



UNIVERSITY
OF LONDON

Financial Statements 2015–16

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Preface

Established by Royal Charter in 1836, the University of London is one of the oldest, largest and most diverse universities in the UK. It consists of 18 independent member institutions of outstanding reputation together with a number of prestigious academic bodies based at Senate House. Together with the central professional services, the University of London strives to deliver highly effective, value-added services to its independent member institutions and to enhance academic excellence, while at the same time ensuring the financial sustainability of all its operations. These serve and support both the interests of the member institutions and the broader achievements of UK higher education.

Overview

As has been the case throughout our 180 year history, the University continues to undergo a period of significant change. To ensure that we realise our ambitions and meet the needs of our stakeholders across the world, we are creating innovative solutions and making a series of key investments to respond to the changing needs of students, support our academic mission and manage our extensive property portfolio.

We are creating innovative solutions and a series of key investments to realise our ambitions.

The University Strategy 2014-19 is one of investment and growth, and sees the development and investment of all areas across the University, in our academic mission, growing the future of our services, the development of our estates and the provision of quality student accommodation. The 2015-16 financial year sees an increase in the level of underlying investment to support the delivery of the strategy, with the University reporting a deficit before other gains/losses and tax of £3.7 million. In line with the rest of the higher education sector, the 2015-16 financial year is the first time that the University is required to publish results in line with FRS 102. This has a significant impact on the format and scope of the Financial Statements and the accounting policies. An explanation of the differences in detail can be found within Note 31 of the Financial Statements.

University Strategy 2014–19

The University Strategy is one for growth and development underpinned by a renewed confidence, purpose and momentum. It outlines an ambitious programme of investment and development capable of fulfilling our future plans and ambitions. The strategic vision of the University is:

To make a unique contribution to learning and research-led scholarship through our unrivalled network of member institutions, our global reach and reputation, and the breadth of our high-quality innovative academic services and infrastructure.

The University Strategy is one for growth and development, underpinned by a renewed confidence, purpose and momentum.

This will be delivered through a number of strategic aims:

Aim 1: deliver academic excellence

Invest in our academic excellence to widen student access through flexible learning and fulfil an ambitious programme of research promotion and facilitation in the humanities

Aim 2: provide innovative high-quality academic support and professional services

Develop, augment and commercialise our portfolio of services for the University's members and the education sector, with the aim to be the "go to" provider of student and academic support services

Aim 3: property that is valued and relevant

Create a vibrant academic hub, through a property portfolio which balances the needs of the University's members with maximising income opportunities

Aim 4: manage a high-performing organisation

Increase our investment in staff development, encourage a common purpose across our diverse activities and enhance our capacity where gaps exist, in order to deliver our plans

Our activities

The University of London is unlike many other universities. It is a loose federation of 18 autonomous member institutions of outstanding reputation, and a number of highly acclaimed central academic bodies and activities. These Financial Statements cover the activities of the central University. The central academic bodies include the University of London International Academy which offers distance learning courses to over 50,000 students in 180 countries; the School of Advanced Study (SAS), the UK's only national centre for the support and facilitation of research in the humanities; Senate House Library and the University of London Institute in Paris. The central University also provides a suite of innovative, high-quality academic support and professional services, and manages a valuable property portfolio providing academic space, student halls of residence and conference facilities.

It has been an eventful year for the University. The implications of the EU referendum vote are uncertain at this point. As a globally connected university, the University of London has a long tradition of welcoming students and staff from the European Union and across the world. The outcome of the referendum will not alter this and we will continue to welcome students, staff and visitors from the EU and beyond. At this stage it is impossible to gauge the longer term impact on our EU connections in the fields of research or other collaborations. We are completely committed to working with other universities and with national bodies to do all we can to ensure continued interaction with Europe as fully as possible in the challenging times ahead.

The new higher education and research bill will have implications for the University, particularly in relation to changes in the Teaching Excellence Framework (TEF) and the University of London International Academy.

We continued work on the necessary arrangements for City's accession to the University, which took place on 1 September 2016. The new member institution is now formally known as City, University of London and its distinctive academic profile, its commitment to practice-based research and its deep interconnectedness with the City of London will bring a new element to the University.

