

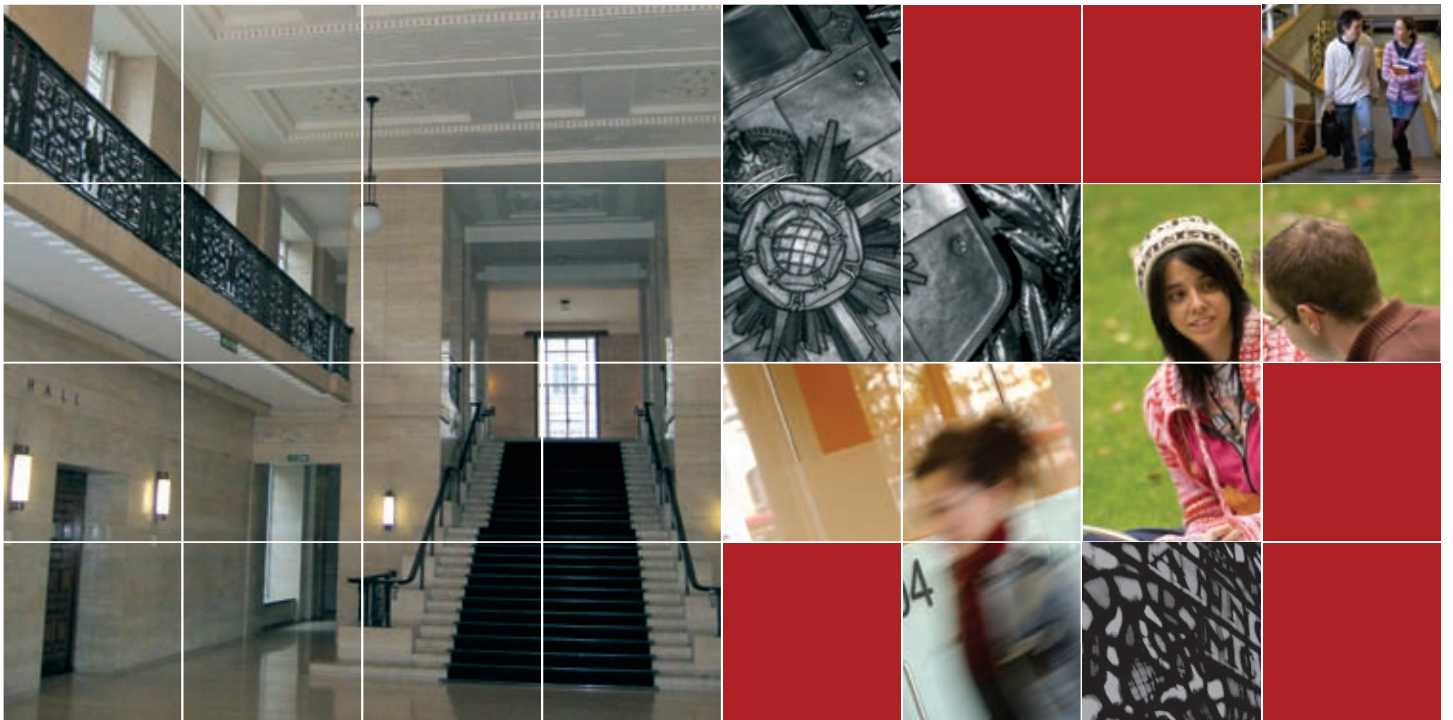


University of London

Established by Royal Charter 1836

FINANCIAL STATEMENTS UNIVERSITY OF LONDON

CENTRAL INSTITUTES AND ACTIVITIES
2005-06



CONTENTS

REPORTS

- 2 FINANCIAL REPORT
31 JULY 2006
- 4 CORPORATE GOVERNANCE
STATEMENT
- 5 RESPONSIBILITIES OF THE
UNIVERSITY COUNCIL
- 6 STATEMENT OF
INTERNAL CONTROL
- 7 AUDITORS' REPORT

FINANCIAL STATEMENTS

- 8 STATEMENT OF THE
UNIVERSITY'S PRINCIPAL
ACCOUNTING POLICIES
- 11 CONSOLIDATED INCOME AND
EXPENDITURE ACCOUNT
- 12 STATEMENT OF CONSOLIDATED
TOTAL RECOGNISED GAINS
AND LOSSES
- 13 BALANCE SHEETS
- 14 CONSOLIDATED CASH
FLOW STATEMENT
- 15 NOTES TO THE
FINANCIAL STATEMENTS
- 32 COLLEGES, CENTRAL INSTITUTES
AND ACTIVITIES OF THE
UNIVERSITY OF LONDON

FINANCIAL REPORT

31 JULY 2006

SCOPE OF THE FINANCIAL STATEMENTS

The financial statements presented to Council comprise the consolidated results of the University of London and its principal trading subsidiary Senate House Services Limited. The responsibility of the Council for these financial

statements is set out on page 5. The format of these financial statements follows the Statement of Recommended Practice: *Accounting for Further and Higher Education*.

