



University of London

Established by Royal Charter 1836

FINANCIAL STATEMENTS
UNIVERSITY OF LONDON
CENTRAL INSTITUTES AND ACTIVITIES

2007-08



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COLLEGES, CENTRAL INSTITUTES AND CENTRAL ACTIVITIES OF THE UNIVERSITY OF LONDON

FINANCIAL REPORT

31 JULY 2008

Scope of the Financial Statements

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

BUSINESS REVIEW

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

	2008 £M	2007 £M
Income	143.7	110.6
Expenditure	142.3	119.6
Operating surplus/(deficit)	1.4	(9.0)
Exceptional items	(0.2)	2.1
Surplus/(deficit) transferred to/(from) general reserve	1.2	(6.9)

The University's consolidated net assets at 31 July 2008 were as follows:

	2008 £M	2007 £M
Deferred capital grants	18.9	19.3
Endowments	60.5	65.8
Revaluation reserve	22.3	25.4
General reserve	65.1	63.5
Net assets	166.8	174.0

The increase in both income and expenditure was largely in respect of the activities of the Deaneries and London Higher which are both incorporated into the University's financial statements on a full cost recovery basis. The part of the London Deanery's income included within the financial statements of the University increased from £19.6 million in 2006-07 to £37.7 million in the current year reflecting the growth of the Deanery's activities in the field of postgraduate medical and dental training.

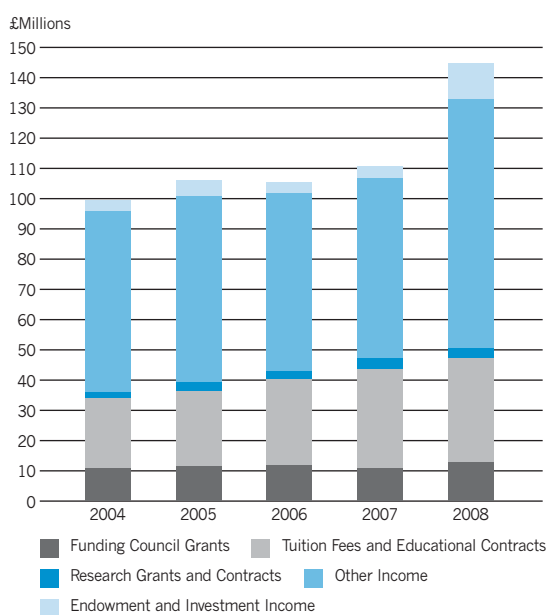
Exceptionally, in 2007-08, the University disposed of its investment in a significant property holding within the Bloomsbury area on an arm's length basis to a College of the University thereby generating a surplus of £8.4 million on the historical cost basis and £7.6 million on its carrying value as at 31 July 2007.

Income from the University's activities in the areas of residences and catering and its estates revenue increased significantly representing the impact of bringing into operation the refurbished College Hall and an increase in the proportion of the estate now let to external academic occupants.

On the expenditure side, the underlying cost of providing central services was reduced reflecting the impact of the restructuring consequent upon the University's ongoing corporate reorganisation programme.

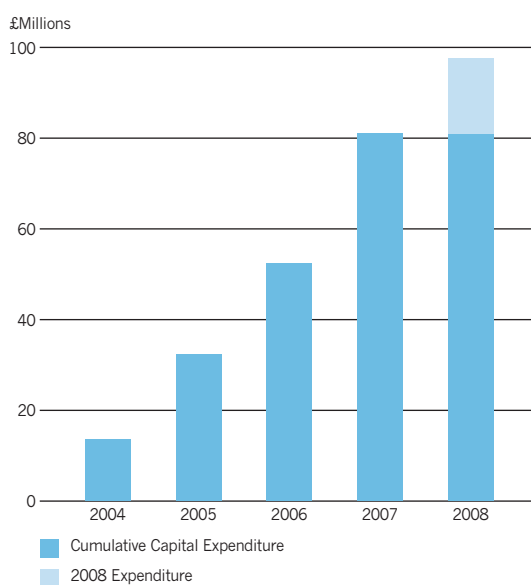
INCOME ANALYSIS

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



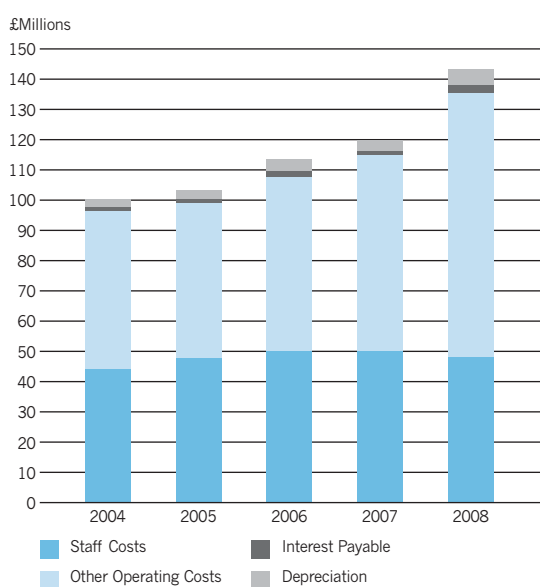
CAPITAL EXPENDITURE

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



EXPENDITURE ANALYSIS

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



The University has invested consistently in improving and upgrading both its teaching and research infrastructure, its student facilities and its estate generally. Expenditure has averaged £19 million per annum and, as at 31 July 2008, a further £22 million of expenditure, to be financed from future asset sales, has been contracted to complete the current phase of the major refurbishment of Senate House.

