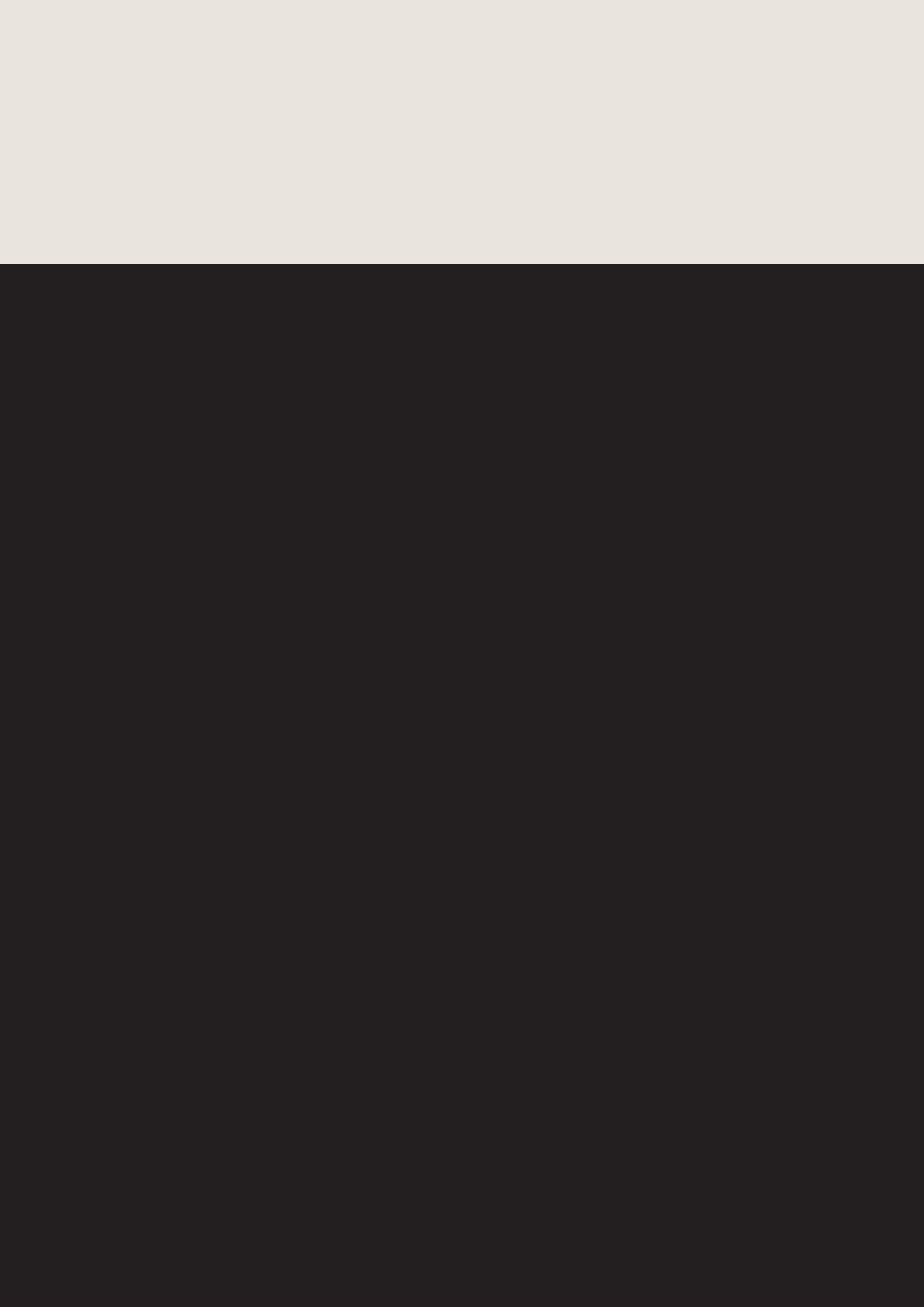


FINANCIAL STATEMENTS 2009–10 UNIVERSITY OF LONDON CENTRAL INSTITUTES AND ACTIVITIES





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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 transfers all its profits to the University.

Business Review

The University's consolidated Income and Expenditure Account for the year to 31 July 2010 is summarised as follows:

	2010 £M	2009 £M
Income	157.0	144.3
Expenditure	(154.2)	(146.6)
Operating surplus/(deficit)	2.8	(2.3)
Surplus on disposal of assets	23.3	0.2
Surplus/(deficit)	26.1	(2.1)

The University's consolidated net assets at 31 July 2010 were as follows:

	2010 £M	2009 £M
Deferred capital grants	18.5	19.0
Endowments	60.0	54.3
Revaluation reserve	33.5	28.3
General reserve	89.0	63.0
Net assets	201.0	164.6

The University's total income increased by 8.8% in 2009–10 compared to 2008–09.

Set against this, total expenditure increased by 5.2%. Therefore, the underlying performance of the University in the current year was, for the second year in succession, much improved; margins were increased and efficiency gains secured. The operating surplus of £2.8M represented 1.8% of the annual turnover for the year. A significant turnaround was thus achieved from the deficit sustained in the previous year of £2.3M or 1.6% of turnover.

A number of the University's operating divisions posted improved results thereby contributing to this turnaround: in particular, the University of London Research Library Services (ULRLS) reduced its deficit by £1.2M to £0.9M, reflecting the progress being made on its restructuring, and Student Services (principally the halls of residence) increased its surplus by £1.6M to £3.7M. There was strong income growth within the University of London International Academy from £38.3M in the previous year to £43.0M and in Student Services from £20.7M to £22.7M.

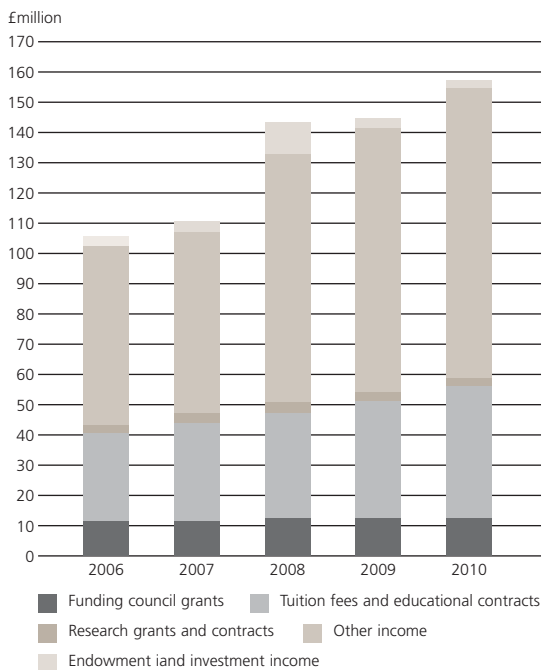
Staff costs were constrained during the year. Excluding the Deaneries and London Higher, the University's FTE staff numbers fell from 767 to 755. The University's staff costs, therefore, expressed as a percentage of income (again excluding the Deaneries and London Higher), reduced from 33.1% (on income of £102.3M) to 30.1% (on income of £111.9M). On the same basis (i.e. excluding the Deaneries and London Higher), other operating expenses reduced from 61.3% of income to 59.5%

These improvements in the underlying performance of the University all reflect the ongoing impact of its progressive corporate reorganisation programme and the specific divisional restructuring initiatives.