Internally the University's visual identity project commenced to ensure of more coherent presentation of the University across all departments. This includes a refresh of the visual identity for all uses and will be rolled out in autumn 2016.

Legal form of the University

The University of London is a company established by Royal Charter in the United Kingdom in 1836. The registered office of the University and its subsidiary undertakings is Senate House, Malet Street, London, WC1E 7HU.

Aim 1: deliver academic excellence

School of Advanced Study

The School of Advanced Study continues to grow and develop. The benefit of the investment in the academic base of the School over the last two years is being realised with several new initiatives taking off as a result this year.

Cities@SAS was developed and launched aiming to promote and facilitate new and interdisciplinary work on cities initially drawing on the work of two established SAS research centres – the Centre for Cultural Memory and the Centre for Metropolitan History. SAS has played a particularly valuable role in bringing together policy-makers, planners, and contemporary commentators to complement the work of all of its institutes in debating Renaissance cities, law in urban contexts, human rights, material culture and the urban built environment.

Following another highly successful Being Human Festival in November, the School's public engagement activity is thriving and was followed in May by the launch of the first in its 'Living Literature' series featuring the 'Great Gatsby' portraying the history of F. Scott Fitzgerald and Prohibition-era New York. The event included an array of historical food and drink inspired by the period, bootleggers, live 1920s jazz, archive material from the period and special performances. It generated extensive media coverage including BBC Radio 4.

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Events continue to be one of the most significant activities of the School, and 2015-16 was no exception with 2,325 events held bringing together over 65,000 attendees from all over the world.

One of the most anticipated events of the year was the international conference to celebrate Aby Warburg's 150th anniversary convened by the Warburg Institute. The conference attracted an all-time SAS record of delegates filling UCL's Logan Hall to capacity. The occasion launched the Warburg Institute's ambition to be the foremost place in the UK and Europe to study art, history and culture.

The School was particularly pleased that the collaborative distance learning programme with the International Programmes on Refugee Law Protection yielding an increase in student numbers of 83%. Additionally the Institute of Advanced Legal Studies secured prestigious Erasmus Mundus funding for a joint Master's in parliamentary procedures and legal drafting, working collaboratively with Complutense University (Madrid) and LUISS (Rome).

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The Institutes were awarded a number of grants during the year, notably an AHRC funded Open World Research Initiative grant to the Institute of Modern Languages Research, a HEFCE Catalyst grant to the Human Mind Project, a Templeton Trust grant to fund an experimental project entitled 'New Directions of the Study of the Mind' and a Nomis Foundation award to the Warburg Institute for a project on Body and Image in Art and Science. Work on these projects mostly commenced in the current academic year.

Last but not least, the year saw the successful negotiation of an agreement between the Institute of Classical Studies and the Combined Library of the Roman and Hellenic Societies which ensures the co-existence of the collections of these great institutions in Senate House for another 25 years.

Senate House Library

During the course of the year Senate House Library upgraded its Library Management System, introduced a new website and held its largest ever events and exhibition programme to commemorate the 400th anniversary of Shakespeare's death. The exhibition comprised an installation artwork – the 'Shakespeare staircase' (pictured on the front cover); an exhibition on two floors of Senate House exploring Metamorphosis: the seven ages of Shakespeare; a microsite featuring a promotional film presented by actor Paterson Joseph; and a full programme of events. In total, just under 30,000 users visited the microsite, with 1,066 new visitors entering the Library to see the main exhibition and a further 783 attendees at the events. Highlights included an evening exploring the sonnets, hosted by Sir Brian Vickers with performances by Edward Fox, Joanna David and Dominic West, with keynotes by leading Shakespearean scholars Professor Sir Jonathan Bate and Professor Sir Stanley Wells.

Senate House Library held its largest ever events and exhibition programme to commemorate the 400th anniversary of Shakespeare's death.

In total, just under 30,000 users visited the microsite, with 1,066 new visitors entering the Library to see the main exhibition and a further 783 attendees at the events.

Visits to the Library continue to grow steadily with 158,495 recorded visits over the course of the past year. According to a recent user survey, satisfaction rates are running at 83% with 75% of users claiming that the Library holds resources not readily available elsewhere. In 2016, the Library re-located approximately 11,000 linear metres of modern collections, special collections and research archives equating to approximately 400,000 items to free up space and to enable the delivery of Programme Beveridge, the University's flexible working programme.