An analysis of the principal components of the capital expenditure over the five year period to 31 July 2008 is as follows:

	£M
Halls of residence	48.7
Senate House	18.2
Stewart House	14.3
University of London Union	4.5
University of London Institute in Paris	2.9
Gordon, Torrington and Woburn Squares	2.5
Warburg Institute	1.1
Other projects, individually less than £1M	3.3
Total	95.5

The expenditure has been funded by asset sales (£53.8 million), capital grants (£3.7 million), additional borrowing (£31.5 million), with the balance from working capital.

FINANCIAL REPORT

31 JULY 2008

In November 2007 the University refinanced its long-term borrowings by way of a £50 million unsecured 40 year term loan bearing a fixed rate of interest of 5.1%.

Repayments of this loan are scheduled to commence in 2018 with £25 million to be amortised over the remaining 30 year term and the balance of £25 million to be repaid by way of a final bullet payment.

CASH FLOW

Cash and short term deposits at the year end amounted to £17.4 million, up by £16.6 million from the previous year end. This reflects the impact of the enhanced long-term borrowing arrangements.

Throughout the year, the University has pursued a conservative treasury management policy with appropriate counterparty limits and security criteria in place.

Accordingly, the University has avoided any exposure to the instability and liquidity issues which have affected certain deposit taking institutions.

As noted above, the outstanding capital commitments which have been contracted are to be financed from the proceeds from agreed asset sales and the continued anticipated improvement in the underlying trading position of the University should ensure that there is a further positive net cash inflow from operating activities during 2008–09.

INVESTMENT PERFORMANCE

During 2007–08 the University's endowment funds were managed by Newton Investment Management Limited and are invested in the University's unified trust fund which has the investment objective of maintaining income growth at least in line with inflation and providing some capital growth. The long term objective for the fund is to achieve a real return of 5% per annum.

On a total return basis the performance of the fund for 2007–08 reflected the underlying market conditions and was a negative return of 3.2% (compared to the fund's benchmark which showed a negative return of 5.9%). The comparative performance for 2006–07 was a positive return of 10.9% against the benchmark of 9.0%.

KEY EVENTS

The University's separate "Annual Report 2007–08"

provides a comprehensive account of its activities and achievements during the year under review. Key events and highlights covered within the report include:

General

- The new governance arrangements, whereby the 72 member University Council, with effect from 1 August 2008, was replaced by a 14 member (of whom nine are independent) Board of Trustees supported by a 21 member Collegiate Council.
- The on-going progress of the corporate reorganisation programme.
- The implementation of the University's new Agresso based finance system which went live to over 400 users on 6 August 2008 and which, bringing in standard purchasing and sales processes and full commitment accounting, will facilitate much greater financial control across the central University.
- The plans and achievements of the Human Resources division, including training.
- Student and staff numbers for 2007–08.

Estates

- The progress with the on-going project for the refurbishment, rewiring and restoration of Senate House.
- The completion of the refurbishment and extension of College Hall to provide 343 en suite student rooms.
- The completion of the restorations of Gordon Square and Woburn Square.
- The work of the Housing Services department providing housing support and advice to over 35,000 of the University's students.

External system

- The enrolment of 13,000 students during the year bringing its total numbers to 41,000 students worldwide.
- The governance changes with the establishment of the Board of the External System and its Finance and Academic Committees.
- The progress of its Business Transformation Project to ensure that organisational and IT infrastructure are fit for purpose.
- Its 150th anniversary celebrations during the year.

University Marine Biological Station Millport

- The work of Millport as a centre for biological teaching and research for the Colleges of the University and UK and overseas HEI's generally.
- The commissioning of a new build to replace its existing 11 metre specialised research vessel with delivery expected in 2009 to complement its larger modern, custom built 22 metre vessel.

University of London Institute in Paris

- The progress of the academic developments and initiatives within the framework of the consortium with the two partner Colleges, Queen Mary, University of London and Royal Holloway, University of London.

School of Advanced Study

- The outcome of the review on behalf of the Higher Education Funding Council for England carried out by Sir Ivor Crewe which concluded that the School was a centre of excellence making a significant contribution to the national research base of the humanities and social sciences and enhanced the School's recurrent funding by 10 per cent (£610,000).
- The work on the preparation of a strategic plan for the School whereby it is to achieve financial sustainability.

University of London Research Library Services (ULRLS)

- The outcome of the parallel review to that carried out by Sir Ivor Crewe for HEFCE of the funding of the Senate House library which concluded that much of its special funding (£760,000) should be withdrawn over a two year period commencing 2008–09, thereby potentially increasing the deficit of the library in future.
- In the light of the above, the review currently in progress of the operations of ULRLS to recommend a sustainable way forward.

The Careers Group

- The web initiatives initiated by the Careers Group.
- The work of the C2 Consultancy Unit.
- The student and staff courses which were run by the Group.
- The events attended by over 12,000 exhibitors and students held by the Careers Group during the year.

University of London Computer Centre (ULCC)

- The work of the various teams within ULCC: e-learning

services, digital archiving and preservation, web development, networking and hosting and podcasting.

- The establishment of the state of the art data centre within Stewart House.
- The success in securing new contracts and retaining existing ones serving a range of academic, public and not-for-profit clients.

LOOKING FORWARD

The University has been through a sustained period of restructuring and reorganisation which has impacted materially on its financial statements and performance over the last five years.

The future holds considerable challenges, most especially concerning the position of Senate House library following the conclusion of the review of its funding and the decisions which will need to be taken to ensure its future sustainability within the context of a reduced funding envelope. The University also needs to continue to address the changes required in other areas to ensure that income and expenditure are brought back into balance and that an appropriate level of annual surplus is once more secured.

The new governance arrangements which have taken effect from 1 August 2008 now mean that the central University has in place a more appropriate structure to initiate the process for the establishment of a University Strategic Plan to cover the period 2009–13 to succeed the existing Corporate Plan 2004–09 which was approved by the University Council in June 2004.