FINANCIAL HIGHLIGHTS

	2006 £M	2005 £M
Consolidated income and expenditure account		
Income	105.6	105.7
Expenditure	114.8	110.1
Operating deficit	9.2	4.4
Surplus on disposal of property	(6.9)	(0.3)
Net deficit after depreciation and disposal of assets	2.3	4.1
Balance sheet		
Deferred capital grants	19.3	18.6
Endowments	61.2	57.9
Revaluation reserve	18.1	17.0
General reserves	68.1	70.8
Net assets	166.7	164.3

EXCEPTIONAL ITEMS

The University's income and expenditure account reflects the impact of exceptional items arising from internal restructuring. These comprise:

- costs of £2.2M in respect of the voluntary redundancy and early retirement scheme which was launched in September 2005. The scheme has resulted in the acceptance of applications for redundancy or early retirement from over 60 members of staff and will result in an annual saving in recurrent staff costs of £2.75M
- the drawdown, from the University's general reserves of £4.0M (2005 £1.8M) to support the development of new courses by Colleges for the purposes of the External Programme.

CAPITAL PROJECTS

The rationalisation and refurbishment of the University's estate continues and this project will continue through at least the next two years. The project centres on the

refurbishment of both Senate House and Stewart House and the disposal of the University's outlying properties within Bloomsbury to Colleges. When completed this will permit the academic and support activities of the central University to be all located on the single Senate House/Stewart House site with the principal exceptions of the Warburg Institute and the Institute of Advanced Legal Studies which will remain in their existing separate buildings. This relocation will present opportunities for rationalisation over a wide range of support activities and, thereby, give rise to significant savings in expenditure.

The refurbishment of Stewart House, at a cost of some £17M was completed in November 2005 and enabling works in respect of the Senate House scheme, which it is estimated will have a total cost to completion in the order of £46M, are planned to commence during December 2006.

The refurbishment of College Hall (estimated cost £22M) is also currently underway to be completed in July 2007 so that this Hall may be re-let to students of the University with effect from the 2007-08 session.

These capital projects are being financed by a combination of the sale of part of the University's investment portfolio in both the current and previous years, the sale to Colleges of vacated properties in the Bloomsbury precinct and, in the case of College Hall, external borrowing. Inevitably there is a degree of mismatching between the timing of the capital expenditure and receipts from sales and the drawdown of the loan facility. Accordingly, the University's balance sheet shows a non-liquid position at 31 July 2006 when there were net current liabilities of £4.8M. Since the year end this position has been substantially mitigated by way of capital receipts on the sale of properties (£2.5M), further drawdowns on the loan facility (£3M) and the receipt of monies from the Heritage Lottery Fund in respect of the Gordon/Woburn Squares landscaping scheme (£0.5M).

KEY EVENTS

The review of the governance arrangements of the University has progressed encouragingly and the University Council has approved the principles underlying the radical changes in the federation's governance structure which are now being progressed. These changes, if adopted, will see the University adopt a corporate structure. A small Board of Trustees will replace the current University Council and academic members will make up only a third of this Board. The Board will be responsible for overall governance and is expected to meet six, rather than the current three, times a year.

A Collegiate Council is planned to take the place of the Heads of Colleges Committee. This Council will formulate academic strategy and policy.

I believe this more streamlined structure will mean the University can avoid duplication and become more focused. The Heads of Colleges have been very closely involved in drawing up these reforms and, notwithstanding the pending withdrawal of Imperial College from the federal University, which was agreed by Council on 4 October, the fears that this might lead others to follow suit have been substantially dissipated.

In the long term, the key to the survival of the University will centre around whether it represents added value for its members. We are working towards the achievement of this goal: tangible progress has been made with the Corporate Reorganisation Project to bring about the process of change

that is necessary for the central University to remodel itself into a vehicle that is fit for purpose to serve the needs of its key stakeholders.

CONCLUSION

In an increasingly competitive and global education market the University of London, with its world renowned Colleges and Institutes, is entering an exciting and dynamic period for the higher education sector. I believe with our unrivalled collective strengths, the University will be uniquely well placed to be at the forefront of our sector in these times of such great opportunity and challenge.

The central University, notwithstanding the exceptional costs of its restructuring, remains in sound financial health and it has the necessary resources for the future. Its financial statements are accordingly prepared on the going concern basis, reflecting its continuing business.

I would like to record my appreciation of the substantial commitment given by the members of the University team and of the support which both I and that team have enjoyed, by the members of its Council and its various Committees.

Sir Graeme Davies

Vice-Chancellor
6 December 2006

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 2006, 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.

