contracts

	2009 £'000	2008 £'000
Research councils	855	1,202
UK-based charities	551	689
UK government bodies	1,182	1,034
EU government and other bodies	11	86
Other	385	801
	2,984	3,812

Notes to the financial statements

for the year ended 31 July 2009
continued

4. Other operating income

	2009 £'000	2008 £'000
Colleges: subscriptions and charges	9,131	9,455
Residences and catering	20,540	19,961
Estates revenue	2,748	2,691
Other general income	11,216	10,174
Services rendered by the Deaneries and London Higher	41,982	38,727
Examination services for Colleges	757	764
Donations	941	114
Deferred capital grants (note 17)	134	203
	87,449	82,089

5. Endowment and investment income

	2009 £'000	2008 Restated £'000
Transferred from permanent endowments (note 18)	2,239	2,463
Transferred from expendable endowments (note 18)	305	279
Profit on disposal of investment property	–	7,574
Other interest receivable	259	379
	2,803	10,695

6. Staff costs

	2009 £'000	2008 £'000
Salaries	39,043	39,493
Social security costs	3,243	3,413
Other pension costs	6,897	5,644
	49,183	48,550
The above is analysed as follows:		
University	33,873	33,184
Deaneries and London Higher	15,310	15,366
	49,183	48,550
Emoluments of the Vice-Chancellor, Sir Graeme Davies		
Salary	161	147
Benefits in kind	11	12
	172	159
	2009 Number of staff	2008 Number of staff
Average staff numbers by category expressed as full time equivalents		
Academic	86	86
Administrative	681	728
Deaneries and London Higher	248	231
	1,015	1,045

Remuneration of other higher paid staff, excluding employer's pension contributions

	University		Deaneries and London Higher	
	2009 Number of staff	2008 Number of staff	2009 Number of staff	2008 Number of staff
£100,000–£109,999	–	–	–	4
£110,000–£119,999	1	1	1	3
£120,000–£129,999	–	–	3	–
£130,000–£139,999	–	–	–	1
£140,000–£149,999	–	–	2	–
£160,000–£169,999	–	–	–	1
£170,000–£179,999	–	–	2	1
£180,000–£189,999	–	–	1	1

Notes to the financial statements

for the year ended 31 July 2009
continued

7. Expenditure by activity

	Staff costs £'000	Other operating costs £'000	Depreciation £'000	Interest payable £'000	2009 £'000	2008 £'000
Academic departments	6,709	2,772	170	36	9,687	9,308
Academic services	8,220	4,044	291	–	12,555	13,674
External system	6,362	28,494	121	–	34,977	33,275
Central services	4,022	4,007	348	–	8,377	7,169
General education expenses	416	2,866	–	–	3,282	3,806
Staff and students	3,121	1,138	–	–	4,259	4,437
Maintenance	1,964	4,640	1,230	–	7,834	6,320
Residences and catering	1,333	13,472	1,995	1,750	18,550	20,809
Research grants	1,708	835	–	–	2,543	3,436
Services rendered by the Deaneries and London Higher	15,310	27,055	–	–	42,365	39,390
Other	18	505	–	–	523	441
	49,183	89,828	4,155	1,786	144,952	142,065

	2009 £'000	2008 £'000
External Auditors' remuneration		
– Audit	74	72
– Non audit services	37	11
Internal Auditors' remuneration	106	102
Hire of plant and machinery – operating leases	5	6
Hire of other assets – operating leases	349	589

8. Interest payable

	2009 £'000	2008 £'000
On loans not wholly repayable within five years	1,786	2,198

9. Exceptional items

	2009 £'000	2008 £'000
Agreed costs of redundancy and early retirement scheme	1,514	1,044
Compensation for loss of tenancy	197	–
	1,711	1,044