The University has also benefited during the year from the substantial surplus of £23.2M arising from the sale of various of the properties which it no longer required following the completion of the refurbishment of the South Block of Senate House to where its core activities have now been relocated.

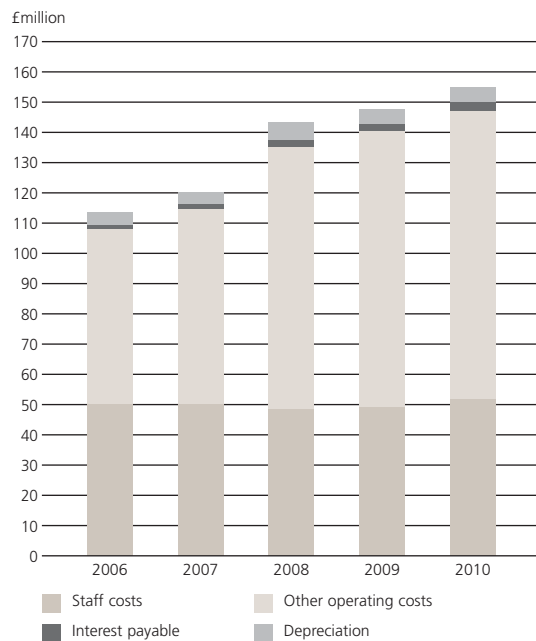
Income analysis

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



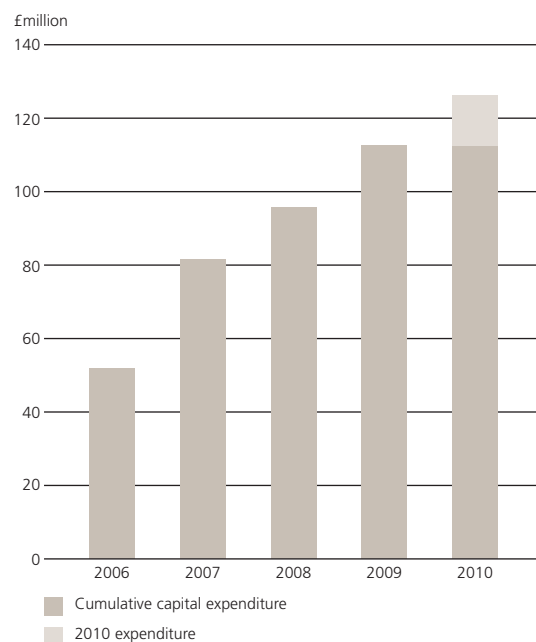
Expenditure analysis

An analysis of the University's expenditure 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.



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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 £18M per annum and, as at 31 July 2010, a further £5.9M of expenditure, to be financed from future asset sales, has been contracted to complete the current phase of the major refurbishment of Senate House as well as Connaught House (one of the University's Halls of Residence).

An analysis of the principal components of the capital expenditure over the five year period to 31 July 2010 is as follows:

	£M
Halls of residence	49.7
Senate House	42.7
Stewart House	14.3
University of London Union	4.5
SITS management information system	3.0
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	5.1
	125.8

The expenditure has been funded by asset sales (£76.9M), capital grants (£4.6M), additional borrowing (£41.0M), with the balance from working capital.

In June 2010, the University refinanced the further £10M of borrowing that had first been drawn-down in July 2009. The £10M facility remains unsecured but now with a repayment date of 30 September 2015 bearing a variable rate of interest set at 0.95% above LIBOR. The University will review whether to prepay this facility, in whole or in part, when the feasibility study for the refurbishment of the remaining part of Senate House (i.e. the North Block) is completed in early 2011.

Cash flow

The University's liquidity was enhanced as at 31 July 2010 compared to the previous year. This reflected both the receipts from the sale of its surplus properties in the year (£24.9M) and the positive net cash-flow from its operating activities of £8.1M. Cash and current asset investments at the year end amounted to £32.3M, up from £12.6M at the previous year end.

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.

Investment performance

During 2009–10 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 4% per annum.

On a total return basis the performance of the Fund for 2009–10 reflected the underlying market conditions and was a return of 16.3% (compared to the Fund's benchmark which showed a return of 16.1%). This represented a turnaround from the position in the previous year when the Fund underperformed its benchmark. The extent of the recovery in 2009–10 is such that the Fund now outperforms its benchmark over one year, three years and five years.

The University's investment properties have been subject to an internal revaluation on an open market basis as at 31 July 2010. The valuation has resulted in their carrying value being uplifted by £5.0M to £32.7M (i.e. an increase of 17.9%).

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

Key events

The University's separate "Annual Report 2009–10" 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 Strategic Plan covers the period 2009–14. It 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.
- As reported last year, the Strategic Plan is accompanied by a Business Change Programme (BCP) which specifically focuses on the need to secure financial sustainability. This programme consists of a number of co-ordinated cross-divisional projects that seek to increase income, reduce costs, develop staff and improve team performance. The BCP has run twelve projects in 2009–10, its first year of operation with a particular focus on staff deployment and performance management, procurement, the utilisation of space within the newly configured Senate House and Stewart House, and establishing the foundations for these locations to be used as conference venues.

- The University has a number of other complementary projects to the BCP which include:
 - 1 the Business Transformation Project within the University of London International Academy (see below) which aims to optimise the service it provides including the implementation of a new student records management system;
 - 2 the implementation of five-year strategic plans for both the University's School of Advanced Studies and its 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 completion of the refurbishment of Senate House South Block has made it possible for the University to vacate a number of its outlying buildings. The refurbishment of the library space within Senate House should be completed by the end of 2010 and the library will move back into its former area.
- The Halls and Housing Services generate over a fifth of the University's income. The Halls accommodate over 3,000 students and Housing Services provided advice to 35,000 students living in the private rental sector. The Housing Advice Service is being expanded to strengthen and improve the services it offers.
- The completion of the refurbishment of Senate House South Block has made it possible for the University to offer a wide range of meeting and function rooms for conferences. They have proved very much in demand reflecting both their high quality and the attractiveness of our location. A new website has been developed and forward bookings are very strong.
- The University is developing a Carbon Management Plan which aims to reduce energy consumption and carbon emissions.

London Deanery

- Over the last year, London Deanery staff, trainees and initiatives received a wide range of awards. The Simulation Technology-enhanced Learning Initiative (STeLI) won the 2009 HSJ Award for Patient Safety and the careers service, provided by the Careers Unit for doctors in training, a partnership with the Careers

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Group, was runner up in the Outstanding Student Service category of the Times Higher Education Leadership and Management Awards.

- Several areas of the Deanery's work were included in the 2010 notable practice report by its Regulator, the Postgraduate Medical Education Training Board.
- LonDEC, the state-of-the-art dental education centre, opened last year, is helping trainees to become more confident, competent practitioners.
- Areas in London are underserved by GPs so that more GP trainees are needed, and more NHS dentists are needed across the capital. London Deanery has accordingly invested £16.2M, in upgrades and expansions to practices for training. 126 GP practices in predominantly underserved areas and 56 dental practices across London have benefited from this funding and an additional 390 training places have been created.