The University Council comprises 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 are non-executive. The roles of Chairman and Deputy Chairman of the Council are separated from the role of the University's chief executive, the Vice-Chancellor. The matters specially reserved to the Council for decision are set out in the Statutes of the University and under the Financial Memorandum with the Higher Education Funding Council for England (HEFCE). The University Council is 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 meets three times a year. Its statutory committees are the Senate and the Estates Committee. Other committees of the Council are 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 is responsible for the determination of academic policy.

The Estates Committee, on which lay members of Council are in the majority, has 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 acts in consultation with 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 reviews 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 monitors performance in relation to these budgets and recommends to the Council the adoption of the audited financial statements.

The Governance Committee is 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 considers nominations for lay vacancies on the Council.

The Human Resources Committee considers, approves and monitors matters of personnel policy.

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

The Audit Committee meets 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 receives 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 reviews in detail the University's annual financial statements together with the accounting policies. Whilst senior officers attend meetings of the Audit Committee as necessary, they are not members of the Committee. The External and Internal Auditors have access at all times to the Chairman of the Committee.

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

RESPONSIBILITIES OF THE UNIVERSITY COUNCIL

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: *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;
- judgments 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 or 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 2006 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 Chairman 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.

Our review of the effectiveness of the system of internal control is informed by the internal audit service provided by RSM Robson Rhodes LLP, which operates to standards defined in the HEFCE Audit Code of Practice. This externally provided service was last reviewed for effectiveness on behalf of the HEFCE during 2005-06. This review identified that, in all key areas, RSM Robson Rhodes' audit provision was satisfactory with the highest rating available. The internal audit service submits regular reports which include its independent opinion on the adequacy and effectiveness of our system of internal control, with recommendations for improvement.

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 COUNCIL OF THE UNIVERSITY OF LONDON

We have audited the financial statements of the University of London for the year ended 31 July 2006 which comprise the consolidated income and expenditure account, the statement of consolidated total recognised gains and losses, the group and University balance sheets, the consolidated cash flow statement, the statement of the University's principal accounting policies and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Council of the University, as a body, in accordance with the Financial Memorandum dated October 2003. Our audit work has been undertaken so that we might state to the Council 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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE UNIVERSITY COUNCIL AND AUDITORS

As described in the statement of the Council's responsibilities, the Council is responsible for the preparation of 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 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 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 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 Council'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 Council'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 judgments made by the Council 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 2006 and of the deficit of the group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on 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 October 2003 with the Higher Education Funding Council for England.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London
6 December 2006

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: *Accounting for Further and Higher Education* and in accordance with applicable Accounting Standards. They conform to guidance published by the Higher Education Funding Council for England.

BASIS OF ACCOUNTING

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

BASIS OF CONSOLIDATION

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

RELATED PARTY TRANSACTIONS

The University is partly funded by subscriptions from the Colleges within the federation and by charges for specific services supplied by the University to Colleges. Heads of Colleges within the federation are ex officio members of the Council of the University. These are not related parties because of the autonomy of the Colleges, which are 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 consolidated income and expenditure account.

RECOGNITION OF 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 consolidated income and expenditure account in the period in which it is earned.

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

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.

LAND AND BUILDINGS

Land and Buildings are stated at cost less amounts written off to reflect any 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 land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant 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 cost 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 on receipt. 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 grant account and released to the 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.

INVESTMENTS

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

INVESTMENT PROPERTIES

Investment Properties are included in the balance sheet at their open market value at the balance sheet date on the basis of an annual professional valuation. Changes in the market value of investment properties are taken to the statement of total recognised gains and losses, being a movement on revaluation reserve.

STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost or net realisable value, after making due provision for obsolete and slow-moving items.

PROVISIONS FOR LIABILITIES AND CHARGES

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.

PENSION SCHEMES

The University participates in both 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.

With effect from 1 August 2005 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.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2006

Note		2006 £'000	Restated 2005 £'000
	Income		
1	Funding Council Grants	11,690	10,939
2	Academic Fees	2,509	2,692
3	Research Grants and Contracts	2,900	2,547
4	Other Operating Income	85,054	84,747
5	Endowment and Investment Income	3,463	4,820
		105,616	105,745
	Expenditure		
6	Staff Costs	(50,119)	(47,718)
7	Other Operating Expenses	(53,584)	(50,938)
8	Exceptional Items	(6,164)	(7,308)
9	Interest Payable	(1,200)	(1,265)
10	Depreciation	(3,788)	(2,957)
		(114,855)	(110,186)
	Deficit on continuing operations after depreciation of assets at cost	(9,239)	(4,441)
	Surplus on disposal of assets	6,947	295
	Deficit after depreciation of fixed assets and disposal of assets	(2,292)	(4,146)
	Transfer to accumulated income within specific endowments	(429)	(299)
	Deficit for the year transferred to reserves	(2,721)	(4,445)

The activities reported in the Consolidated Income and Expenditure Account represent continuing activities.