10. Tangible fixed assets

Consolidated	Land and buildings				Equipment	Heritage assets	Total
	Freehold	Long leasehold	Short leasehold	Under construction			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
1 August 2008	133,803	617	6,322	20,108	8,351	809	170,010
Additions during the year	–	–	–	16,707	520	–	17,227
Transfers	(237)	–	–	(1,822)	2,059	–	–
Disposals during the year	–	–	–	–	(833)	–	(833)
31 July 2009	133,566	617	6,322	34,993	10,097	809	186,404
Depreciation							
1 August 2008	21,239	162	3,074	–	5,376	–	29,851
Charge for the year	3,092	8	168	–	887	–	4,155
Disposals during the year	–	–	–	–	(833)	–	(833)
31 July 2009	24,331	170	3,242	–	5,430	–	33,173
Net book value 31 July 2009	109,235	447	3,080	34,993	4,667	809	153,231
Net book value 1 August 2008	112,564	455	3,248	20,108	2,975	809	140,159
University							
	Freehold	Long leasehold	Short leasehold	Under construction	Equipment	Heritage assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
1 August 2008	133,191	617	6,322	20,108	3,500	809	164,547
Additions during the year	–	–	–	16,341	–	–	16,341
Transfers	(237)	–	–	(1,822)	2,059	–	–
Disposals during the year	–	–	–	–	(56)	–	(56)
31 July 2009	132,954	617	6,322	34,627	5,503	809	180,832
Depreciation							
1 August 2008	20,787	161	3,074	–	1,828	–	25,850
Charge for the year	3,087	8	168	–	543	–	3,806
Disposals during the year	–	–	–	–	(56)	–	(56)
31 July 2009	23,874	169	3,242	–	2,315	–	29,600
Net book value 31 July 2009	109,080	448	3,080	34,627	3,188	809	151,232
Net book value 1 August 2008	112,404	456	3,248	20,108	1,672	809	138,697

Notes to the financial statements

for the year ended 31 July 2009
continued

10. Tangible fixed assets continued

Heritage assets

Heritage assets, recognised at valuation, exclude historic assets which are used by the University and comprise a collection of donated pictures and other artefacts. The collection is normally on display at the University's premises.

The University's external valuer, Bonhams, valued the major part of this collection in 2004 on the basis of the price of each item if purchased on appropriate retail premises. Certain items within the collection were not available for inspection by Bonhams at the time of this valuation and, having regard to the fact that they are now in storage and inaccessible whilst the Senate House refurbishment is in progress, these items have not been recognised within the balance sheet. The cost of obtaining a valuation of these items, in the current circumstances, would not be commensurate with the benefits to users of the financial statements.

11 Intangible assets

	2009 £'000	2008 Restated £'000
Consolidated and University		
Cost		
1 August 2008	304	165
Additions during the year	154	139
31 July 2009	458	304
Amortisation		
1 August 2008	66	33
Charge for the year	33	33
31 July 2009	99	66
Net book value 31 July 2009	359	238
Net book value 1 August 2008	238	132

Intangible assets represent course development expenditure within the External System.

12. Consolidated and University investments

At market value	Endowment	Investment	Other	2009	Endowment	Investment	Other	2008
	investments	properties	investments	Total	investments	properties	investments	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 August	52,548	21,289	3,793	77,630	57,590	35,455	3,974	97,019
Additions	271	–	135	406	732	–	75	807
Disposals	–	–	(202)	(202)	(1,930)	(12,173)	–	(14,103)
Revaluation	(6,827)	6,430	(439)	(836)	(3,844)	(1,993)	(256)	(6,093)
	45,992	27,719	3,287	76,998	52,548	21,289	3,793	77,630
Short term deposits and cash	8,349	–	–	8,349	8,036	–	–	8,036
31 July	54,341	27,719	3,287	85,347	60,584	21,289	3,793	85,666
Investments held are analysed as follows:								
Unified Trust Fund holdings	45,992	–	3,017	49,009	52,548	–	3,529	56,077
Fixed interest	–	–	–	–	–	–	45	45
UK equities/corporate bonds	–	–	90	90	–	–	173	173
Cash instruments	–	–	180	180	–	–	46	46
Property	–	27,719	–	27,719	–	21,289	–	21,289
	45,992	27,719	3,287	76,998	52,548	21,289	3,793	77,630
At cost								
Unified Trust Fund holdings	25,450	–	1,945	27,395	25,179	–	2,017	27,196
Fixed interest	–	–	–	–	–	–	43	43
UK equities/corporate bonds	–	–	84	84	–	–	166	166
Cash instruments	–	–	180	180	–	–	46	46
Property	–	502	–	502	–	502	–	502
	25,450	502	2,209	28,161	25,179	502	2,272	27,953