The role of the Collegiate Council as set out in the new Ordinances is to make recommendations to the Board of Trustees on the strategic direction of the University and on a plan for its implementation and to approve the strategic plans for each central academic body and activity ensuring they are consistent with the University's Strategic Plan. To this end I have established a working group of the Collegiate Council to oversee the drafting of the new Strategic Plan and it is envisaged that the final version of this Plan will be submitted to the Collegiate Council and Board of Trustees in July 2009.

Sir Graeme Davies

Vice-Chancellor
University of London
24 November 2008

CORPORATE GOVERNANCE STATEMENT

The University of London is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998.

Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Throughout the year ended 31 July 2008, the University has been in compliance with all the Code provisions set out in Section 1 of the Combined Code on Corporate Governance insofar as they relate to universities. The University also complies with the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales issued by the Committee of University Chairmen.

During the period up to 31 July 2008, prior to the adoption of its new statutes, the **University Council** comprised *ex officio* members, including Heads of Colleges, lay persons appointed under the University Statutes and academic and student members elected in accordance with the Ordinances; the majority of members of the Council were non-executive. The roles of Chairman and Deputy Chairman of the Council were separated from the role of the University's chief executive, the Vice-Chancellor. The matters specially reserved to the Council for decision were set out in the Statutes of the University which were then in force and under the Financial Memorandum with the Higher Education Funding Council for England (HEFCE). The University Council was responsible for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from executive officers on the day-to-day operations of its business and its associated activities.

The Council normally met three times a year. Its statutory committees comprised the Senate and the Estates Committee. Other committees of the Council were the Finance Committee, the Governance Committee, the Nominations Committee, the Human Resources Committee, the Remuneration Committee, the Audit Committee and the Investments Committee.

The Senate had responsibility for the determination of academic policy.

The Estates Committee, on which lay members of Council were in the majority, had the obligation under the Statutes to exercise Council's powers to sell, buy, exchange, lease and accept leases of property, or borrow money on behalf of the University on security of property of the University. In exercising Council's powers, the Estates Committee acted in consultation with the Council on policies for promoting the purposes of the University, encouraging cooperation between Colleges in academic matters, and making the most effective use of resources.

The Finance Committee *inter alia* reviewed the University's annual revenue and capital budgets before the start of each academic year to provide assurance to the Council on their viability. It monitored performance in relation to these budgets and recommended to the Council the adoption of the audited financial statements. The Committee oversaw the operations of the University's treasury management and the restructuring of its borrowing arrangements.

The Governance Committee was responsible for recommending to Council changes to the Statutes and Ordinances and to the constitution, membership and terms of reference of Council committees.

The Nominations Committee considered nominations for lay vacancies on the Council.

The Human Resources Committee considered, approved and monitored matters of personnel policy.

The Remuneration Committee determined the remuneration of the Vice-Chancellor and other senior staff.

The Audit Committee met at least three times a year to receive the reports of the External Auditors, to approve the plan of work, based on an internal assessment of risk, for the Internal Audit Providers and to review their subsequent reports together with recommendations for improvements to the University's systems of internal control and management's response and implementation plans. It also received and considered reports from the Higher Education Funding Council for England as they affected the University's business and monitored adherence to the regulatory requirements. The Committee reviewed in detail the University's annual financial statements together with the accounting policies. Whilst senior officers attended meetings of the Audit Committee as necessary, they were not members of the Committee. The External and Internal Auditors had access at all times to the Chairman of the Committee.

The Investments Committee was responsible for matters relating to the investments of the University, including recommending to the Finance Committee the appointment of investment managers.

The University's new statutes, which were approved by the Privy Council on 11 June 2008, have introduced the following changes with effect from 1 August 2008:

The role of the University Council has been subsumed into the **Board of Trustees** and the **Collegiate Council**. The Board of Trustees is the governing and executive body of the University (*and herein references to the Council refer to both the Council and Board of Trustees*). The Collegiate Council is the body responsible for determining and advising the Board of Trustees of the collective view of the Colleges of the University in respect of all matters concerning the University including its strategic direction. The Board of Trustees comprises nine independent members appointed under the University Statutes, the Vice-Chancellor (*ex officio*) and four Heads of College, chosen by the Collegiate Council. The Chair of the Board of Trustees is appointed from the independent members of the Board. The Board of Trustees will normally meet six times a year. The Collegiate Council 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 will normally meet six times a year.

The Nominations, Remuneration, Audit (renamed Audit and Risk) and Investments Committees continue under the new governance structure (*and herein references to the Audit Committee refer both to that Committee and its successor body*). The functions of the Senate have been subsumed by the Collegiate Council whilst those of the Estates and Finance Committees have been subsumed directly by the Board of Trustees.

RESPONSIBILITIES OF THE UNIVERSITY COUNCIL

The Council of the University is responsible for the administration and management of the affairs of the University, including ensuring an effective system of internal control, and is required to present consolidated audited financial statements each financial year.

The Council 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 other relevant accounting 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 Council, through its designated office holder (the Vice-Chancellor), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for the year.

In causing the consolidated financial statements to be prepared, the Council 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 Council 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 Council 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 Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Council; and
- the Internal Audit Provider, whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of the Council, 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 Council 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 2008 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 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 Committee, to oversee risk management.
- The Audit 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 Council 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 University of London for the year ended 31 July 2008 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the statement of consolidated historical cost surpluses and deficits, the statement of consolidated total recognised gains and losses, the consolidated and University balance sheets, the consolidated cash flow statement and the related notes 1 to 30.

These financial statements have been prepared in accordance with the statement of the University's principal accounting policies.