University of London International Academy

- Formerly the External System, the Academy's re-branding took effect from 1 August 2010 with the associated name, University of London International Programmes, having been adopted to appear on all its materials. Whilst the University's Colleges contribute subject matter expertise – leading on curriculum, assessment and the development of learning resources – the Academy leads on managing the student lifecycle and quality matters.
- During the year the Academy has undertaken a number of initiatives aimed at improving the overall student experience including the phased introduction of improved business processes and the introduction of the Institutions Policy Framework.
- The Business Transformation Programme aims to deliver a more efficient student lifecycle and to improve the support available to students, teaching institutions and lead Colleges of the University in delivering the programmes.
- The SITS management information system, which will manage the student administration process, is being implemented in phases with its completion scheduled in 2012. The current year saw SITS delivery in three key areas – enquiry, admissions and fees. SITS will enable the Academy to deliver its range of more than 100

study programmes more efficiently to its 50,000 students worldwide.

- More than 70 institutions have been given recognised status by the University as either an Affiliate or Registered Centre under the Institutions Policy Framework.

University Marine Biological Station, Millport

- In December 2009 RV *Actinia*, a new in-shore research vessel was delivered to replace its 32-year-old predecessor. RV *Actinia* is an 11 metre, 30 tonne, twin-hulled glass-reinforced plastic vessel that is superbly equipped to meet in-shore teaching and research needs. The Station's larger vessel, RV *Aora* has now been released for an increased proportion of income-generating research and contract work away from base. Much of the contract work has been in relation to impact surveys related to renewable energy.
 - During the year the Station has delivered cost-effective teaching to students from Royal Holloway, University of London, King's College London, Queen Mary, University of London, Birkbeck, University of London and the Royal Veterinary College. It has also hosted classes from 21 UK and three overseas universities. Around 500 other visitors have used the Station's facilities in the year, including schools and specialist groups.
 - To fulfil the University's strategic plan, the Station has commissioned an options' appraisal of its facilities and operations and appointed a business manager to formulate a new business plan and generate additional income.
 - The Station participates in the Marine Alliance for Science and Technology Scotland initiative which has provided new opportunities for cross-linked research with Scottish institutions along with the Scottish Industry Science Partnership.
- ### University of London Institute in Paris (ULIP)
- During the year a curriculum review of the BA in French Studies and the MA "Paris Studies: History and Culture" has been initiated and new courses subsequently introduced – at the BA level in comparative literature and at the MA level in politics and philosophy.
 - Demand for the BA programme remained high with all places allocated at the start of the year and an especially high ratio of Firsts and 2:1s achieved. The MA continues

to attract high-quality European and international students, several of whom come from journalism, fashion/design and other kindred backgrounds.

- The MA course draws on world-leading expertise from within the Consortium established in 2005 with Queen Mary, University of London and Royal Holloway, University of London. Postgraduate studies also embrace a busy community of PhD students.
- A project manager was appointed at the end of the year to oversee the development of a new suite of Master's programmes in Business Law and International Relations to be delivered by the Consortium partners from 2012.
- Active research programmes have continued with conferences and seminars at ULIP and staff attending major conferences in Los Angeles, Salt Lake City, Brussels, Amsterdam, Algiers, Rabat and Istanbul.

School of Advanced Study

- The focus has been on implementing the School's Strategic Plan 2009–10 through 2012–13 and the next HEFCE review. The identified strategic objectives and priorities in the Plan are to fulfil the School's national and international research promotion and facilitation role for the humanities and social sciences and wider society. The year has seen:
 - The continued development of innovative digital resource provision
 - Enhanced fellowship opportunities for outstanding visiting researchers
 - An events programme that maximises intellectual outreach to the academic and non-academic sectors
 - National and international research and policy-making networks and collaborative opportunities.
 - Professor Roger Kain, CBE, FBA, formerly Deputy Vice-Chancellor for Research and Knowledge Transfer at the University of Exeter and Treasurer and Vice-President of the British Academy, took up the post of Dean and Chief Executive of the School on 1 April 2010.
- A rich programme of activities was provided during the year with over 1,400 events including conferences on a wide range of subjects from the Peripatetic School

Through Alexander of Aphrodisias to The Traditions of Liberty in the Transatlantic World.

- The ten institutes of the School were brought together through a seminar series funded by the Andrew W Mellon Foundation. The series, organised under the auspices of the Human Rights Consortium brought together all areas of the School and a range of distinguished British and international scholars to investigate neighbourly atrocities from an extensive range of thematic, disciplinary, methodological, geographic and temporal perspectives.

University of London Research Library Services (ULRLS)

- The new Senate House library continued to take shape with well-lit, comfortable reading rooms, wi-fi, purpose designed furniture and an array of modern research and e-delivery tools.
- The libraries of the Institutes of Germanic Studies, Commonwealth Studies and the Study of the Americas were relocated within the Senate House library envelope in September 2009 with access arrangements extended and unified for the whole library.
- The automation of key processes has been extended – it is now possible to book materials held in Special Collections online for consultation on a specified date, and work is continuing on remote registration.
- Digitisation of research theses through the Electronic Theses Online System was facilitated, duplicate copies of theses were returned to Colleges freeing up 5km of shelving at the Egham depository for alternative use and significant new collection listings were created by archive volunteers.
- The completion of the current phase of the Senate House refurbishment project at the end of 2010 will permit the return of the library to its original location within Senate House and this forms but one part of the ongoing project to reconfigure the library on a sustainable basis as a federal resource in accordance with the review undertaken by the Collegiate Council.

The Careers Group

- The Careers Group has worked to enhance impact with the delivery of training, open to all English HEIs, to assist in the creation of the new mandatory institutional employability statements.

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- A state of the art careers service management system, *Interfase*, has been installed to enable all member Colleges and the central office to manage employer and student contact and to measure both usage and impact across 12 different sites. Funded by the Higher Education Innovation Fund, websites have been established for students who feel they have a barrier to employment (*Reach*) and to support the 25,000 international students within member Colleges (*Futures*).
- Attendance at events continued to be high: the Summer Guardian London Graduate Fair attracted 16 more employers and higher numbers of pre-registered visitors than the previous year.
- Commercial income generated by the Careers Group rose by 10% with more vacancies advertised on JobOnline, licences and an outsourcing contract sold to external HEIs for Destinations Interactive which allows students and academics to view the destinations data of their graduates.
- Nationally a new web tool was created for the Association of Graduate Careers Advisory Services Scotland and a careers service was launched for the Chartered Library and Information Professionals.

University of London Computer Centre (ULCC)

- ULCC delivered its services to over 250 customers across the UK, including 13 Colleges of the University.
- Hosting services experienced a 30% growth in income including existing customers such as City University London, King's College, London, New York University in London and the School of Oriental and African Studies. New customers included Heythrop College, The School of Pharmacy, Queen Mary, University of London, London Metropolitan University and St Mary's University College, Twickenham.
- Managed Desktop Services from ULCC have been instrumental in delivering key University projects – virtualisation and data management, disaster recovery provision and green IT – to reduce overall costs and/or realise efficiencies.
- Digital archives and repositories are a centre of excellence in preservation, repositories and systems. A new system for SOAS Special Collections, the MERLIN text mining project for UCL, a major upgrade to the SAS-Space Repository and the designing of customised

software for UCL's AHRC funded Transcribe Bentham Project, are all examples of work undertaken in the year.