International Academy

International Programmes is the University's largest academic activity in terms of student numbers, operating as a collaboration between the member institutions of the University and the University of London International Academy. International Programmes provides distance and flexible learning programmes at foundation, undergraduate and postgraduate levels. It currently has 51,000 registered students (2014-15: 52,000) across approximately 180 countries and a portfolio of over 100 academic programmes and awards.

Existing programmes continue to recruit students in high volumes each year though competition is intense. The University is continuing to invest in developing new and existing programmes and infrastructure, working with member institutions to ensure that the International Academy maintains its position as a world-leader in distance and flexible learning. During the year, a Master's in Professional Accountancy programme (MPAcc) was launched in collaboration with UCL providing academic direction and also working with ACCA, the global body for professional accountants. The programme recruited over 1,300 students in this, its year of launch. It is a unique partnership between an accountancy body and a university to enable students across the globe to gain a Master's degree and a professional accountancy qualification at the same time.

The MSc in Professional Accountancy recruited over 1,300 students and is a unique partnership between an accountancy body and a university.

The International Academy began development of a Global MBA during the year in collaboration with Queen Mary University of London (QMUL) building on the MPAcc programme model. Total development expenditure of £1.4 million was capitalised in 2015-16 in relation to this programme and the MPAcc programme development (2014-15: £0.5 million).

In line with the University's overarching strategic aims, investment in programme development is also being supported by additional resources in marketing and global engagement. The aim is to build global networks to recruit students, develop networks of high quality teaching institutions, engage with the corporate sector and promote other relationships for growth. This resulted in some expected increases in overheads during the year and an overall surplus outcome marginally ahead of the 2014-15 result.

In April 2016, a memorandum of understanding was signed between the University and the Singapore Institute of Management (SIM) to support greater collaboration on new student recruitment within Singapore, the largest single territory for International Programmes students, and the surrounding region.

University of London Institute in Paris

The University of London in Paris (ULIP) continues its strategy of partnership, in particular with Queen Mary University of London (QMUL).

The cooperation between QMUL and ULIP heralds the creation of new international relations programmes.

The cooperation between QMUL and ULIP heralds the creation of new international relations programmes. Already offering a Master's in international relations, the partnership will now develop an undergraduate programme in international relations, benefiting from the insight of Professor Engin Isin, internationally renowned scholar specialising on questions of citizenship.

There are also new programmes being developed jointly with QMUL in business analytics and new modules for the undergraduate French studies in international relations and business. The successful European politics public lecture series 'Challenging Europe' will continue this year and contributes to the reputation of the University of London in Paris. In 2015-16 three events were held covering the EU referendum, reform in border states of the EU and the interplay between security, migration and terrorism with an average audience of 60. The announcement of Britain's intention to leave the EU increases the relevance of the University's outreach to mainland Europe.

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Aim 2: provide innovative high-quality academic support and professional services

The Careers Group

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The Careers Group operates on a membership based not-for-profit model focused on higher education institutional careers and employability services. The Careers Group's mission is to enable each member's service to be the best that it can be within the context of its institution and to be a clearly recognised thought and practice leader in the field of graduate employability.

In some of our member institutions there have been large scale investments in careers services this year, growing the size and capacity of the service to meet the increasing demands of students, graduates and employers. Other services have demonstrated their capacity for innovation without investment. The power of the collective has enabled us to develop and re-purpose materials for maximum benefit, such as the use of our award-winning MOOC materials to develop similar online learning provision for college-based student cohorts.

In the last few months we have been part of a successful Development Office bid to the Sir John Cass Foundation to support widening participation students on University programmes, we have started to develop provision for students on International Programmes in Singapore and also made a successful bid to the University Convocation Trust to deliver the 'Living History of Job Hunting' project which will benefit students across the Group.

The Careers Group is the only higher education careers service in the UK with its own professional development and research units. The Group's in-house Professional Development Unit was able to offer over £24,000 worth of bespoke training and development to The Careers Group staff employed by member institutions, as well as making over 40 hours of online learning available through recorded webinars.