This report is made solely to the Board of Trustees of the University, as a body, in accordance with the Financial Memorandum dated July 2006. Our audit work has been undertaken so that we might state to the Board 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 OF THE UNIVERSITY OF LONDON AND AUDITORS

As described in the statement of the Board's responsibilities, the Board is responsible for the preparation of the financial statements in accordance with the University's statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education and other applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 are properly prepared in accordance with the Statement of Recommended Practice: 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 of London 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 Board's report is not consistent with the financial statements, if the Group has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Board's report, including the corporate governance statement, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing 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 in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion:

- (a) the financial statements give a true and fair view of the state of affairs of the University and the Group as at 31 July 2008 and of the surplus of the Group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- (b) in all material respects income from the Higher Education Funding Council for England, 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
- (c) in all material respects income has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum, dated July 2006 with the Higher Education Funding Council for England.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London
25 November 2008

NOTES

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

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

STATEMENT OF THE UNIVERSITY'S PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

BASIS OF ACCOUNTING

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

BASIS OF CONSOLIDATION

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

RELATED PARTY TRANSACTIONS

The University is partly funded by subscriptions from the Colleges within the federation and by charges for specific services supplied by the University to Colleges. Heads of Colleges within the federation were *ex officio* members of the Council of the University up to 31 July 2008 and are *ex officio* members of the Collegiate Council from 1 August 2008. The Colleges are not related parties because of their autonomy as independent higher education institutions.

TAXATION

The University is an exempt charity under Schedule 2 to the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax.

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

FOREIGN CURRENCIES

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

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

RECOGNITION OF INCOME AND EXPENDITURE

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

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

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

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

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

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

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

CASH FLOWS AND LIQUID RESOURCES

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours 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 is charged on the capital cost or valuation of the buildings. Freehold properties (excluding land value) are depreciated at 1 per cent per annum straight-line and leasehold properties are depreciated at the amount necessary to write off the value of the asset over the remaining period of the lease. Refurbishment of buildings is capitalised and written off over 20 years. Where buildings are acquired with the aid of specific grants the

related grants are credited to a deferred capital grants account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Assets in the course of construction are not depreciated. Developmental interest incurred directly as a consequence of major capital developments is capitalised as part of the capital costs of the related asset.

HERITAGE ASSETS

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

OTHER TANGIBLE ASSETS

Equipment, 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.

STATEMENT OF THE UNIVERSITY'S PRINCIPAL ACCOUNTING POLICIES

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.

INVESTMENTS

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

INVESTMENT PROPERTIES

In accordance with SSAP 19 *Accounting for Investment properties*, investment properties are revalued annually at a valuation determined by the University Council (up to 31 July 2008) or the Board of Trustees (from 1 August 2008) 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 are valued at the lower of cost or net realisable value, after making due provision for obsolete and slow-moving items.

PROVISIONS AND CONTINGENT LIABILITIES

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

Contingent liabilities are disclosed by way of note, when the definition of a provision is not met and include three scenarios: a possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

PENSION SCHEMES

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

The University contributes to the National Health Service Superannuation Scheme (NHS), 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 NHS) are all multi-employer schemes and, accordingly, given that it is not possible to identify the University's underlying share of their assets and liabilities, are accounted for as if they were defined contribution schemes.

LONDON HIGHER

London Higher is the representative 'umbrella' organisation for universities and higher education colleges in London. The University of London acts as the sponsoring university for London Higher and, as such, it enters into all contracts and transactions on its behalf and reflects these within the income and expenditure account.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 JULY 2008

Note	2008 £'000	2007 Restated £'000
Income		
1	12,298	11,234
2	34,763	32,870
3	3,812	3,022
4	82,089	60,346
5	10,695	3,106
	143,657	110,578
Expenditure		
6	(48,550)	(50,212)
7	(86,487)	(64,200)
8	(2,198)	(1,131)
10	(4,936)	(4,086)
	(142,171)	(119,629)
	1,486	(9,051)
Surplus/(deficit) on continuing operations after depreciation of assets at cost		
Exceptional items:		
9	(1,044)	(2,771)
	797	4,907
	1,239	(6,915)
Surplus/(deficit) after depreciation, exceptional items and disposal of assets		
	(520)	(519)
	719	(7,434)
Surplus/(deficit) for the year transferred to reserves		

STATEMENT OF CONSOLIDATED HISTORICAL COST SURPLUSES AND DEFICITS

FOR THE YEAR ENDED 31 JULY 2008

Note	2008 £'000	2007 Restated £'000
	1,239	(6,915)
19	839	–
	2,078	(6,915)
Historical cost surplus/(deficit) for the year		

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 JULY 2008

Note	2008 £'000	2007 Restated £'000
Surplus/(deficit) after depreciation, exceptional items and disposal of assets	1,239	(6,915)
11 (Depreciation)/appreciation of endowment asset investments	(3,844)	3,348
11 (Depreciation)/appreciation of fixed asset investments	(256)	210
11 (Depreciation)/appreciation of investment properties	(1,993)	7,032
17 New endowments	60	773
17 Transfer of endowments	(1,964)	–
Total recognised gains and losses relating to the year	(6,758)	4,448
Reconciliation		
Opening reserves and endowments (as restated)	154,697	
Total recognised gains and losses relating to the year	(6,758)	
Closing reserves and endowments	147,939	
Reconciliation of movement in funds to the last Annual Report		
Total recognised gains and losses relating to the year	(6,758)	
20 Prior year adjustments:		
Deferred capital grants in respect of land transferred to general reserve	2,020	
Surplus on inclusion of heritage assets	809	
Total movement in funds since last report	(3,929)	