- E-learning was marked by the University's hosting of Moodle/Moot UK 2010 which attracted 250 delegates. A third of the 157 Group, representing 28 of England's larger FE colleges are ULCC customers and, in HE, University College Plymouth, University of Glyndwr and University of Exeter became new customers in the year. The total number of students supported by ULCC approaches 500,000.

Risk and sustainability

In both the immediate and medium term the greatest uncertainty facing the University (and, indeed, the sector as a whole) stems from the application of the measures that the Government has determined are necessary to rectify the deterioration of the public finances. Specifically for universities in England, the comprehensive spending review (CSR) will give rise to a cut to direct higher education funding, excluding research, of 40%, or £2.9bn, by 2014–15. The details of how this will affect individual institutions (and the inter-relationship between funding, fees and student support) are still being worked out and, at this stage, it is too early to say specifically how this will affect the University. We are reviewing all our academic areas in the light of the unfolding situation. At the same time, the University's Business Change Programme and specific divisional restructuring projects covering all the major areas of its operations, have all been driven by the need to ensure that future financial sustainability is secured to mitigate this risk.

The enhanced liquidity of the University (represented by its cash position at 31 July 2010) together with its net asset position means that it is in a position of relative strength and has the financial headroom to continue to pursue its restructuring programmes and manage the impact of the anticipated more turbulent times ahead.

The potential impact of the CSR may be less profound than for many institutions in our sector given that the University's direct dependence on public funding is less than most of its peers. As the financial statements for the current year show, funding from HEFCE accounted for 8.6% of total income and, when to this is added the contributions from the Colleges of £9.4M, the total direct and indirect reliance on public funding amounts to 15% of the total income of £150.6M (for the English HEIs, as a whole, the percentage is some 36%).

The University's income from tuition fees substantially relates to the Academy (formerly the External System) and therefore will not be directly affected by changes in the UK student funding regime. Indeed, with the anticipated combination of the removal of the major part of HEFCE funding for teaching, a significant increase in undergraduate fees and the extension of eligibility for student loans to part-time students, the changes are likely to be favourable for the Academy within England. David Willetts, the Minister for Universities and Science, has stated in Parliament that "external degrees and opportunities for new HE providers can be thoroughly debated in the wake of the Browne review and pursued as we get down to the business of supply-side reform. Both are promising ways of growing the sector cost-effectively during this period of austerity and of innovating while guaranteeing quality, because we would be applying proven methods". We regard the Academy as being extremely well-positioned to offer, in the new environment, an attractive combination of price, flexibility and, moreover, degrees of acknowledged world-class standard and pedigree.

The University's Intercollegiate Halls of Residence currently provide accommodation for around 3,000 of its students and they are many times oversubscribed. Whilst we have invested £50M in the last five years in upgrading two of the halls, we are currently considering how best to deal with the remaining stock. The returns enjoyed by the University from its operation of halls of residence are not insignificant and, at the same time, there is an acknowledged acute undersupply of student accommodation in London. The changes in the higher education sector will mean that there is anticipated to be growth in the student groups most likely to demand high-quality purpose-built accommodation (mature, postgraduate, overseas and research students) and our review is geared to ascertaining how we can best serve this market. The successful expansion and modernisation of our remaining accommodation will also serve to mitigate the risk associated with the sector-wide changes over the next five to ten years and provide a cushion to shield our academic divisions that are in receipt of public funding from some of the pending reductions therein.

The University regularly reviews its prospective medium-term financial out-turns employing various planning scenarios including funding expectations, student numbers and research activities, overheads and pay-related costs. This means that we are prepared to respond to changes (both positive and negative) and ensure that our financial sustainability is not impaired. Our on-going

focus on the cost base and the implementation of cost-efficiency measures, particularly stemming from the Business Change Programme is also important. We anticipate that the Business Change Programme, in the period up to 2012–13, will secure reductions in the existing cost base in excess of 5% in annual terms.

Public benefit

The University is an exempt charity under the terms of the Charities Act 2006. The Charities Commission has issued guidance on public benefit requiring that there must be clearly identified benefits related to the aims of the charity; that the benefits must be to the public, or to a section of the public; that where the benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by geographical or other restrictions or by the ability to pay fees; and that people in poverty must not be excluded from the opportunity to benefit.

The objects of the University of London, carried out through the Colleges primarily, and also through its Central Academic Bodies and Central Activities (to which these financial statements specifically relate), are, for the public benefit, to promote education of a university standard and the advancement of knowledge and learning by teaching and research; and to encourage the achievement and maintenance of the highest academic standards.

The University makes a significant contribution, not just to the advancement of education, but also in a variety of ways to all of the other specific categories of charitable purposes set out in the Charities Act 2006, which are as follows:

- 1 the prevention or relief of poverty;
- 2 the advancement of religion;
- 3 the advancement of health or the saving of lives;
- 4 the advancement of citizenship or community development;
- 5 the advancement of the arts, culture, heritage or science;
- 6 the advancement of amateur sport;
- 7 the advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity;
- 8 the advancement of environmental protection or improvement;
- 9 the relief of those in need, by reason of youth, age, ill-health, disability, financial hardship or other disadvantage;

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10 the advancement of animal welfare, and
11 the promotion of the efficiency of the armed forces of the Crown, or of the efficiency of the police, fire and rescue services or ambulance services.

The Colleges of the University, which are all themselves exempt charities, have included within their respective financial statements for 2009–10 Public Benefit statements in conformity with the reporting requirements of the HEFCE Accounts Direction for 2009–10 and reference thereto should be made in considering the public benefits delivered by the University, given that its primary purpose is to serve and further the interests of its Colleges.

The ways in which the central University advances the categories of charitable purposes are in many cases self-evident from the variety of academic disciplines associated with its Institutes and Colleges.

To provide an example, the University of London International Academy, through its associated International Programmes delivers programmes in a wide range of disciplines and subject areas. These include an MSc in Poverty Reduction (purpose 1 above), an MSc in Applied Educational Leadership and Management, a BA in Theology (purpose 2), MScs in Clinical Trials, Epidemiology, Infectious Diseases and Public Health (purpose 3), an MSc in Citizenship Education (purpose 4), BAs in English, History, Philosophy and Classics (purpose 5), LL.M and LL.B degrees (purpose 7), an MSc in Environmental Management (purpose 8) and an MSc in Livestock Health and Production (purpose 10).

The University, on behalf of the federation, manages a range of trust funds and endowments. The endowment funds as shown in the balance sheet at 31 July 2010 were carried at their market value which was £54.3M and the sums expended during the year therefrom amounted to £2.3M. This expenditure represents payments in respect of fellowships and scholarships, prizes, and chairs and lectureship funds as well as a range of other awards to assist students and researchers within the Colleges thereby providing opportunities to those whose means may otherwise inhibit them from participating in teaching and research activities. The University's trust funds are also utilised to fund an ongoing series of prestigious public lectures, recitals and readings generally in areas connected with the arts and humanities.