In 2015-16 the Research Unit initiated a three year HEFCE funded research project in Learning Gain, leading a consortium of universities to investigate how Careers registration data could be used to measure aspects of learning gain amongst student cohorts. The project will deliver practical support for evidence-based practice in our member services, whilst also ensuring that The Careers Group is an acknowledged leader in a crucial higher education policy arena closely linked to the Teaching Excellence Framework.

CoSector

CoSector was formed in 2015 by the University amalgamating its three shared service departments together into one organisation. As one of the key aims within the University Strategy, we will continue to develop and invest in CoSector to deliver world leading academic support and professional services.

Housing Services

There has been further expansion of the services offered with an increased portfolio of Student Homes, and further growth in the number of member institutions subscribing to the private housing and advice service. Two new external institutions have also joined meaning a total of six new customers have been recruited in the last 18 months.

During 2015-16 the team has taken on over 750 student advice cases and arranged 60 central and college-based housing events with 2,500 students attending this year's May Housing Fair.

During 2015-16 the team has taken on over 750 student advice cases and arranged 60 central and college-based housing events with 2,500 students attending this year's May Housing Fair. There were in excess of 30,000 student users of the private housing database and over 7,000 personal callers receiving assistance with housing enquiries.

These outputs will continue to play a key role in the shaping of the affordable student housing element of the Mayor's London Plan.

Careers & Events

The CoSector recruitment team has undergone a managerial restructure in early 2016, bringing together the management of internships and the Temporary Agency. This restructure, and subsequent lean process work, has identified process efficiencies particularly in administration which have been successfully implemented. These systems are being replaced in early 2016-17 and should reinforce the process efficiencies. The focus for 2016-17 is the challenge of growing the external business but the tools and the management are now in place to deliver this.

CoSector continues to expand its professional development consultancy services to other universities and professional bodies through the use of highly trained associate consultants who will supplement the existing team. During 2015-16 the Careers Professional Development team trained over 3,300 employees and members of the University's customers.

It has been another busy and successful year for the Careers Events team in CoSector which saw an increase in traffic from 9,000 to over 12,000 visitors and 327 exhibitors across the six events spanning graduate recruitment, postgraduate study and undergraduate study. JobOnline, the UK's largest student and graduate job board advertised 28,938 jobs which all met national minimum wage requirements. After last year's record breaking number, there were again increased numbers for the University Taster Courses, with over 250 courses being offered and over 12,000 students attending those courses.

The CoSector Careers Events team have hit record numbers this year, with 24,000 students attending seven different Careers courses and events at Senate House.

The graduate research team has had a very successful year carrying out the DLHE survey for 13 member institutions and a further 16 external HE institutions.

Graduate Research

The graduate research team has had a very successful year carrying out the DLHE survey for 13 member institutions and a further 16 external HE institutions. It also carried out the survey for 130 FE colleges in 2015-16. The team is focused on the 2016-17 collection and analytics, also closely monitoring consultation and proposed changes to the survey in future to capitalise on the opportunities those changes may offer.

University of London Computer Centre (ULCC)

In 2015-16 ULCC started to provide a range of new services, including cybersecurity products – cyber-monitoring and cyber-phishing to help organisations reduce their vulnerability to attacks and to raise staff awareness. We have blocked over a 100,000 malware attacks and blocked several DDoS attacks without any noticeable effect on our systems.

In 2015-16 ULCC started to provide a range of new services, including cybersecurity products – cyber-monitoring and cyber-phishing to help organisations reduce their vulnerability to attacks and to raise staff awareness.

ULCC continues to support over 100 customers with their Bloom Virtual Learning Environments (VLE) enabling 3 million students to have uninterrupted access to their academic learning online. Extensive user research led to a roadmap for the Bloom product, the first release of which was launched at the ALT Conference in September. A new website has been built to underscore the significant transformation of the service provision in recent years. The team continues to acquire high-profile customers. The coursework module for Moodle built by the team to add double blind marking capability has been released publicly as open-source and has generated significant interest and acclaim in the wider Moodle community.

The ULCC Digital Preservation team continues to provide a centre of excellence at the University of London for digital preservation for HEIs, NGOs and commercial organisations.