BALANCE SHEETS

AS AT 31 JULY 2008

Note	Consolidated		University		
	2008 £'000	2007 Restated £'000	2008 £'000	2007 Restated £'000	
	Fixed assets				
10	Tangible assets	140,159	130,873	138,697	129,384
11	Investments	25,082	39,429	25,082	39,429
11	Endowment assets	60,584	65,812	60,584	65,812
		225,825	236,114	224,363	234,625
	Current assets				
	Stocks	2,000	1,665	1,999	1,663
12	Debtors	13,129	11,226	13,715	11,869
	Cash at bank and in hand	9,342	734	9,339	731
		24,471	13,625	25,053	14,263
13	Creditors: amounts falling due within one year	(32,344)	(35,133)	(31,656)	(34,471)
	Net current liabilities	(7,873)	(21,508)	(6,603)	(20,208)
	Total assets less current liabilities	217,952	214,606	217,760	214,417
14	Creditors: amounts falling due after more than one year	(50,931)	(40,022)	(50,931)	(40,022)
15	Provisions for liabilities and charges	(228)	(633)	(228)	(633)
		166,793	173,951	166,601	173,762
	Represented by				
16	Deferred capital grants	18,854	19,254	18,854	19,254
17	Permanent endowments	54,654	59,669	54,654	59,669
17	Expendable endowments	5,930	6,143	5,930	6,143
18	Revaluation reserve	22,306	25,394	22,306	25,394
19	General reserve	65,049	63,491	64,857	63,302
		166,793	173,951	166,601	173,762

Approved by the Board of Trustees on 24 November 2008 and signed on its behalf by:

J Abramsky CBE
Chairman, Board of Trustees

R A Cryer
Director of Finance

Sir Graeme Davies
Vice-Chancellor

The notes on pages 19 to 34 form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2008

Note		2008 £'000	2007 £'000
23	Net cash inflow/(outflow) from operating activities	1,275	(10,221)
24	Returns on investments and servicing of finance	20,670	1,975
25	Capital expenditure and financial investment	(14,119)	(21,490)
	Cash inflow/(outflow) before use of liquid resources and financing	7,826	(29,736)
27	Management of liquid resources	(8,036)	10,165
27	Financing	8,818	14,557
	Increase/(decrease) in cash	8,608	(5,014)
Reconciliation of net cashflow to movement in net debt			
27	Increase/(decrease) in cash for the period	8,608	(5,014)
27	Increase/(decrease) in short term deposits	8,036	(10,165)
27	Increase in net loan finance	(8,818)	(14,557)
	Change in net debt	7,826	(29,736)
	Net debt at 1 August	(41,406)	(11,670)
	Net debt at 31 July	(33,580)	(41,406)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008

1. FUNDING BODY GRANTS

	2008 £'000	2007 £'000
Higher Education Funding Council in England – recurrent	12,014	10,932
Release of deferred capital grants (note 16)		
Buildings	246	264
Equipment	38	38
	12,298	11,234

2. TUITION FEES AND EDUCATION CONTRACTS

	2008 £'000	2007 £'000
External system student fees	33,387	30,339
Full time credit bearing courses – home fees	669	693
Full time credit bearing courses – international fees	420	472
Part time credit bearing courses	220	242
Certificate and diploma courses at the University of London Institute in Paris	67	1,124
	34,763	32,870

3. RESEARCH GRANTS AND CONTRACTS

	2008 £'000	2007 £'000
Research councils	1,202	901
UK-based charities	689	658
UK government bodies	1,034	707
EU government and other bodies	86	109
Other	801	647
	3,812	3,022

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008 continued

4. OTHER INCOME

	2008	2007
	£'000	Restated £'000
Colleges: subscriptions and charges	9,455	9,523
Residences and catering	19,961	16,275
Estates revenue	2,691	1,176
Other general income	10,174	10,652
Services rendered by the Deaneries and London Higher	38,727	21,128
Examination services for Colleges	764	1,226
Donations	114	165
Deferred capital grants (note 16)	203	201
	82,089	60,346

5. ENDOWMENT AND INVESTMENT INCOME

	2008	2007
	£'000	Restated £'000
Transferred from permanent endowments (note 17)	2,463	2,419
Transferred from expendable endowments (note 17)	279	288
Profit on disposal of investment property	7,574	–
Other interest receivable	379	399
	10,695	3,106

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008 continued

6. STAFF COSTS

	2008 £'000	2007 £'000
Salaries	39,493	41,362
Social security costs	3,413	3,732
Other pension costs	5,644	5,118
	48,550	50,212
The above is analysed as follows:		
University	33,184	34,176
Deaneries and London Higher	15,366	16,036
	48,550	50,212
Emoluments of the Vice-Chancellor, Sir Graeme Davies		
Salary	147	137
Benefits in kind	12	12
	159	149
	2008 Number of staff	2007 Number of staff
Average staff numbers by category expressed as full time equivalents		
Academic	86	109
Administrative	728	752
Deaneries and London Higher	231	242
	1,045	1,103

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

	University		Deaneries and London Higher	
	2008 Number of staff	2007 Number of staff	2008 Number of staff	2007 Number of staff
£100,000 – £109,999	–	2	4	4
£110,000 – £119,999	1	–	3	–
£120,000 – £129,999	–	–	–	2
£130,000 – £139,999	–	–	1	2
£160,000 – £169,999	–	–	1	2
£170,000 – £179,999	–	–	1	–
£180,000 – £189,999	–	–	1	1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008 continued