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2006

Note	2006 £'000	Restated 2005 £'000
	(2,292)	(4,146)
11	2,838	7,828
	296	2,700
	896	750
19	52	857
	1,790	7,989
Reconciliation to Closing Reserves and Endowments		
	145,631	
	1,790	
	147,421	
Reconciliation of movement in funds to the last Annual Report		
	1,790	
22		
	1,224	
	15,958	
	18,972	

BALANCE SHEETS AS AT 31 JULY 2006

Note		Consolidated		University	
		2006 £'000	Restated 2005 £'000	2006 £'000	Restated 2005 £'000
	Fixed Assets				
10	Tangible Assets	105,502	90,247	103,914	88,917
11	Investments	3,820	10,020	3,820	10,020
		109,322	100,267	107,734	98,937
11	Investment Properties	28,096	27,200	28,096	27,200
11	Endowment Asset Investments	61,173	57,854	61,173	57,854
	Current Assets				
12	Stocks	1,506	1,520	1,506	1,493
13	Debtors	10,877	8,759	11,187	8,023
	Short Term Deposits	3,062	15,320	3,062	15,320
	Cash at Bank and in Hand	5,748	1,503	5,745	1,500
		21,193	27,102	21,500	26,336
14	Creditors: Amounts falling due within one year	(26,039)	(26,156)	(24,902)	(24,136)
	Net Current (Liabilities)/Assets	(4,846)	946	(3,402)	2,200
	Total Assets less Current Liabilities	193,745	186,267	193,601	186,191
15	Creditors: Amounts falling due after more than one year	(26,323)	(22,010)	(26,323)	(22,010)
17	Provisions for Liabilities and Charges	(710)	-	(710)	-
		166,712	164,257	166,568	164,181
	Represented by				
18	Deferred Capital Grants	19,291	18,626	19,291	18,626
19	Specific Endowments	61,173	57,854	61,173	57,854
20	Revaluation Reserve	18,152	16,960	18,152	16,960
21	General Reserves	68,096	70,817	67,952	70,741
		166,712	164,257	166,568	164,181

Approved by Council on 6 December 2006 and signed on its behalf by

C J Perrin CBE
Chairman – Finance Committee

R A Cryer
Director of Finance

Sir Graeme Davies
Vice-Chancellor

The notes on pages 15 to 31 form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2006

Note		2006 £'000	2005 £'000
25	Net cash (outflow)/inflow from operating activities	(9,549)	323
26	Returns on investments and servicing of finance	2,263	3,555
27	Capital expenditure and financial investment	(4,673)	(463)
	Cash (outflow)/inflow before use of liquid resources and financing	(11,959)	3,415
	Management of liquid resources	8,616	(10,518)
28	Financing	4,406	(1,308)
29	Increase/(decrease) in cash	1,063	(8,411)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS FOR THE YEAR ENDED 31 JULY 2006

Note		2006 £'000	2005 £'000
29	Increase/(decrease) in Cash for the period	1,063	(8,411)
29	(Decrease)/increase in Short Term Deposits	(8,616)	10,518
29	(Increase)/decrease in Net Loan Finance	(4,406)	1,308
	Change in net funds	(11,959)	3,415
	Net funds/(debt) at 1 August	288	(3,127)
	Net (debt)/funds at 31 July	(11,671)	288

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

1. GRANTS FROM THE HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND (HEFCE)

	2006 £'000	2005 £'000
Recurrent Grants	11,441	10,686
Release of deferred capital grants (note 18)		
Buildings	211	207
Equipment	38	46
	11,690	10,939

2. ACADEMIC FEES

	2006 £'000	2005 £'000
Full time credit bearing courses – home fees	544	597
Full time credit bearing courses – international fees	556	496
Part time credit bearing courses	156	115
Certificate and Diploma courses at the University of London Institute in Paris	1,253	1,484
	2,509	2,692

3. RESEARCH GRANTS AND CONTRACTS

	2006 £'000	2005 £'000
Research Councils	901	645
UK-based charities	488	550
UK Government bodies	708	560
European Community	142	154
Other	661	638
	2,900	2,547

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006 – CONTINUED

4. OTHER OPERATING INCOME

	2006 £'000	2005 £'000
Colleges: Subscriptions and Charges	9,367	9,183
Residences and Catering	15,731	15,982
Estates Revenue	1,950	2,797
Other General Income	10,934	13,837
External System Fees	26,437	22,424
Services rendered by the London and KSS Deaneries	19,325	19,402
Examination Services for Colleges	1,193	1,017
Deferred Capital Grants (note 18)	117	105
	85,054	84,747

5. ENDOWMENT AND INVESTMENT INCOME

	2006 £'000	2005 £'000
Transferred from Specific Endowments (note 19)	2,560	2,423
Other Interest Receivable	903	2,397
	3,463	4,820

6. STAFF COSTS

	2006 £'000	2005 £'000
Salaries and Wages	41,424	39,567
NI Contributions	3,773	3,546
Other Pension Costs	4,922	4,605
	50,119	47,718
Emoluments of the Vice-Chancellor, Sir Graeme Davies		
Salary	130	124
Benefits in kind	12	11
Pension Contributions	-	-
	142	135