Aim 3: property that is valued and relevant

Property and Facilities Management

Estates Masterplan

During the year the University has developed an Estates Masterplan, with the aim to set out the core strategy that will guide decisions and growth in the next 10-20 years. We are approaching the Bloomsbury site as a whole, looking at the short-, medium- and long-term space and growth requirements to ensure that we plan properly for the future needs of the University, its member institutions, institutes and students.

The Masterplan also gives us an opportunity to develop the most environmentally sustainable educational estate in London.

The Masterplan also gives us an opportunity to develop the most environmentally sustainable educational estate in London. We intend to use low- and no-carbon technologies to help to reduce emissions. The developments and refurbishments that form this Masterplan will be undertaken using high quality materials designed to last, evolve and adapt with the future trends of education and learning.

The Masterplan will provide an improved public, green and open space for all with clearer ways to walk and cycle. It will also include enhanced lighting and better east-west connections.

Biodiversity will be greatly enhanced through the improvement of public and green spaces. We will reduce car parking, giving priority to pedestrians and cyclists across the campus.

Facilities Services

During the year new contracts have been procured for the provision of building and engineering maintenance with Bouygues, for cleaning, security, logistics and front of house services with Cordant Services, and for grounds maintenance with Nurture Landscapes.

All the above contracts have been thoroughly reviewed and include enhanced specifications to ensure high quality services are delivered to all University clients and that costs are apportioned accurately.

With the involvement of the University's member institutions a garden improvement fund has been established across the precinct to develop a five year plan to invest in improving the University's gardens for the benefit of students, staff and visitors.

Student satisfaction levels have once again risen to 80% from 68% and 76% in 2013-14 and 2014-15 respectively.

Halls

Student satisfaction levels have once again risen to 80% from 68% and 76% in 2013-14 and 2014-15 respectively. A new student-facing website for the Halls was launched in 2015-16 resulting in increased site traffic.

Successful marketing led to a 99% occupation rate, despite being direct-let rather than through the normal College quota system.

Construction works on the lower ground floor of Senate House started in October 2016 following a detailed design process.

Space & Workplace

Construction works on the lower ground floor of Senate House started in October 2016 following a detailed design process. The space will be home to the central administrative departments of the University, and will free up additional space in Senate House for teaching and learning.

The department has continued to rationalise the amount of space the University occupies and continues to lease excess space to member institutions, with an additional three leases being agreed this year.

Conference services

Highlights from the Conferences team include the hosting of HRH Princess Maha Chakri Sirindhorn's (Thailand) 60th birthday party, the International James Joyce Symposium and the Consortium of Humanities Centers and Institutes (CHCI) Conference. UCL took over Senate House for its two week long graduation ceremonies. Foundation Day was held in Senate House after a year's absence and the building was used for filming TV series including The Crown, Black Mirror and War Machine.

The catering contract with Aramark is set to be renewed and the team maintained its Bronze Food for Life accreditation.

The University of London appeared as the 14th most successful university in the UK for reducing carbon emissions in a recent report by Brite Green.

Sustainability

The University of London has continued to build upon the successes surrounding sustainability, carbon and waste reduction. The University appeared as the 14th most successful university in the UK for reducing carbon emissions in a recent report by Brite Green. It is now supporting five universities to deliver sustainability in halls of residence through the 'Reduce the Juice' programme which encourages students living in halls to reduce their energy and water consumption and recycle more.

Sustainability and energy services have now been embedded into the new facilities management contracts and will deliver a programme of energy saving measures alongside the day-to-day maintenance of the estate.

The Freshers' Fair in September 2015 set records with over 5,000 visitors, most of them students from member institutions.

Student Central

Student Central continues to provide student services, the University of London clubs and societies, fitness opportunities and social outlets. In 2015-16, a second successive year of record numbers joined clubs and societies. The Freshers' Fair in September 2015 set records with over 5,000 visitors, most of them students from member institutions. The fitness facilities in Energybase achieved their highest membership number, and conference space for teaching and events was highly sought after. The entertainments areas hosted a large number of bespoke events and parties.