Investment in subsidiary companies at cost

The University of London owns 100% of the issued share capital of 1 £1 Ordinary Share of Senate House Services Limited, a company registered in England and Wales. The principal activity of the company is the provision of operational services to the University of London and its Colleges.

The £2 issued share capital of UMBS Enterprises Limited, a company registered in Scotland, is held in trust for the University of London. UMBS Enterprises Limited has not traded.

Setoncrest Limited and Law 646 Limited, which both have issued share capital of £2 and are owned 100% by the University of London, have not traded in the year.

Investment properties

The investment properties were valued at 31 July 2009 by Knight Frank LLP, Chartered Surveyors in accordance with the University's accounting policy. The valuation method adopted has been to capitalise both the term at passing rent and the reversionary interest at market rent. Appropriate yields have been applied to the term and reversion respectively in order to provide an investment value of the University's interest in the land and buildings after making allowance for purchaser's costs.

Notes to the financial statements

for the year ended 31 July 2009
continued

13. Debtors

	Consolidated		University	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade debtors	5,538	5,424	4,821	5,030
Other debtors	1,212	1,511	1,210	1,509
Prepayments and accrued income	6,996	6,194	6,545	6,045
Amounts owed by group undertaking	–	–	1,615	1,131
	13,746	13,129	14,191	13,715

14. Creditors: amounts falling due within one year

	Consolidated		University	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade creditors	11,167	9,176	10,826	9,022
Finance lease and other long term loans	180	170	180	170
Grants received in advance	513	1,131	513	1,131
Other taxation and social security	1,731	1,908	1,587	1,798
Accruals and deferred income	19,105	19,959	18,250	19,535
	32,696	32,344	31,356	31,656

15. Creditors: amounts falling due after more than one year

	2009 £'000	2008 £'000
Consolidated and University		
Bank loans	60,000	50,000
Finance lease	346	524
Other loans	260	264
Other creditors	–	143
	60,606	50,931

BORROWINGS

	Bank loans		Finance leases	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Consolidated and University				
Obligations are repayable as follows:				
Between one and two years	10,000	–	219	178
Between two and five years	–	–	127	346
Over five years	50,000	50,000	–	–
Total over one year	60,000	50,000	346	524
Within one year (note 14)	–	–	178	170
Total due	60,000	50,000	524	694

BANK LOANS

Lender	Date loan obtained	Final repayment due date	Interest rate	Balance	Balance
				outstanding	outstanding
	2009 £'000	2008 £'000		2009 £'000	2008 £'000
RBS (unsecured)	2007	2047	Fixed 5.1%	50,000	50,000
Barclays (unsecured)	2009	2010	1% over LIBOR	10,000	–
Total over over one year				60,000	50,000

The first repayment on the RBS unsecured loan is due in 2018. The Barclays loan is repayable on 28 October 2010.

Finance Lease

In February 1991 the University, for a consideration of £900,000, created a leasehold interest in respect of the former Courtauld Gallery in Woburn Square for a term of 60 years in favour of University College London (UCL). Part of the lease premium (£750,000) was funded by way of a finance lease for a 21 year period which the University arranged on behalf of UCL. Under this arrangement UCL meets the financing costs incurred by the University over the period of the lease. At 31 July 2009 the amount outstanding under this arrangement was £524,000 of which £178,000 is included in Creditors: amounts falling due within one year. There is an equivalent balance of £524,000 being the amount due from UCL included in Debtors.