	2006 Number of Staff	2005 Number of Staff
Average staff numbers by category expressed as full time equivalents		
Teaching and Research	109	100
Centrally provided services	804	844
London and KSS Deaneries	265	259
	1,178	1,203

Remuneration of other higher paid staff in bands commencing at £70,000, excluding employer's superannuation contributions

	University		London and KSS Deaneries	
	2006 Number of Staff	2005 Number of Staff	2006 Number of Staff	2005 Number of Staff
£70,000 - £79,999	9	8	2	4
£80,000 - £89,999	2	2	4	5
£90,000 - £99,999	2	2	2	-
£100,000 - £109,999	1	-	2	1
£120,000 - £129,999	1	1	2	3
£130,000 - £139,999	-	-	3	1
£150,000 - £159,999	-	1	-	1
£200,000 - £209,999	-	1	-	-
£210,000 - £219,999	-	-	1	-
£250,000 - £259,999	-	-	1	-

Included in the remuneration of other higher paid University staff are compensation payments

	2006 £'000	2005 £'000
Compensation paid to former post holders	120	268

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006 – CONTINUED

7. EXPENDITURE BY ACTIVITY

	Staff costs £'000	Other operating costs £'000	Depreciation £'000	Interest payable £'000	2006 £'000	Restated 2005 £'000
Academic Departments	7,143	2,754	217	38	10,152	9,858
Academic Services	8,987	6,228	207	-	15,422	13,809
External System	5,224	17,484	-	-	22,708	18,506
Central Services	5,029	1,891	-	-	6,920	7,189
General Education Expenses	554	3,814	-	-	4,368	3,906
Staff and Students	2,324	1,487	-	-	3,811	4,772
Maintenance	1,848	2,716	1,719	8	6,291	5,096
Residences and Catering	1,814	11,962	1,645	1,154	16,575	17,352
Research Grants	1,538	1,088	-	-	2,626	2,312
Services rendered by the London and KSS Deaneries	15,658	3,667	-	-	19,325	19,402
Other	-	493	-	-	493	676
	50,119	53,584	3,788	1,200	108,691	102,878

	2006 £'000	2005 £'000
Included in Central Services are		
Auditors' remuneration		
- external audit	58	51
- internal audit	112	99
- other services from external audit	1	14
Hire of plant and machinery – operating leases	7	7
Hire of other assets – operating leases	565	507

8. EXCEPTIONAL ITEMS

	2006 £'000	2005 £'000
Agreed costs of voluntary redundancy and early retirement scheme	2,157	-
Payments from External System's prior year reserves to support Colleges	4,007	1,808
Payment to University College London on vacation of part of Senate House, North Block	-	5,500
	6,164	7,308

9. INTEREST PAYABLE

	2006 £'000	2005 £'000
On loans not wholly repayable within five years	1,192	1,253
On Finance leases	8	12
	1,200	1,265

10. TANGIBLE FIXED ASSETS

10a. Consolidated

	Land and Buildings				Computers £'000	Other Equipment £'000	Total £'000
	Freehold £'000	Long Leasehold £'000	Short Leasehold £'000	Assets under construction £'000			
Cost							
1 August 2005	103,216	617	6,316	2,057	2,483	4,855	119,544
Prior year adjustment	(11,509)	-	-	-	-	-	(11,509)
Restated	91,707	617	6,316	2,057	2,483	4,855	108,035
Additions during year	9,293	-	6	9,721	584	-	19,604
Disposals during year	(745)	-	-	-	-	-	(745)
31 July 2006	100,255	617	6,322	11,778	3,067	4,855	126,894
Accumulated Depreciation							
1 August 2005	11,538	118	2,307	-	2,078	2,013	18,054
Prior year adjustment	(266)	-	-	-	-	-	(266)
Restated	11,272	118	2,307	-	2,078	2,013	17,788
Charge for year	2,957	15	299	-	228	289	3,788
Disposals during year	(184)	-	-	-	-	-	(184)
31 July 2006	14,045	133	2,606	-	2,306	2,302	21,392
Net Book Value							
31 July 2006	86,210	484	3,716	11,778	761	2,553	105,502
Restated at							
1 August 2005	80,435	499	4,009	2,057	405	2,842	90,247