Aim 4: manage a high-performing organisation

ICT

In its first year of operating, the ICT Department has created and embedded a new ICT governance policy across the University and designed and agreed a three year ICT strategy in line with the strategic aims and objectives of the University. Appropriate investment in ICT has been secured to deliver this strategy.

In its first year of operating, the ICT Department has created and embedded a new ICT governance policy.

Development Office

The Development Office has organised and delivered events in London, Singapore, Mauritius, Delhi and Hong Kong and has met around 50 prospective donors, engaging directly with more than 500 alumni.

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The Senator database will be launched in December 2016, containing over 1 million records. Senator's online content management system was already launched in March 2016, allowing supporters to make online donations to the University of London. Additionally the University's Case for Support has been finalised. The University of London raised £1m in philanthropic income in the financial year 2015-16, over £350,000 of which has come as a direct result of the work of the Development Office. A highlight was the £150,000 worth of support from the Sir John Cass's Foundation to provide 18 scholarships to be delivered over three years for young people living in London to study for a University of London undergraduate degree with the University of London International Programmes, with built-in careers support and guidance from The Careers Group. The support will also provide an application fee waiver for 300 young people living in London studying with the University of London International Programmes.

In 2016-17 the team will continue to grow its engagement operation with a view to creating sustainable philanthropic income for the University of London in the coming years.

Financial Strategy

The University Strategy 2014-19 is founded on the sustainability of its financial position underpinned by robust financial management. As with any organisation, it is vital to refresh the University in order to make it fit for the future. The investment that underpins the University Strategy is evident in the financial position of the University in 2015-16. This investment is across all areas of the University and is in people and operational projects as well as on the estate and other capital projects. In order to meet the ambitions of the Strategy, the University will need to deliver an operating surplus of c.5% of turnover on an ongoing basis in order to generate the investment funds required. For many years the University's business model did not generate this level of surplus, although through management actions and developments the financial performance had by 2013-14 improved to generate a surplus of £7.4 million. This enabled the University to embark on the current strategy from a solid financial position and to undertake the required investment programme with confidence.

As with any organisation, it is vital to refresh the University in order to make it fit for the future.

Under the University Strategy, a planned programme of investment is now being implemented which is reflected in the University deficit budget position in 2015-16. This investment builds upon the investment undertaken in the 2014-15 financial year and is taking place across all areas: in the academic capacity in the School of Advanced Study, in the development of new programmes in the International Academy, in the development of our academic and professional services, in the redevelopment of the Garden Halls of residence, and improvements across the estates and the development of Student Central on Malet Street. These investments are the primary reason for the deficit in this year. Further, the University plans to continue this level of investment in the coming years with the benefits and associated financial returns expected to be seen towards the end of the planning period.

Scope of Financial Statements

The Financial Statements comprise the consolidated results of the University and its trading subsidiaries, which undertake activities that, for legal and commercial reasons, are more appropriately channelled through a limited company.

This is the first year that the University has produced results under FRS 102. This has a significant impact on the format and scope of the Financial Statements and the accounting policies. An explanation of the differences in detail and the adjustments to the published results for 2014-15 can be found within Note 31 of the Financial Statements.

Financial Highlights

The results for the 2015-16 financial year directly reflect the increased investment undertaken by the University as part of the 2014-19 University Strategy. The key highlights for the year are:

- Total Income rose by 5% to £151.4 million.
- Total Expenditure increased by 4% to £155.1 million.
- The deficit before other gains / losses reduced to £3.7 million from £4.8 million in the prior year. This is the nearest measure to the previously called surplus on continuing operations. However under FRS 102 this includes a number of new items including the provision for the University's share of the past service deficit on the USS and SAUL pension schemes. The impact of this provision on the deficit was that in 2014-15 it was reduced by £6.9 million, and in 2015-16 it was reduced by £2.2 million. The pension provision itself stood at £13.2 million at July 2015 and had increased to £16.1m at July 2016.
- The retained surplus for the year has reduced to £9.1 million, down from £14.0 million in 2014-15. Under FRS 102 the retained surplus now includes the unrealised gain on investments (which was previously included in the Statement of Consolidated Total Recognised Gains and Losses) which was £19 million in 2014-15 and £13 million this year.