7. EXPENDITURE BY ACTIVITY

	Staff costs £'000	Other operating costs £'000	Depreciation £'000	Interest payable £'000	2008 £'000	2007 £'000
Academic departments	6,160	2,874	239	35	9,308	10,907
Academic services	7,944	5,446	284	–	13,674	12,746
External system	6,459	26,922	–	–	33,381	31,455
Central services	3,884	3,285	–	–	7,169	8,389
General education expenses	563	3,243	–	–	3,806	4,430
Staff and students	2,790	1,647	–	–	4,437	4,012
Maintenance	1,567	2,682	2,071	–	6,320	6,096
Residences and catering	1,392	14,912	2,342	2,163	20,809	17,058
Research grants	1,954	1,482	–	–	3,436	2,747
Services rendered by the Deaneries and London Higher	15,837	23,553	–	–	39,390	21,292
Other	–	441	–	–	441	497
	48,550	86,487	4,936	2,198	142,171	119,629

	2008 £'000	2007 £'000
Included in other operating costs are:		
External system:		
Payments from prior year reserves to support Colleges	–	3,225
Central services:		
Auditors' remuneration		
– external audit	72	64
– internal audit	102	95
– other services from external auditors	12	14
Hire of plant and machinery – operating leases	6	7
Hire of other assets – operating leases	589	385

8. INTEREST PAYABLE

	2008 £'000	2007 £'000
On loans not wholly repayable within five years	2,198	1,131

9. EXCEPTIONAL ITEMS

	2008 £'000	2007 £'000
Agreed costs of redundancy and early retirement scheme	1,044	2,771

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008 continued

10. TANGIBLE FIXED ASSETS continued

Heritage assets

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

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

11. CONSOLIDATED AND UNIVERSITY INVESTMENTS

At market value	2008				2007			
	Endowment investments £'000	Investment properties £'000	Other investments £'000	Total £'000	Endowment investments £'000	Investment properties £'000	Other investments £'000	Restated Total £'000
1 August	57,590	35,455	3,974	97,019	54,070	28,096	3,820	85,986
Additions	732	–	75	807	172	327	45	544
Disposals	(1,930)	(12,173)	–	(14,103)	–	–	(101)	(101)
Revaluation	(3,844)	(1,993)	(256)	(6,093)	3,348	7,032	210	10,590
	52,548	21,289	3,793	77,630	57,590	35,455	3,974	97,019
Short term deposits and cash	8,036	–	–	8,036	–	–	–	–
Due to endowments	–	–	–	–	8,222	–	–	8,222
31 July	60,584	21,289	3,793	85,666	65,812	35,455	3,974	105,241
Investments held are analysed as follows:								
Unified Trust Fund holdings	52,548	–	3,529	56,077	57,590	–	3,711	61,301
Fixed interest	–	–	45	45	–	–	44	44
UK equities/corporate bonds	–	–	173	173	–	–	172	172
Cash instruments	–	–	46	46	–	–	47	47
Property	–	21,289	–	21,289	–	35,455	–	35,455
	52,548	21,289	3,793	77,630	57,590	35,455	3,974	97,019
At cost								
Unified Trust Fund holdings	25,179	–	2,017	27,196	24,838	–	1,943	26,781
Fixed interest	–	–	43	43	–	–	43	43
UK equities/corporate bonds	–	–	166	166	–	–	166	166
Cash instruments	–	–	46	46	–	–	47	47
Property	–	250	–	250	–	11,584	–	11,584
	25,179	250	2,272	27,701	24,838	11,584	2,199	38,621

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008 continued

11. CONSOLIDATED AND UNIVERSITY INVESTMENTS continued

Investment in subsidiary companies at cost

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

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

Setoncrest Limited and Law646 Limited, which both have issued share capital of £2 and are owned 100% by the University of London, have not traded in the year.

Investment properties

Investment properties were revalued during the financial year in accordance with the University's accounting policy by chartered surveyors in the University's estates division with the assistance of external valuers. The valuation method adopted has been to capitalise both actual and future expected rental income applying the yield basis to provide an indicated investment value of the University's interests in the land and buildings after allowing for the costs of disposals.

12. DEBTORS

	Consolidated		University	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade debtors	10,293	8,100	9,942	7,785
Other debtors	1,499	1,863	1,499	1,863
Prepayments and accrued income	1,337	1,263	1,143	1,103
Amounts owed by group undertaking	–	–	1,131	1,118
	13,129	11,226	13,715	11,869

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Bank loans	–	2,106	–	2,106
Trade creditors	21,611	18,934	21,502	18,707
Finance lease and other long term loans	170	157	170	157
Due to endowments	–	8,222	–	8,222
Grants received in advance	1,131	1,452	1,131	1,452
Other taxation and social security	1,854	1,844	1,744	1,731
Accruals and deferred income	7,578	2,418	7,109	2,096
	32,344	35,133	31,656	34,471

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008 continued

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Consolidated and University	2008 £'000	2007 £'000
Bank loans	50,000	38,916
Finance lease	524	697
Other loans	264	265
Other creditors	143	144
	50,931	40,022

BORROWINGS

Consolidated and University	Bank loans		Finance leases	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Obligations are repayable as follows:				
Between one and two years	–	2,102	178	168
Between two and five years	–	6,177	346	524
Over five years	50,000	30,637	–	5
Total over one year	50,000	38,916	524	697
Within one year (note 13)	–	2,106	170	157
Total due	50,000	41,022	694	854

BANK LOANS

Lender	Date loan obtained	Final repayment due date	Interest rate	Balance outstanding 2008 £'000	Balance outstanding 2007 £'000
RBS (unsecured)	2007	2047	fixed: 5.1%	50,000	–
NatWest (secured)	1992	2017	variable: 0.5% above base rate	–	1,493
NatWest (secured)	1997	2007	variable: 0.5% above base rate	–	4
RBS (secured)	2003	2028	fixed: 5.5%	–	18,225
RBS (secured)	2005	2031	fixed: 5.1%	–	21,300
				50,000	41,022

The first repayment on the unsecured loan is due in 2018. The secured loans as at 31 July 2007 were all repaid and refinanced during the year.