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006 – CONTINUED

10b. University

	Land and Buildings						Total £'000
	Freehold £'000	Long Leasehold £'000	Short Leasehold £'000	Assets under construction £'000	Computers £'000	Other Equipment £'000	
Cost							
1 August 2005	102,648	617	6,316	2,057	268	3,263	115,169
Prior year adjustment	(11,509)	-	-	-	-	-	(11,509)
Restated	91,139	617	6,316	2,057	268	3,263	103,660
Additions during year	9,285	-	6	9,721	-	-	19,012
Disposals during year	(745)	-	-	-	-	-	(745)
31 July 2006	99,679	617	6,322	11,778	268	3,263	121,927
Accumulated Depreciation							
1 August 2005	11,216	118	2,307	-	207	1,161	15,009
Prior year adjustment	(266)	-	-	-	-	-	(266)
Restated	10,950	118	2,307	-	207	1,161	14,743
Charge for year	2,913	14	299	-	61	167	3,454
Disposals during year	(184)	-	-	-	-	-	(184)
31 July 2006	13,679	132	2,606	-	268	1,328	18,013
Net Book Value							
31 July 2006	86,000	485	3,716	11,778	-	1,935	103,914
Restated at							
1 August 2005	80,189	499	4,009	2,057	61	2,102	88,917

Included in Land and Buildings are certain exchequer funded assets. Should these assets be sold, the University may be required, under the terms of the financial memorandum with the HEFCE, to surrender the proceeds.

11. CONSOLIDATED AND UNIVERSITY INVESTMENTS

11a. At Market Value

	2006			2005		
	Endowment Investments £'000	Other Investments £'000	Total £'000	Endowment Investments £'000	Other Investments £'000	Total £'000
1 August	51,211	10,020	61,231	42,433	24,851	67,284
Additions at cost	349	-	349	2,132	20,583	22,715
Disposals proceeds	(328)	(6,361)	(6,689)	(1,183)	(38,959)	(40,142)
Profit/(loss) on disposals						
Current year	-	(20)	(20)	1	2,450	2,451
Previously recognised	28	(115)	(87)	190	(1,605)	(1,415)
Appreciation on revaluation	2,810	296	3,106	7,638	2,700	10,338
	54,070	3,820	57,890	51,211	10,020	61,231
Short term deposits and cash	7,103	-	7,103	6,643	-	6,643
31 July	61,173	3,820	64,993	57,854	10,020	67,874
Investments held are analysed as follows						
Unified Trust Fund Holdings	54,070	3,553	57,623	50,883	3,366	54,249
Fixed Interest	-	44	44	-	5,152	5,152
Equities/Corporate Bonds	-	221	221	328	1,500	1,828
Cash Instruments	-	2	2	-	2	2
	54,070	3,820	57,890	51,211	10,020	61,231
11b. At Cost						
Unified Trust Fund Holdings	24,337	2,003	26,340	24,317	2,003	26,320
Fixed Interest	-	43	43	-	5,143	5,143
Equities/Corporate Bonds	-	207	207	301	1,603	1,904
Cash Instruments	-	2	2	-	2	2
	24,337	2,255	26,592	24,618	8,751	33,369

11c. Investment in Subsidiary Companies at Cost

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006 – CONTINUED

11d. INVESTMENT PROPERTIES

Consolidated and University	2006 £'000	2005 £'000
1 August	-	-
Prior year adjustment	27,200	26,450
Restated	27,200	26,450
Revaluation	896	750
At 31 July	28,096	27,200

Land and property valuations as at 31 July have been made by chartered surveyors in the University's estates division on the advice of Knight Frank, Chartered Surveyors, the basis of valuation being open market value grouping investment properties together for this purpose

12. STOCKS AND WORK IN PROGRESS

	Consolidated		University	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Stocks – for resale	1,321	1,380	1,321	1,366
– consumables	185	140	185	127
	1,506	1,520	1,506	1,493

13. DEBTORS

	Consolidated		University	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade debtors	8,133	6,710	7,249	5,442
Other debtors ¹	2,160	1,562	2,152	1,561
Prepayments and accrued income	584	487	390	127
Senate House Services Limited ²	-	-	1,396	893
	10,877	8,759	11,187	8,023

¹ Includes £754,000 due in more than one year (2005: £920,000)

² Includes £893,000 due in more than one year (2005: £893,000)

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank loans	1,230	1,230	1,230	1,230
Finance lease	175	82	175	82
Trade creditors	18,254	17,164	17,938	14,320
Grants received in advance	1,359	1,887	1,359	1,887
Senate House Services Limited	-	-	-	1,248
Other taxation and social security	1,901	2,996	1,562	2,983
Accruals and deferred income	3,120	2,797	2,638	2,386
	26,039	26,156	24,902	24,136

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

Consolidated and University	2006 £'000	2005 £'000
Bank loans	25,088	20,960
Finance lease	821	634
Other loans	270	272
Other creditors	144	144
	26,323	22,010

16. MATURITY OF FINANCIAL LIABILITIES: FALLING DUE AFTER MORE THAN ONE YEAR

Consolidated and University	2006 £'000	2005 £'000
Between one and two years	4,746	2,649
Between three and five years	6,868	4,339
Over five years	14,565	14,878
	26,179	21,866

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006 – CONTINUED

BANK LOANS

Lender	Date loan obtained	Final repayment date	Interest rate	Balance outstanding 2006 £'000	Balance outstanding 2005 £'000
NatWest	1992	2017	Variable (0.5% above base rate)	1,817	2,145
NatWest	1997	2007	Variable (0.5% above base rate)	20	35
RBS	2003	2028	Fixed – 5.48%	19,120	20,010
RBS	2005	2031	Fixed – 5.1%	5,361	-
				26,318	22,190
Due within one year				1,230	1,230
Due after more than one year				25,088	20,960
				26,318	22,190

The above loans are secured against certain Halls of Residence. The RBS loan obtained in 2005 is for a principal amount of £22,000,000 to be fully drawn down by August 2007.