- Net cash inflow from operating activities was £2.5 million, compared to a cash outflow of £1.8 million in 2014-15.
- Total cash and liquid resources (which comprises cash, cash equivalents as well as deposits of the University, its subsidiaries and endowment with terms over 3 months) has increased by £0.9m over the course of the year to £56.1m
- Capital investment in the year totalled £3.9 million

Transition to FRS 102 and the 2015 Higher Education Statement of Recognised (accounting) Practice ("SORP")

The University, along with the rest of the UK Higher Education sector is producing financial statements under FRS 102 for the first time. This has a significant impact on the format and scope of the Financial Statements and the accounting policies. An explanation of the differences in detail can be found within Note 31 of the financial statements.

Transition to FRS 102 continued

| | £M | |
|---|---------------|-----------------------|
| | 2015-16 | 2014-15 (restated) |
| HEFCE SORP 2015 | | |
| Income | 151.4 | 144.1 |
| Expenditure | (155.1) | (148.9) |
| Operating surplus / (deficit) for the year | (3.7) | (4.8) |
| (Loss) / Surplus on disposal of assets | (0.7) | (0.1) |
| (Loss) / Gain on investments | 13.0 | 19.0 |
| Surplus before tax (rounded) | 8.6 | 14.1 |
| Additional key financial figures | | |
| Operating Surplus / (Deficit) as percentage of income | -2.44% | -3.33% |
| Cash generated from operating activities | 2.5 | (1.8) |
| Capital expenditure | 3.9 | 7.6 |
| Cash balance (including endowment cash and near cash equivalents) | 56.1 | 55.3 |
| Net Funds / (Debt) balance | 5.8 | 5.0 |
| Reconciliation of surplus / (deficit) before tax under 2015 SORP to that under 2007 SORP | | |
| Surplus before tax under 2015 SORP (rounded) | 8.6 | 14.1 |
| Performance model for capital grants | (0.1) | 0.3 |
| Excluding student societies income | 0.0 | 0.1 |
| Movement in pension deficit provision | 2.2 | 6.9 |
| Change in depreciation following valuation uplift | (0.4) | (0.5) |
| Holiday accrual | 0.0 | (0.1) |
| Other movements | 0.3 | (0.2) |
| Gain on investments previously shown in STRGL | (13.0) | (19.0) |
| Effect on surplus / (deficit) | (11.0) | (12.5) |
| Surplus / (Deficit) before tax under SORP 2007 | (2.4) | 1.6 |

| | £M | | | |
|---|------------|------------|------------|------------|
| | 2014-15 | 2013-14 | 2012-13 | 2011-12 |
| HEFCE SORP 2007 | | | | |
| Income | 144.3 | 151 | 145.5 | 141.5 |
| Expenditure | (142.6) | (143.6) | (140.6) | (137.0) |
| Operating surplus for the year | 1.6 | 7.4 | 4.9 | 4.6 |
| (Loss) / Surplus on disposal of assets | (0.1) | (0.1) | 1.9 | 2.3 |
| Surplus after disposal of assets | 1.6 | 7.3 | 6.9 | 6.9 |
| Additional key financial figures | | | | |
| Operating Surplus as percentage of income | 1.13% | 4.90% | 3.40% | 3.20% |
| Cash generated from operating activities | 1.9 | 12.6 | 7.5 | 16.3 |
| Capital expenditure | 7.6 | 32.9 | 5.5 | 6 |
| Cash balance (including endowment cash and near cash equivalents) | 55.3 | 59.7 | 50.1 | 44.4 |
| Net Funds / (Debt) balance | 5.0 | 9.4 | (10.1) | (10.1) |

Transition to FRS 102 continued

There are two elements to the change:

1. The format of the financial statements are changed.
 - a. There is no longer a separate Income and Expenditure Account and a Statement of Consolidated Total Recognised Gains and Losses. Instead these have been merged into a combined Statement of Comprehensive Income. The implication is that items of other gains and loss that were not previously included in the Income and Expenditure account are now included within the Statement of Comprehensive Income and so form part of the total comprehensive income.
 - b. Within the balance sheet the major change is that endowment assets are no longer separately disclosed on the face of the balance sheet but are included within non-current investments.