Through its Careers Group, the University promotes access to tertiary education for students from a wide

range of backgrounds. This work aims at raising levels of aspirations amongst young people so that they may consider how best to fulfil their potential. During 2009–10 the Careers Group organised a series of Undergraduate Open Days for prospective students and a Postgraduate Open Evening. A Taster Course programme, to provide potential students with the experience of first degree courses, was also organised and attended by over 10,000 students and spanned 162 separate taster courses. These included courses entitled:

- Getting Technical: career options for Science, Technology, Engineering and Mathematics Students
- Is it Legal? Careers in Law
- Is there a Doctor in the House? Careers in Medicine, and
- Choosing a University Course During a Recession: A Guide for Parents.

The Careers Group website provides a rich source of information concerning all aspects of careers advice to students (and the public) and, during 2009–10 there were over 730,000 visitors to this site extending to nearly 3.9M viewings of the pages thereof.

The University's own website provides a further rich resource of material and references pertaining to all aspects of the University's activities. In 2009–10 there were over 9M visits to the site of which 4M related to the student centred pages and the remainder to the other areas.

The University Marine Biological Station, Millport is the UK's national facility for Marine Biology Fieldwork and provides facilities and logistical support for field teaching by universities throughout the UK and for visiting groups of European students. As well as teaching, the Station's research profile is focused on cutting-edge research into topical issues in Marine Biology, Microbiology, Ecology and Environmental Management. The Station incidentally provides recreational sport facilities for sub aqua and other groups; lectures by its academics and practical sessions are provided to local voluntary groups, school groups, recreational and study groups; access to its library facilities is available to any members of the public as are the Museum and Aquarium. The Hyperbaric Chamber advances health and the saving of lives. It is used to train the police, fire, rescue and ambulance services. The Station is open to, and welcomes, the general public and school groups to which it endeavours to provide an insight into the nature of marine life and awareness of marine environmental issues.

The University of London Institute in Paris promotes education in an international context and, at the same time, enhances intercultural exchange and insight. During 2009–10 it organised a wide range of cultural events and exchanges including joint initiatives with the British Council with which it shares its premises. Events such as the recent creative writing programme for students and writers from the Maghreb have proven to be invaluable for the promotion of religious or racial harmony as well as the furtherance of cultural understanding which serves to further the level of cultural understanding that is vital for conflict resolution and reconciliation.

Finally, the School of Advanced Study is unique as the only institution in the UK nationally funded to promote and facilitate research in the humanities and social sciences. The School's events programme which comprises a wide range of seminars, workshops, lectures and conferences is unrivalled in scale, focus and quality. During 2009–10 some 1,400 events were organised attracting an audience of over 30,000 members drawn from the UK, internationally and the London area. The majority of the events are free and open to the public.

The School also hosts a cross-disciplinary centre – the Human Rights Consortium – which brings together the multidisciplinary expertise in human rights found in several of its constituent Institutes as well as collaborating with individuals and organisations with an interest in the subject. The main aim of the Consortium is to facilitate, promote and disseminate academic and policy work on human rights by holding conferences and seminars, hosting visiting fellows, coordinating publication of high-quality work in the field, and establishing a network of human rights researchers, policy-makers and practitioners across the UK and internationally, with a view to collaborating on a range of activities.

Looking forward

The period of office of my predecessor, Sir Graeme Davies, from 2003 to 2010 was truly distinguished and I was honoured to be appointed on 1 September 2010 as his successor. The reforms and change which Sir Graeme initiated during his term have laid the foundations for a secure and assured future for the unique institution that is the University of London notwithstanding that we are now entering a period of great challenges and opportunities for our sector and this institution and its member Colleges in particular.

The new governance structure has bedded in with 2009–10 marking its second year of operation with the Collegiate Council now occupying 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 was one of the first outputs from the new governance structure and this covers the period to 2014, articulating our strategic aims and objectives and provides the context within which the operational plans for the Central Academic Bodies and Activities are being developed.

The academic role of the central University now gives recognition to the fact that a number of the Colleges have chosen to exercise degree awarding powers. The central academic bodies of the University – the School of Advanced Study, the University of London International Academy (formerly the External System), the University of London Institute in Paris and the University Marine Biological Station, Millport – all continue to pursue major change programmes the outcomes of which will assist them in the performance of 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, are all working towards the implementation of key elements of the Strategic Plan to secure their respective roles as valued and relevant service providers for the federation.

These financial statements demonstrate the progress which has been made to securing the financial sustainability of our institution. The outcome for 2009–10 builds on the real and tangible progress of earlier years and, notwithstanding the operating surplus and strong balance sheet position, there remain, of course, considerable challenges for us and our community. I can report that, after three months in office, I have found the institution is well-equipped to meet these challenges and that there is a real identity of purpose which embraces both the Colleges and the centre.

Professor Geoffrey Crossick

Vice-Chancellor
University of London
29 November 2010

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 chair, 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 and considers reports from the Higher Education Funding Council for England 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.

Membership and responsibilities of the Board of Trustees

Membership

Period 1 August 2009 to 29 November 2010 (unless otherwise stated):

Independent Members	Period of Office
Dame Jenny Abramsky (Chair)	
Mr David Beever	Appointed 1 August 2010
Mr Abdul Bhanji	
Mr Steven Fogel	
Ms Judith Evans	Resigned 30 September 2010
His Honour Judge Grainger	
Mr Edward Hartill	
Mr Maxwell Hutchinson	
Mrs Suzanne McCarthy	
Mr Charles Perrin	Resigned 31 July 2010

Vice-Chancellor

Sir Graeme Davies	Resigned 31 August 2010
Professor Geoffrey Crossick	Appointed 1 September 2010

Representative Heads of Colleges

Professor Geoffrey Crossick, Warden of Goldsmiths, University of London	Resigned 19 April 2010
Professor David Latchman, Master of Birkbeck, University of London	Appointed 30 April 2010
Professor Peter Rigby, Chief Executive of the Institute of Cancer Research	
Professor Rick Trainor, Principal and President of King's College London	
Professor Geoff Whitty, Director of the Institute of Education, University of London	

Responsibilities

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 head of institution and accountable officer (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 2010 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 2010 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 30. 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.

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

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 2010 and of the surplus 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
30 November 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 United Kingdom Accounting Standards. They conform to guidance published by the Higher Education Funding Council for England.

The University's activities, together with the factors likely to affect their future performance and position is set out in the Financial Report on pages 2 to 12. Having regard to the University's considerable assets and financial resources, its Board of Trustees believe it is well placed to manage its risks successfully notwithstanding the current economic conditions and future uncertainties associated therewith. The Board of Trustees have a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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 (including the Deaneries and London Higher) 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.

Statement of the University's principal accounting policies

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 and deposits repayable on demand. 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 FRS30, 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. 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 University of London International Academy 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.

Current asset investments

Current asset investments comprise money on term deposit and money market funds which are shown at the lower cost and net realisable value.

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.