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 finance lease. At 31 July 2006 the amount outstanding under this arrangement was £996,000 of which £175,000 is included in Creditors: amounts falling due within one year. There is an equivalent balance of £996,000, being the amount due from UCL, included in Debtors.

17 . PROVISIONS FOR LIABILITIES AND CHARGES

Consolidated and University	2006 £'000	Restated 2005 £'000
Restructuring provision		
Balance at 1 August	-	-
Transfer from income and expenditure account	710	-
Balance at 31 July	710	-

The restructuring provision represents that part of the specific costs of the University's voluntary redundancy and early retirement scheme (note 8) which is expected to be incurred in 2006-07.

18. DEFERRED CAPITAL GRANTS

Consolidated and University	Government Agencies and HEFCE £'000	Other Grants and Benefactions £'000	Total £'000
Land and buildings	14,109	4,132	18,241
Equipment	365	20	385
1 August 2005	14,474	4,152	18,626
Land and buildings	122	909	1,031
Equipment	-	-	-
Additions	122	909	1,031
Land and buildings	(211)	(114)	(325)
Equipment	(38)	(3)	(41)
Released to income and expenditure	(249)	(117)	(366)
Land and buildings	14,020	4,927	18,947
Equipment	327	17	344
31 July 2006	14,347	4,944	19,291

19. SPECIFIC ENDOWMENTS

Consolidated and University	£'000
1 August 2005	57,854
Additions	52
Appreciation of endowment asset investments	2,838
Income for the year	2,560
Expenditure	(2,131)
31 July 2006	61,173
Representing	
Fellowships and scholarship funds	11,602
Prizes funds	1,067
Chairs and lectureship funds	21,801
Other funds	26,703
	61,173

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006 – CONTINUED

20. REVALUATION RESERVE

Consolidated and University	2006 £'000	2005 £'000
At 1 August	1,269	-
Prior year adjustments (note 22)	15,691	14,941
Restated	16,960	14,941
Appreciation of long term investments	296	1,269
Revaluation of investment properties	896	750
At 31 July	18,152	16,960

21. GENERAL RESERVES

	Consolidated		University	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
At 1 August	69,326	72,421	69,250	72,282
Prior year adjustments (note 22)	1,491	1,410	1,491	1,410
Restated	70,817	73,831	70,741	73,692
Transfer to income and expenditure account	(2,721)	(4,445)	(2,789)	(4,382)
Appreciation of long term investments	-	1,431	-	1,431
At 31 July	68,096	70,817	67,952	70,741

22. PRIOR YEAR ADJUSTMENTS

As set out in the accounting policies, the University has adopted FRS 17 in full in these financial statements. The impact of the prior year adjustment on the net assets at 1 August 2004 represents the reversal of the SSAP 24 pension provision of £1,224,000.

The financial statements have been restated to reflect the recognition of certain of the University's properties, which were previously included within fixed tangible assets and which are not held for consumption in its business operations, as investment properties. Accordingly, these properties have been included in the balance sheet at open market value as stated in the accounting policies. The impact of the prior year revaluation on the net assets at 31 July 2005 was £15,691,000 (2004: £14,941,000), being the revaluation of the investment properties, and £267,000 (2004: £186,000) being the write back of accumulated depreciation on those assets.

23. ACCESS FUNDS

	2006 £'000	2005 £'000
At 1 August	-	-
Net received from HEFCE	6	10
Disbursed to students	(6)	(10)
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.

24. 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	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Expiry date				
Less than one year	95	95	6	-
Between one and five years	343	315	1	-
More than five years	127	97	-	-

£122,000 (2005: £92,000) of these commitments are on behalf of and reimbursed by University College London.