Notes to the financial statements

for the year ended 31 July 2009
continued

16. Provisions for liabilities and charges

Consolidated and University	Property liabilities £'000	Restructuring £'000	Total £'000
1 August 2008	–	228	228
Utilised in one year	–	(128)	(128)
Change in year	582	294	876
31 July 2009	582	394	976

It is envisaged that the above provisions will be utilised during 2009–10.

17. Deferred capital grants

Consolidated and University	Government agencies and HEFCE £'000	Other grants and benefactions £'000	Total £'000
Land and buildings	12,885	5,707	18,592
Equipment	251	11	262
1 August 2008	13,136	5,718	18,854
Buildings	390	–	390
Equipment	112	150	262
Additions	502	150	652
Buildings	323	131	454
Equipment	38	3	41
Released to income and expenditure account	361	134	495
Buildings	13,064	5,576	18,640
Equipment	213	158	371
31 July 2009	13,277	5,734	19,011

18. Endowments

Consolidated and University	Restricted permanent £'000	Restricted expendable £'000	Total 2009 £'000	Total 2008 £'000
Capital	47,912	4,377	52,289	57,939
Accumulated income	6,742	1,553	8,295	7,951
At 1 August	54,654	5,930	60,584	65,890
Prior year adjustment	–	–	–	(78)
Restated	54,654	5,930	60,584	65,812
New endowments	30	404	434	60
Transfer to Imperial College	–	–	–	(1,964)
Investment income	2,239	305	2,544	2,742
Expenditure	(2,206)	(188)	(2,394)	(2,222)
Decrease in market value of investments	(6,307)	(520)	(6,827)	(3,844)
Reclassification	374	(374)	–	–
31 July	48,784	5,557	54,341	60,584
Represented by:				
Capital	41,991	4,168	46,159	52,289
Accumulated income	6,793	1,389	8,182	8,295
	48,784	5,557	54,341	60,584

19. Revaluation reserves

Consolidated and University	2009 £'000	2008 £'000
1 August	22,306	25,394
Depreciation of long term investments (note 12)	(439)	(256)
Transfer in respect of disposal of investment property	–	(839)
Revaluation of investment properties (note 12)	6,430	(1,993)
31 July	28,297	22,306

Notes to the financial statements

for the year ended 31 July 2009
continued

20. General reserves

	Consolidated		University	
	2009 £'000	2008 Restated £'000	2009 £'000	2008 Restated £'000
1 August	65,287	63,491	65,095	63,302
Prior year adjustments (note 21)	–	132	–	132
Restated	65,287	63,623	65,095	63,434
Transfer (to)/from income and expenditure	(2,292)	825	(2,316)	822
Transfer in respect of disposal of investment property	–	839	–	839
31 July	62,995	65,287	62,779	65,095

21. Prior year adjustments

The prior year adjustments arise from the change in accounting policy in respect of certain course development costs which have been reclassified as intangible assets.

	£'000
Adjustment to opening reserves at 1 August 2007	132
Adjustment to income and expenditure for the year ended 31 July 2008	106
Total prior year adjustments	238

22. Access funds

	2009 £'000	2008 £'000
1 August	–	–
Net received from HEFCE	4	6
Disbursed to students	(4)	(6)
31 July	–	–

These Funding Council grants are solely for students. The University acts as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

23. Operating lease commitments

At 31 July the University of London and the group had the following annual commitments under non-cancellable operating leases

	Land and buildings		Equipment	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Expiry date:				
Less than one year	33	323	2	–
Between one and five years	75	80	3	6
More than five years	186	186	–	–