Statement of the University's principal accounting policies

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.

Consolidated income and expenditure account

for the year ended 31 July 2010

Note		2010 £'000	2009 £'000
Income			
1	Funding body grants	12,930	12,657
2	Tuition fees and educational contracts	42,861	38,401
3	Research grants and contracts	2,430	2,984
4	Other income	96,263	87,449
5	Endowment and investment income	2,561	2,803
		157,045	144,294
Expenditure			
6	Staff costs	(51,758)	(49,183)
7	Other operating expenses	(93,625)	(89,828)
8	Interest payable	(2,522)	(1,786)
9	Restructuring costs	(1,484)	(1,711)
10	Depreciation	(4,830)	(4,155)
		(154,219)	(146,663)
	Surplus/(deficit) on continuing operations after depreciation of assets at cost	2,826	(2,369)
	Exceptional items:		
	Surplus on disposal of fixed assets	23,286	227
	Surplus /(deficit) after depreciation, exceptional items and disposal of assets	26,112	(2,142)
	Transfer to accumulated income within endowments	(166)	(150)
	Surplus/ (deficit) for the year transferred to/(from) reserves	25,946	(2,292)

The consolidated income and expenditure relates wholly to continuing activities.

There is no difference between the surplus or deficit on an historical cost basis, therefore the statement of historical cost surplus and deficit has not been provided.

Statement of consolidated total recognised gains and losses

for the year ended 31 July 2010

Note	2010 £'000	2009 £'000
	26,112	(2,142)
12	4,965	(6,827)
12	307	(439)
12	4,972	6,430
18	536	434
Total recognised gains and losses relating to the year	36,892	(2,544)
Reconciliation		
Opening reserves and endowments	145,633	
Total recognised gains and losses relating to the year	36,892	
Closing reserves and endowments	182,525	
Reconciliation of movement in funds to the last Financial Statements		
Total recognised gains and losses relating to the year	36,892	
Total movement in funds since last report	36,892	

Balance sheets

as at 31 July 2010

Note	Consolidated		University		
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	
Fixed assets					
10	Tangible assets	160,162	153,231	157,927	151,232
11	Intangible assets	361	359	361	359
12	Investments	36,290	31,006	36,290	31,006
12	Endowment assets	60,008	54,341	60,008	54,341
		256,821	238,937	254,586	236,938
Current assets					
	Stocks	1,584	2,038	1,584	2,038
13	Debtors	10,557	13,746	12,048	14,191
	Current asset investments	10,000	–	10,000	–
	Cash at bank and in hand	13,598	4,201	12,712	4,199
		35,739	19,985	36,344	20,428
14	Creditors: amounts falling due within one year	(31,174)	(32,696)	(29,714)	(31,356)
	Net current assets/(liabilities)	4,565	(12,711)	6,630	(10,928)
	Total assets less current liabilities	261,386	226,226	261,216	226,010
15	Creditors: amounts falling due after more than one year	(60,377)	(60,606)	(60,377)	(60,606)
16	Provisions for liabilities and charges	–	(976)	–	(976)
	Total net assets	201,009	164,644	200,839	164,428
Represented by					
17	Deferred capital grants	18,484	19,011	18,484	19,011
18	Permanent endowments	53,313	48,784	53,313	48,784
18	Expendable endowments	6,695	5,557	6,695	5,557
19	Revaluation reserve	33,576	28,297	33,576	28,297
20	General reserve	88,941	62,995	88,771	62,779
	Total funds	201,009	164,644	200,839	164,428

Approved by the Board of Trustees on 29 November 2010 and signed on its behalf by:

Dame Jenny Abramsky
Chairman, Board of Trustees

Richard Cryer
Director of Finance

Professor Geoffrey Crossick
Vice-Chancellor

The notes on pages 27 to 42 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 July 2010

Note		2010 £'000	2009 £'000
23	Net inflow from operating activities	8,089	596
24	Returns on investments and servicing of finance	39	1,017
25	Capital expenditure and financial investment	11,811	(16,269)
	Cash inflow/(outflow) before management of liquid resources and financing	19,939	(14,656)
26	Management of liquid resources	(10,352)	(313)
27	Financing	(190)	9,828
	Increase/(decrease) in cash	9,397	(5,141)
Reconciliation of net cash flow to movement in net debt			
26	Increase/(decrease) in cash for the period	9,397	(5,141)
26	Increase in short term deposits	352	313
26	Increase in current asset investments	10,000	–
26	Increase in net loan finance	190	(9,828)
	Change in net funds	19,939	(14,656)
	Net debt at 1 August	(48,236)	(33,580)
	Net debt at 31 July	(28,297)	(48,236)

Notes to the financial statements

for the year ended 31 July 2010

1. Funding body grants

	2010 £'000	2009 £'000
Higher Education Funding Council for England – recurrent	12,559	12,296
Release of deferred capital grants (note 17)		
Buildings	333	323
Equipment	38	38
	12,930	12,657

2. Tuition fees and education contracts

	2010 £'000	2009 £'000
University of London International Academy student fees	41,641	37,173
Full time credit bearing courses – home fees	486	439
Full time credit bearing courses – international fees	413	527
Part time credit bearing courses	321	262
	42,861	38,401

3. Research grants and contracts

	2010 £'000	2009 £'000
Research councils	686	855
UK-based charities	526	551
UK Government bodies	817	1,182
EU Government and other bodies	146	11
Other	255	385
	2,430	2,984

Notes to the financial statements

for the year ended 31 July 2010

4. Other operating income

	2010 £'000	2009 £'000
Colleges: subscriptions and charges	9,440	9,131
Residences and catering	22,342	20,540
Estates revenue	2,812	2,748
Other general income	13,705	11,216
Services rendered by the Deaneries and London Higher	44,960	41,982
Examination services for colleges	230	757
Donations	2,019	941
Deferred capital grants (note 17)	755	134
	96,263	87,449

5. Endowment and investment income

	2010 £'000	2009 £'000
Transferred from permanent endowments (note 18)	2,028	2,239
Transferred from expendable endowments (note 18)	365	305
Other interest receivable	168	259
	2,561	2,803

6. Staff costs

	2010 £'000	2009 £'000
Salaries	40,752	39,043
Social security costs	3,410	3,243
Other pension costs	7,596	6,897
	51,758	49,183

The above is analysed as follows:

University	33,706	33,873
Deaneries and London Higher	18,052	15,310
	51,758	49,183

Emoluments of the Vice-Chancellor, Sir Graeme Davies

Salary	163	161
Benefits in kind	11	11
	174	172

	2010 Number of staff	2009 Number of staff
Average staff numbers by category expressed as full time equivalents		
University	755	767
Deaneries and London Higher	295	248
	1,050	1,015

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

	University		Deaneries and London Higher	
	2010 Number of staff	2009 Number of staff	2010 Number of staff	2009 Number of staff
£110,000–£119,999	–	1	1	1
£120,000–£129,999	1	–	1	3
£130,000–£139,999	–	–	3	–
£140,000–£149,999	–	–	2	2
£150,000–£159,999	–	–	1	–
£170,000–£179,999	–	–	1	2
£180,000–£189,999	–	–	–	1