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 2008 the amount outstanding under this arrangement was £691,000 of which £168,000 is included in Creditors: amounts falling due within one year. There is an equivalent balance of £691,000, being the amount due from UCL, included in Debtors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008 continued

15. PROVISIONS FOR LIABILITIES AND CHARGES

Consolidated and University	2008 £'000	2007 £'000
Restructuring provision		
1 August	633	710
Utilised during the year	(533)	(710)
Transfer from income and expenditure account	128	633
31 July	228	633

The restructuring provision, which it is anticipated will be utilised during 2008–09, is in respect of specific costs of the University's redundancy and early retirement scheme, and agreed restructuring costs of the University of London Union.

16. DEFERRED CAPITAL GRANTS

Consolidated and University	Government agencies and HEFCE £'000	Other grants and benefactions £'000	Total £'000
Land and buildings	14,392	6,579	20,971
Equipment	289	14	303
1 August 2007	14,681	6,593	21,274
Prior year adjustment	(1,348)	(672)	(2,020)
Restated	13,333	5,921	19,254
Buildings	87	–	87
Equipment	–	–	–
Additions	87	–	87
Buildings	(246)	(200)	(446)
Equipment	(38)	(3)	(41)
Released to income and expenditure account	(284)	(203)	(487)
Buildings	12,885	5,707	18,592
Equipment	251	11	262
31 July 2008	13,136	5,718	18,854

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008 continued

17. ENDOWMENTS

Consolidated and University	General Endowments £'000	Restricted Permanent £'000	Restricted Expendable £'000	Total 2008 £'000	Total 2007 £'000
Capital	78	53,340	4,521	57,939	54,277
Accumulated income	–	6,329	1,622	7,951	6,895
At 1 August	78	59,669	6,143	65,890	61,172
Prior year adjustment	(78)	–	–	(78)	–
Restated	–	59,669	6,143	65,812	61,172
New endowments	–	35	25	60	773
Transfer to Imperial College	–	(1,964)	–	(1,964)	–
Investment income	–	2,463	279	2,742	2,707
Expenditure	–	(2,016)	(206)	(2,222)	(2,188)
(Decrease)/increase in market value of investments	–	(3,533)	(311)	(3,844)	3,348
31 July	–	54,654	5,930	60,584	65,812
Represented by:					
Capital	–	47,912	4,377	52,289	57,861
Accumulated income	–	6,742	1,553	8,295	7,951
	–	54,654	5,930	60,584	65,812

18. REVALUATION RESERVES

Consolidated and University	2008 £'000	2007 Restated £'000
1 August	25,394	18,152
(Depreciation)/appreciation of long term investments (note 11)	(256)	210
Transfer in respect of disposal of investment property	(839)	–
Revaluation of investment properties (note 11)	(1,993)	7,032
31 July	22,306	25,394

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008 continued

19. GENERAL RESERVES

	Consolidated		University	
	2008 £'000	2007 Restated £'000	2008 £'000	2007 Restated £'000
1 August	63,491	68,096	63,302	67,952
Prior year adjustments (note 20)	–	2,829	–	2,829
Restated	63,491	70,925	63,302	70,781
Transfer from/(to) income and expenditure account	719	(7,434)	716	(7,479)
Transfer in respect of disposal of investment property	839	–	839	–
31 July	65,049	63,491	64,857	63,302

20. PRIOR YEAR ADJUSTMENTS

The prior year adjustments arise from the adoption of the 2007 version of the SORP and the HEFCE Financial Memorandum dated July 2006.

£78,000 classified as General Endowments in 2006–07 has been credited to income in that year.

£2,020,000, representing grants in respect of land, has been transferred from deferred capital grants to general reserves.

£809,000, being Heritage Assets, are reflected at valuation in the balance sheet (see note 10).

	£'000
Adjustment to opening reserves at 1 August 2006	2,829
Adjustment to income and expenditure for the year ended 31 July 2007	78
Total prior year adjustments	2,907

21. ACCESS FUNDS

	2008 £'000	2007 £'000
1 August	–	–
Net received from HEFCE	6	6
Disbursed to students	(6)	(6)
31 July	–	–

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008 continued

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		Other	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Expiry date:				
Less than one year	47	10	–	1
Between one and five years	356	231	6	5
More than five years	186	144	–	1

23. RECONCILIATION OF CONSOLIDATED SURPLUS/(DEFICIT) FOR THE YEAR TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2008 £'000	2007 £'000
Surplus/(deficit) on continuing operations after depreciation and disposal of assets	1,239	(6,915)
Items not involving cash movements:		
Depreciation	4,936	4,086
Deferred capital grants released	(487)	(503)
Gain on sale of investments	–	(2)
Increase in stocks	(335)	(159)
Increase in debtors	(1,903)	(349)
Increase in creditors	7,524	580
Decrease in provisions	(405)	(77)
Items which are not operating activities:		
Surplus on disposal of tangible assets	(797)	(4,907)
Surplus on disposal of investment property	(7,574)	–
Interest payable	2,198	1,131
Investment income	(3,121)	(3,106)
Net cash inflow/(outflow) from operating activities	1,275	(10,221)

24. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2008 £'000	2007 £'000
Income from endowments	2,742	2,707
Income from short term investments	379	399
Receipts from sale of investment property	19,747	–
Interest payable	(2,198)	(1,131)
Net cash inflow from returns on investments and servicing of finance	20,670	1,975