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

	2006 £'000	2005 £'000
Deficit on continuing operations after depreciation of assets and disposal of assets	(2,292)	(4,146)
Depreciation	3,788	2,957
Profit on disposal of Tangible Assets	(6,947)	(295)
Deferred Capital Grants released	(366)	(358)
Investment Income credited to income and expenditure account	(3,463)	(4,820)
Loss/(gain) on sale of investments	135	(846)
Interest payable	1,200	1,265
Decrease/(increase) in Stocks	14	(82)
(Increase)/decrease in Debtors	(2,118)	147
(Decrease)/Increase in Creditors	(210)	6,501
Restructuring Provision	710	-
Net cash (outflow)/inflow from operating activities	(9,549)	323

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006 – CONTINUED

26. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2006 £'000	2005 £'000
Income from Endowments	2,560	2,423
Income from Short Term Investments	903	2,397
Interest payable	(1,200)	(1,265)
	2,263	3,555

27. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2006 £'000	2005 £'000
Tangible Assets acquired	(19,604)	(19,072)
Investments acquired	-	(20,583)
Endowment Assets acquired	(349)	(2,132)
Receipts from sale of assets	7,508	300
Receipts from sale of investments	6,689	40,142
Deferred Capital Grants received	1,031	25
Endowments received	52	857
	(4,673)	(463)

28. FINANCING

	2006 £'000	2005 £'000
1 August	23,178	24,486
Additional borrowing	5,754	-
Capital repayments	(1,348)	(1,308)
31 July	27,584	23,178

29. ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	1 August 2005 £'000	Cash Flows £'000	Other Changes £'000	31 July 2006 £'000
Cash at Bank and in Hand				
Endowment Assets	3,182	(3,182)	-	-
Other	1,503	4,245	-	5,748
	4,685	1,063	-	5,748
Short Term Deposits	15,320	(12,258)	-	3,062
Endowment Assets – Short Term Deposits	3,461	3,642	-	7,103
Debt due within one year	(1,312)	1,312	(1,405)	(1,405)
Debt due after one year	(21,866)	(5,718)	1,405	(26,179)
	288	(11,959)	-	(11,671)

30. PENSION OBLIGATIONS

USS

The University participates in the Universities Superannuation Scheme (USS), which is a funded defined benefit scheme where contributions are held in trust separately from the University. The main results and assumptions of the 31 March 2005 valuation of the USS are as set out below. The proportion of benefits covered on the FRS17 basis is indicative.

	Past service	Future service
Investment returns on liabilities per annum	4.5%	6.2%
Salary scale increases per annum	3.9%	3.9%
Pension increases per annum	2.9%	2.9%
Value of assets at date of last valuation		£21,740M
Proportion of members' accrued benefits covered by the actuarial value of the 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 2006		102%

The contributions payable by the University during the accounting period were equal to 14% of total pensionable salaries (excluding member contributions of 6.35%). The USS is a multi-employer scheme where the share 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 FRS 17 *Retirement Benefits*, thereby charging in its financial statements the contributions payable to the scheme for the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006 – 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 FRS 17 *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 at 31 March 2005 using 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.

	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%
Market value of assets at date of last valuation		£982M
Proportion of members' accrued benefits covered by the actuarial value of the assets 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%

The contribution rate required at the date of the valuation was 15.5% of salaries, including member contributions of 5%. The actuarial valuation which took place on 31 March 2005 recommended that the contribution rate be increased from 1 August 2006 to 20%, including member contributions of 6%.

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 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 in its financial statements the contributions payable for the year.

Contributions

The University's contributions to the schemes, as at 31 July 2006, are shown below.

	USS	SAUL	NHS
	%	%	%
Employees' contributions	6.35	5.00	6.00
Employers' contributions	14.00	10.50	14.00

	2006 £'000	2005 £'000
Contribution to USS	2,652	2,459
Contribution to SAUL	1,129	1,108
Contribution to NHS	857	752
Contribution to other pension arrangements	284	286
Charge to income and expenditure account	4,922	4,605

31. CAPITAL COMMITMENTS

Consolidated and University	2006 £'000	2005 £'000
Contracted at 31 July	21,112	6,405
Authorised but not contracted at 31 July	45,088	32,995

32. RELATED PARTY TRANSACTIONS

A register of interests is maintained for members of the University Council and senior management and no related third party transactions of a material nature were reported during the year.

COLLEGES, CENTRAL INSTITUTES AND ACTIVITIES OF THE UNIVERSITY OF LONDON

THE COLLEGES

Birkbeck
Central School of Speech and Drama
Courtauld Institute of Art
Goldsmiths College
Heythrop College
Imperial College London
The Institute of Cancer Research
Institute of Education
King's College London
London Business School
London School of Economics and Political Science
The London School of Hygiene & Tropical Medicine
Queen Mary
Royal Academy of Music
Royal Holloway
The Royal Veterinary College
St George's
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 and Romance Studies
– Institute of Historical Research
– Institute of Musical Research
– Institute of Philosophy
– Institute for the Study of the Americas
– Warburg Institute
The University of London Institute in Paris
University Marine Biological Station, Millport

CENTRAL ACTIVITIES

The Careers Group, University of London
Central Administrative and Support Services
External System
Intercollegiate Halls of Residence
Postgraduate Medical and Dental Education Deaneries
– Kent, Surrey and Sussex Deanery
– London Deanery
University of London Research Library Services
University of London Computer Centre
University of London Housing Services
University of London Union

University of London
Financial Statements
2005-2006

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