Notes to the financial statements

for the year ended 31 July 2010

7. Expenditure by activity

	Staff costs £'000	Other operating costs £'000	Depreciation £'000	Interest payable £'000	2010 £'000	2009 £'000
Academic departments	6,808	2,915	194	–	9,917	9,687
Academic services	7,394	4,027	411	–	11,832	12,555
University of London International Academy	6,937	31,013	121	–	38,071	34,977
Central services	4,390	5,842	347	512	11,091	8,377
General education expenses	293	2,551	–	–	2,844	3,282
Staff and students	3,439	1,086	–	–	4,525	4,259
Maintenance	1,884	5,194	1,742	–	8,820	7,834
Residences and catering	1,236	12,579	2,015	2,010	17,840	18,550
Research grants	1,308	749	–	–	2,057	2,543
Services rendered by the Deaneries and London Higher	18,052	27,277	–	–	45,329	42,365
Other	17	392	–	–	409	523
	51,758	93,625	4,830	2,522	152,735	144,952

	2010 £'000	2009 £'000
External auditors' remuneration		
– Fees payable for audit of financial statements	70	74
– Non audit services	23	37
Internal auditors' remuneration	125	106
Hire of plant and machinery – operating leases	16	5
Hire of other assets – operating leases	210	349

8. Interest payable

	2010 £'000	2009 £'000
On loans repayable within one year	107	–
On loans not wholly repayable within five years	2,415	1,786
	2,522	1,786

9. Restructuring costs

	2010 £'000	2009 £'000
Agreed costs of redundancy and early retirement scheme	1,081	1,514
Compensation for loss of tenancy	403	197
	1,484	1,711

In the financial statements for 2008–09 these restructuring costs were shown as 'exceptional items' in the income and expenditure account. Because these restructuring costs have reduced in 2009–10 and are not classified as 'exceptional items', the prior year amount has now been treated in the same way.

10. Tangible fixed assets

Consolidated	Land and buildings				Equipment £'000	Heritage assets £'000	Total £'000
	Freehold £'000	Long leasehold £'000	Short leasehold £'000	Under construction £'000			
Cost or valuation							
1 August 2009	133,566	617	6,322	34,993	10,097	809	186,404
Additions during the year	5,994	–	–	5,407	915	1,452	13,768
Completed during the year	32,510	–	–	(33,216)	706	–	–
Disposals during the year	(2,284)	–	(24)	(434)	(1,552)	–	(4,294)
31 July 2010	169,786	617	6,298	6,750	10,166	2,261	195,878
Depreciation							
1 August 2009	24,331	170	3,242	–	5,430	–	33,173
Charge for the year	3,652	8	168	–	1,002	–	4,830
Disposals during the year	(855)	–	(16)	–	(1,416)	–	(2,287)
31 July 2010	27,128	178	3,394	–	5,016	–	35,716
Net book value 31 July 2010	142,658	439	2,904	6,750	5,150	2,261	160,162
Net book value 1 August 2009	109,235	447	3,080	34,993	4,667	809	153,231
University							
University	Land and buildings				Equipment £'000	Heritage assets £'000	Total £'000
	Freehold £'000	Long leasehold £'000	Short leasehold £'000	Under construction £'000			
Cost or valuation							
1 August 2009	132,954	617	6,322	34,627	5,503	809	180,832
Additions during the year	4,860	–	–	6,459	153	1,452	12,924
Completed during the year	32,539	–	–	(32,850)	311	–	–
Disposals during the year	(1,801)	–	(24)	(434)	(175)	–	(2,434)
31 July 2010	168,552	617	6,298	7,802	5,792	2,261	191,322
Depreciation							
1 August 2009	23,873	170	3,242	–	2,315	–	29,600
Charge for the year	3,647	8	168	–	547	–	4,370
Disposals during the year	(466)	–	(16)	–	(93)	–	(575)
31 July 2010	27,054	178	3,394	–	2,769	–	33,395
Net book value 31 July 2010	141,498	439	2,904	7,802	3,023	2,261	157,927
Net book value 1 August 2009	109,080	448	3,080	34,627	3,188	809	151,232

Notes to the financial statements

for the year ended 31 July 2010

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 and the remainder in 2010 on the basis of the price of each item if purchased on appropriate retail premises.

11. Intangible assets

	2010 £'000	2009 £'000
Consolidated and University		
Cost		
1 August 2009	458	304
Additions during the year	94	154
31 July 2010	552	458
Amortisation		
1 August 2009	99	66
Charge for the year	92	33
31 July 2010	191	99
Net book value 31 July 2010	361	359
Net book value 1 August 2009	359	238

Intangible assets represent course development expenditure within the Academy.

12. Consolidated and University investments

At market value	Endowment	Investment	Other	2010	Endowment	Investment	Other	2009
	investments	properties	investments	Total	investments	properties	investments	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 August	45,992	27,719	3,287	76,998	52,548	21,289	3,793	77,630
Additions	350	–	5	355	271	–	135	406
Disposals	–	–	–	–	–	–	(202)	(202)
Revaluation	4,965	4,972	307	10,244	(6,827)	6,430	(439)	(836)
	51,307	32,691	3,599	87,597	45,992	27,719	3,287	76,998
Short term deposits and cash	8,701	–	–	8,701	8,349	–	–	8,349
31 July	60,008	32,691	3,599	96,298	54,341	27,719	3,287	85,347
Investments held are analysed as follows:								
Unified Trust Fund holdings	51,307	–	3,333	54,640	45,992	–	3,017	49,009
UK equities/corporate bonds	–	–	–	–	–	–	90	90
Cash instruments	–	–	266	266	–	–	180	180
Property	–	32,691	–	32,691	–	27,719	–	27,719
	51,307	32,691	3,599	87,597	45,992	27,719	3,287	76,998
At cost								
Unified Trust Fund holdings	25,786	–	1,945	27,731	25,450	–	1,945	27,395
UK equities/corporate bonds	–	–	–	–	–	–	84	84
Cash instruments	–	–	266	266	–	–	180	180
Property	–	502	–	502	–	502	–	502
	25,786	502	2,211	28,499	25,450	502	2,209	28,161

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.

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.

UBSM Services Limited, which is incorporated in Scotland with an issued share capital of £1 wholly owned by the University of London, has also not traded in the year.