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008 continued

25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2008 £'000	2007 £'000
Tangible assets acquired	(14,361)	(30,092)
Investments acquired	(75)	(45)
Endowment assets acquired	(732)	(94)
Endowment assets transferred to Imperial College	(1,964)	–
Receipts from sale of assets	936	5,380
Receipts from sale of investments	1,930	103
Deferred capital grants received	87	2,486
Endowments received	60	772
	(14,119)	(21,490)

26. FINANCING

	2008 £'000	2007 £'000
1 August	42,141	27,584
Additional borrowing	50,700	15,934
Capital repayments	(41,882)	(1,377)
31 July	50,959	42,141

27. ANALYSIS OF CHANGES IN NET DEBT

	1 August 2007 £'000	Cashflows £'000	Transfers £'000	31 July 2008 £'000
Cash at bank and in hand	734	8,608	–	9,342
Endowment assets – short term deposits	–	8,036	–	8,036
	734	16,644	–	17,378
Debt due within one year	(2,263)	2,263	(170)	(170)
Debt due after one year	(39,877)	(11,081)	170	(50,788)
Net debt	(41,406)	7,826	–	(33,580)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008 continued

28. PENSION OBLIGATIONS

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). Other schemes are provided by the National Health Service (NHS) and the French State Social Security Scheme.

The total pension cost for the University and its subsidiary was:

	2008 £'000	2007 Restated £'000
Contribution to USS	3,440	2,669
Contribution to SAUL	1,342	1,379
Contribution to NHS	657	778
Contribution to other pension arrangements	205	292
Charged to income and expenditure account (note 6)	5,644	5,118

USS

USS is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution being determined by the trustees on the advice of the actuaries. In the intervening years, the USS actuary reviews the progress of the USS scheme.

The contribution rate payable by the University to USS is 14% of pensionable salaries. The actuary to USS has confirmed that it is appropriate to take the pensions costs in the University's financial statements to be equal to the actual contributions paid during the year. In particular, the contribution rate recommended following the 2005 valuation has regard to the surplus disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread the surplus in a prudent manner over the future working lifetime of current scheme members.

Under the definitions set out in FRS 17, the USS is a multi-employer defined benefit pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions as if it were a defined contribution scheme.

	Past service	Future service
Investment returns on liabilities per annum	5.4%	6.2%
Salary scale increases per annum	4.1%	3.9%
Pension increases per annum	3.1%	2.9%
Value of assets at date of last valuation		£21,740M
Proportion of members' accrued benefits covered by the actuarial value of the scheme's assets at 31 March 2005		77%
Proportion of members' accrued benefits covered by the value of the scheme's assets on FRS17 basis at 31 March 2005		90%
Proportion of members' accrued benefits covered by the value of the scheme's assets on FRS17 basis at 31 March 2008		104%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008 continued

SAUL

The University participates in the Superannuation Arrangements of the University of London (SAUL), which is a centralised defined benefit scheme for all qualifying employees with the assets held in separate trust-administered funds. SAUL is a multi-employer scheme where the shares of assets and liabilities applicable to each employer is not identified. The University therefore accounts for its pension costs in respect of the scheme on a defined contribution basis, as permitted by FRS17 *Retirement Benefits*, thereby charging in its financial statements the contributions payable to the scheme for the year.

The last available actuarial valuation of the scheme was as at 31 March 2005 and used the projected unit credit method. The assumptions which have the most significant effect on the result of the valuation and the valuation results are set out below. The proportion of benefits covered on the FRS17 basis is indicative.

The contribution rate at the date of the valuation was 15.5% of salaries, including member contributions of 5%. Following the last actuarial valuation which took place as at 31 March 2005 the contribution rate was increased to 19% from 1 August 2006, including member contributions of 6%. The next actuarial valuation is expected to be available from early 2009.

	Past service	Future service
Investment returns on liabilities per annum before retirement	5.5%	6.5%
Investment returns on liabilities per annum after retirement	4.5%	4.5%
Salary scale increases per annum	4.15%	4.15%
Pension increases per annum	2.65%	2.65%
Value of assets at date of last valuation		£982M
Proportion of members' accrued benefits covered by the actuarial value of the scheme's assets on at 31 March 2005		93%
Proportion of members' accrued benefits covered by the value of the scheme's assets on FRS17 basis at 31 March 2005		100%
Proportion of members' accrued benefits covered by the value of the scheme's assets on FRS17 basis at 31 March 2008		93%

NHS

The NHS Pension Scheme (NHS) 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 in its financial statements 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 scheme is unfunded and is equivalent to a defined contribution scheme in the United Kingdom. Accordingly, the University accounts for its pension costs in respect of this scheme, as permitted by FRS17 *Retirement Benefits*, by charging in its financial statements the contributions payable for the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008 continued

29. CAPITAL COMMITMENTS

Consolidated and University	2008 £M	2007 £M
Contracted at 31 July	22.2	1.4
Authorised but not contracted at 31 July	30.7	51.0
	52.9	52.4

30. RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of the University Council and Board of Trustees it is inevitable that transactions will take place with organisations in which a member of Council or the Board may have an interest. All transactions involving organisations in which a member of Council or the Board 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 be 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 Council or the Board are required to complete a register of interests to record any areas of potential conflict with the interests of the University.

COLLEGES, CENTRAL INSTITUTES AND CENTRAL ACTIVITIES OF THE UNIVERSITY OF LONDON

THE 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
London School of Economics and Political Science
London School of Hygiene and Tropical Medicine
Queen Mary, University of London
Royal Academy of Music
Royal Holloway, University of London
The Royal Veterinary College
St George's, University of London
School of Oriental and African Studies
The School of Pharmacy
UCL

CENTRAL 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 Institute in Paris
University Marine Biological Station, Millport

CENTRAL ACTIVITIES

The Careers Group University of London
Central Administrative and Support Services
The External System
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.



Financial Statements 2007-08

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