24. Reconciliation of consolidated (deficit)/surplus for the year to net cash inflow from operating activities

	2009 £'000	2008 Restated £'000
(Deficit)/surplus on continuing operations after depreciation and disposal of assets	(2,142)	1,345
Items not involving cash movements:		
Depreciation	4,155	4,936
Amortisation of intangible assets	33	33
Deferred capital grants released	(495)	(487)
Loss on sales of investments	3	–
Increase in stocks	(38)	(335)
Increase in debtors	(617)	(1,903)
Increase in creditors	199	7,524
Increase/(decrease) in provisions	748	(405)
Items which are not operating activities:		
Surplus on disposal of tangible assets	(233)	(797)
Surplus on disposal of investment property	–	(7,574)
Interest payable	1,786	2,198
Endowment and investment income	(2,803)	(3,121)
Net cash inflow from operating activities	596	1,414

25. Returns from investments and servicing of finance

	2009 £'000	2008 £'000
Income from endowments	2,544	2,742
Income from short term investments	259	379
Receipts from sale of investment property	–	19,747
Interest payable	(1,786)	(2,198)
Net cash inflow from returns on investments and servicing of finance	1,017	20,670

Notes to the financial statements

for the year ended 31 July 2009
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26. Capital expenditure and financial investment

	2009 £'000	2008 £'000
Tangible assets acquired	(17,227)	(14,361)
Intangible assets acquired	(154)	(139)
Investments acquired	(135)	(75)
Endowment assets acquired	(271)	(732)
Endowment assets transferred to Imperial College	–	(1,964)
Receipts from sale of assets	233	936
Receipts from sale of investments	199	1,930
Deferred capital grants received	652	87
Endowments received	434	60
	(16,269)	(14,258)

27. Analysis of changes in net debt

	1 August 2008 £'000	Cashflows £'000	Transfers £'000	31 July 2009 £'000
Cash at bank and in hand	9,342	(5,141)	–	4,201
Endowment assets – short term deposits	8,036	313	–	8,349
	17,378	(4,828)	–	12,550
Debt due within one year	(170)	170	(180)	(180)
Debt due after one year	(50,788)	(9,998)	180	(60,606)
Net debt	(33,580)	(14,656)	–	(48,236)

Management of liquid resources comprises endowment assets – short term deposits.

28. Financing

	2009 £'000	2008 £'000
1 August	50,958	42,140
Additional borrowing	10,000	50,700
Capital repayments	(172)	(41,882)
31 July	60,786	50,958

29. Pension obligations

Pension Schemes

The University's staff participate in three principal pension schemes: the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) and the National Health Service Scheme (NHSS). These three schemes are all multi-employer schemes with the assets of USS and SAUL being held in separate trustee administered funds. It is not possible to identify the University's share of the underlying assets and liabilities accurately and therefore contributions are accounted for, as permitted by FRS 17, as if they were defined contribution schemes with the cost recognised for the year in the income and expenditure account being equal to the contributions.

The schemes, which are defined benefit arrangements, are externally funded and contracted out of the State Second Pension (S2P) and both USS and SAUL are valued every three years by professionally qualified independent actuaries using the projected unit method.

USS

The most recent actuarial valuation of the scheme was at 31 March 2008 using the projected unit method and the key assumptions and data were as follows:

	Past service	Future service
Investment returns per annum	6.4%	6.4%
Salary scale increases per annum	4.3%	4.3%
Pension increases per annum	3.3%	3.3%
Market value of assets at date of last valuation	£28,842.6M	
Regular contribution rates to 30 September 2009 –		
employer	14.0%	
employee	6.35%	
Regular contribution rate from 1 October 2009 –		
employer	16.0%	
employee	6.35%	
Proportion of members' accrued benefits covered by the actuarial value of assets at 31 March 2008		103%
Estimated proportion of members' accrued benefits covered by the actuarial value of assets at 31 March 2009		74%

SAUL

The most recent actuarial valuation of the scheme was at 31 March 2008 using the projected unit method and the key assumptions and data were as follows:

	Past service	Future service
Investment returns per annum	6.9%	7.0%
Salary scale increases per annum	4.85%	4.85%
Pension increases per annum	3.35%	3.35%
Market value of assets at date of last valuation	£1,266M	
Regular contribution rates		
employer	13.0%	
employee	6.00%	
Proportion of members' accrued benefits covered by the actuarial value of assets at 31 March 2008		100%
Estimated proportion of members' accrued benefits covered by the actuarial value of assets at 31 March 2009		79%

Notes to the financial statements

for the year ended 31 July 2009
continued

NHSS

The NHS Pension Scheme (NHSS) is an unfunded defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the University to identify its share of the underlying scheme assets and liabilities. The University therefore accounts for its pension costs in respect of the scheme on a defined contribution basis, as permitted by FRS 17 Retirement Benefits, thereby charging to its accounts the contributions payable to the scheme for the year. The NHS Pension Scheme is funded centrally by the Treasury on a current cost basis.

Other pension arrangements

Members of staff, employed by the University of London Institute in Paris, are contracted into the French State Social Security System for the purposes of accumulating pension benefit. The Schemes are unfunded and are equivalent to a defined contribution scheme in the United Kingdom. Accordingly, the University accounts for its pension costs in respect of these schemes, as permitted by FRS 17 Retirement Benefits, by charging to its accounts the contributions payable for the year.

30. Capital commitments

	2009 £M	2008 £M
Consolidated and University		
Contracted at 31 July	10.6	22.2
Authorised but not contracted at 31 July	15.7	30.7
	26.3	52.9

31. Related party transactions

Due to the nature of the University's operations and the composition of the Board of Trustees and the Collegiate Council it is inevitable that transactions will take place with organisations in which a member of the Board or Council may have an interest. All transactions involving organisations in which a member of the Board or Council may have an interest are conducted at arm's length in accordance with the University's financial regulations and normal procurement procedures and none of these transactions fall to being disclosed as being with related parties as defined by FRS 8 Related Party Disclosures. In line with the Committee of University Chairman guidance, all members of the Board and the Collegiate Council are required to complete a register of interests to record any areas of potential conflict with the interests of the University.

About us

The University of London is a federal University and is one of the oldest, largest and most diverse universities in the UK. Established by Royal Charter in 1836, the University is recognised globally as a world leader in Higher Education.

It consists of 19 self-governing Colleges of outstanding reputation, together with a number of prestigious Central Academic Bodies and Activities.

Colleges

Birkbeck, University of London
 The Central School of Speech and Drama
 Courtauld Institute of Art
 Goldsmiths, University of London
 Heythrop College
 The Institute of Cancer Research
 Institute of Education, University of London
 King's College London
 London Business School
 The London School of Economics and Political Science
 London School of Hygiene and Tropical Medicine
 Queen Mary, University of London
 Royal Academy of Music
 Royal Holloway, University of London
 The Royal Veterinary College
 St George's, University of London
 School of Oriental and African Studies
 The School of Pharmacy
 UCL

Central Academic Bodies

School of Advanced Study
 Institute of Advanced Legal Studies
 Institute of Classical Studies
 Institute of Commonwealth Studies
 Institute of English Studies
 Institute of Germanic & Romance Studies
 Institute of Historical Research
 Institute of Musical Research
 Institute of Philosophy
 Institute for the Study of the Americas
 Warburg Institute
 University Marine Biological Station, Millport
 University of London External System
 University of London Institute in Paris

Central Activities

Central and Administrative Support Services
 Intercollegiate Halls of Residence
 London Deanery
 The Careers Group, University of London
 University of London Computer Centre
 University of London Housing Services
 University of London Research Library Services
 University of London Union

The financial statements consolidate the central institutes and central activities of the University with the exception of the University of London Union.

Financial Statements 2008–09

University of London
Senate House, Malet Street
London WC1E 7HU

Telephone 020 7862 8000

WWW.LONDON.AC.UK/FINANCIAL_STATEMENTS