Investment properties

The investment properties were valued at 31 July 2010 by way of a desktop valuation exercise carried out by a chartered surveyor within the University's Estates and Facilities Division with input and advice from Knight Frank LLP, Chartered Surveyors. 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 2010

13. Debtors

	Consolidated		University	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade debtors	4,132	5,538	3,413	4,821
Other debtors	636	1,212	636	1,210
Prepayments and accrued income	5,789	6,996	5,391	6,545
Amounts owed by group undertaking	–	–	2,608	1,615
	10,557	13,746	12,048	14,191

14. Creditors: amounts falling due within one year

	Consolidated		University	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade creditors	11,191	11,167	10,817	10,826
Finance lease and other long term loans	219	180	219	180
Grants received in advance	672	513	672	513
Other taxation and social security	2,332	1,731	2,132	1,587
Accruals and deferred income	16,760	19,105	15,874	18,250
	31,174	32,696	29,714	31,356

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

	2010 £'000	2009 £'000
Consolidated and University		
Bank loans	60,000	60,000
Finance lease	127	346
Other loans	250	260
	60,377	60,606

BORROWINGS

	Bank loans		Finance leases	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Consolidated and University				
Obligations are repayable as follows:				
Between one and two years	–	10,000	127	219
Between two and five years	–	–	–	127
Over five years	60,000	50,000	–	–
Total over one year	60,000	60,000	127	346
Within one year (note 14)	–	–	219	180
Total due	60,000	60,000	346	526

BANK LOANS

Lender	Date loan obtained	Final repayment due date	Interest rate	Balance	Balance
				outstanding	outstanding
	2010 £'000	2009 £'000		2010 £'000	2009 £'000
RBS (unsecured)	2007	2047	Fixed 5.1%	50,000	50,000
Barclays (unsecured)	2009	2010	1% over LIBOR	–	10,000
Barclays (unsecured)	2010	2015	0.95% over LIBOR	10,000	–
Total over over one year				60,000	60,000

The first repayment on the RBS unsecured loan is due in 2018. The Barclays loan is repayable on 30 September 2015.

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 2010 the amount outstanding under this arrangement was £346,000 of which £219,000 is included in Creditors: amounts falling due within one year. There is an equivalent balance of £346,000 being the amount due from UCL included in Debtors.

Notes to the financial statements

for the year ended 31 July 2010

16. Provisions for liabilities and charges

Consolidated and University	Property liabilities £'000	Restructuring £'000	Total £'000
1 August 2009	582	394	976
Utilised in one year	(582)	(394)	(976)
31 July 2010	-	-	-

17. Deferred capital grants

Consolidated and University	Government agencies and HEFCE £'000	Other grants and benefactions £'000	Total £'000
Land and buildings	13,064	5,576	18,640
Equipment	213	158	371
1 August 2009	13,277	5,734	19,011
Buildings	561	-	561
Equipment	38	-	38
Additions	599	-	599
Buildings	331	750	1,081
Equipment	40	5	45
Released to income and expenditure account	371	755	1,126
Buildings	13,294	4,826	18,120
Equipment	211	153	364
31 July 2010	13,505	4,979	18,484

18. Endowments

Consolidated and University	Restricted permanent £'000	Restricted expendable £'000	Total 2010 £'000	Total 2009 £'000
Capital	41,991	4,168	46,159	52,289
Accumulated income	6,793	1,389	8,182	8,295
At 1 August	48,784	5,557	54,341	60,584
New endowments	–	536	536	434
Investment income	2,028	365	2,393	2,544
Expenditure	(1,943)	(284)	(2,227)	(2,394)
Increase/(decrease) in market value of investments	4,444	521	4,965	(6,827)
31 July	53,313	6,695	60,008	54,341
Represented by:				
Capital	46,434	5,225	51,659	46,159
Accumulated income	6,879	1,470	8,349	8,182
	53,313	6,695	60,008	54,341

19. Revaluation reserves

Consolidated and University	2010 £'000	2009 £'000
1 August	28,297	22,306
Appreciation/(depreciation) of long term investments (note 12)	307	(439)
Revaluation of investment properties (note 12)	4,972	6,430
31 July	33,576	28,297

Notes to the financial statements

for the year ended 31 July 2009

20. General reserves

	Consolidated		University	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
1 August	62,995	65,287	62,779	65,095
Transfer from/(to) income and expenditure	25,946	(2,292)	25,992	(2,316)
31 July	88,941	62,995	88,771	62,779

21. Access funds

	2010 £'000	2009 £'000
1 August	–	–
Net received from HEFCE	2	4
Disbursed to students	(2)	(4)
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.

22. 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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Expiry date:				
Less than one year	–	33	3	2
Between one and five years	172	75	13	3
More than five years	186	186	–	–

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

	2010 £'000	2009 £'000
Surplus/(deficit) on continuing operations after depreciation and disposal of assets	26,112	(2,142)
Items not involving cash movements:		
Depreciation	4,830	4,155
Amortisation of intangible assets	92	33
Deferred capital grants released	(1,126)	(495)
Loss on sales of investments	–	3
Decrease/(increase) in stocks	454	(38)
Decrease/(increase) in debtors	3,189	(617)
Decrease/(increase) in creditors	(1,561)	199
Decrease/(increase) in provisions	(976)	748
Items which are not operating activities:		
Surplus on disposal of tangible assets	(22,886)	(233)
Interest payable	2,552	1,786
Endowment and investment income	(2,561)	(2,803)
Net cash inflow from operating activities	8,809	596

24. Returns from investments and servicing of finance

	2010 £'000	2009 £'000
Income from endowments	2,393	2,544
Income from short term investments	168	259
Interest payable	(2,522)	(1,786)
Net cash inflow from returns on investments and servicing of finance	39	1,017

Notes to the financial statements

for the year ended 31 July 2010

25. Capital expenditure and financial investment

	2010 £'000	2009 £'000
Tangible assets acquired	(13,768)	(17,227)
Intangible assets acquired	(94)	(154)
Investments acquired	(5)	(135)
Endowment assets acquired	(350)	(271)
Receipts from sale of tangible assets	24,893	233
Receipts from sale of investments	–	199
Deferred capital grants received	599	652
Endowments received	536	434
	11,811	(16,269)

26. Analysis of changes in net debt

	1 August 2009 £'000	Cashflows £'000	Transfers £'000	31 July 2010 £'000
Cash at bank and in hand	4,201	9,397	–	13,598
Endowment assets – short term deposits	8,349	352	–	8,701
	12,550	9,749	–	22,299
Current asset investments	–	10,000	–	10,000
Debt due within one year	(180)	180	(219)	(219)
Debt due after one year	(60,606)	10	219	(60,377)
Net debt	(48,236)	19,939	–	(28,297)

Management of liquid resources comprises endowment assets – short term deposits and current asset investments.

27. Financing

	2010 £'000	2009 £'000
1 August	60,786	50,958
Additional borrowing	–	10,000
Capital repayments	(190)	(172)
31 July	60,596	60,786

28. 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 2010	91%	

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 2010	90%	

Notes to the financial statements

for the year ended 31 July 2010

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.

29. Capital commitments

Consolidated and University	2010 £M	2009 £M
Contracted at 31 July	5.9	10.6
Authorised but not contracted at 31 July	–	15.7
	5.9	26.3

30. 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.

Trustees are not entitled to and did not receive any remuneration for their services. One trustee received £600 (2008–09: £500) representing the reimbursement of travel and subsistence expenses incurred in attending University Board and Committee meetings and events in their official capacity.

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 range 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
 The 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
 The School of Oriental and African Studies
 The School of Pharmacy
 UCL

Central Institutes

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 of London International Academy
 University of London Institute in Paris
 University Marine Biological Station, Millport

Central Activities

The Careers Group University of London
 Central Administrative and Support Services
 Intercollegiate Halls of Residence
 Postgraduate Medical and Dental Deaneries
 University of London Research Library Services
 University of London Computer Centre
 University of London Housing 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.

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Financial Statements 2009–10

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