2. As part of the adoption of FRS 102 we have changed our accounting policies, either amending policies or adding new ones, to bring our accounting in line with the new standard. For the University of London the two largest changes are:

- a. The requirement to include the University's share of the past service deficit on the USS and SAUL pension schemes. This number will change in future years to reflect both the total level of deficit or surplus of these schemes and also our share of these, which is a relative measure as this will reflect our size compared to the size of all other members of both scheme.
- b. The University has taken the opportunity to revalue our land and buildings to their fair value at 1 August 2014.

There are a number of other changes which include the recognition of donations on entitlement to income, grants recognised in line with the performance model, and an accrual is made at each year end for staff holiday accrued but not taken at the end of each financial year.

These changes are reported in detail in Note 31 to the financial statements. The updated accounting policies are all within the Statement of the University's principal accounting policies.

Summary

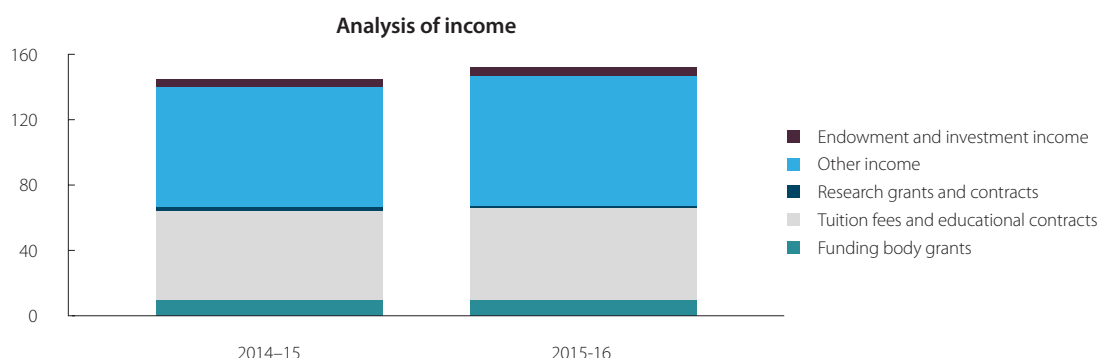
The decision to make a deficit at the 'operating level' in 2015-16 is a direct consequence of the University Strategy, and was made against the backdrop of sound financial performance which has enabled the University to undertake the investment programme with confidence. The investment underpins the four strategic aims of the University and so is undertaken across the University, and further builds upon the new investment undertaken in 2014-15. Within SAS, there has been a large and complex recruitment campaign of Institute Directors and senior academic staff. In the International Academy there has been investment in new programmes; the first intake of students on the new Masters in Professional Accounting, launched in conjunction with the Association of Chartered Certified Accountants (ACCA), started in January 2016. There has also been investment in additional marketing and infrastructure worldwide. There are further new programmes under development for launch in the coming years. There has been investment in our Services businesses, CoSector, particularly in their capability and capacity as we look to grow in future years and some rationalisation of products and services in the year. There has been a number of projects within Estates, the most significant of which is the redevelopment of the Garden Halls of residence in partnership with the University Partnership Programme (UPP), which opened in September 2016.

However, the confidence within the University to undertake these planned investments needs to be viewed against the ongoing uncertainty surrounding the future funding background for the higher education sector in the UK and the implications of the Brexit vote in June 2016. Direct HEFCE funding represents a smaller proportion of revenue for the University compared to most other UK HE institutions, but it still represents a crucial source of revenue particularly in relation to the School of Advanced Study. The implications of Brexit are emerging and the University will continue to monitor and review. We do expect this to present opportunities, particularly with the weakening of sterling, as well as threats, that may require action as they emerge.

The financial strategy is to use our assets and operations to generate income, diversify our income sources where we are able, and to use this to support the ongoing investment in our academic operations. The University is committed to maintaining and improving its financial sustainability and will take the required actions to do so in the coming years. There continues to be much work to do to provide the University with this increased income.

Income

Total income for the year grew to £151.4 million, a 5.0% increase compared to the prior year.



The main highlights are:

Funding body grants, primarily from the Higher Education Funding Council for England (HEFCE) were £9.4 million, the same as the prior year.

Tuition fees and education contracts, which represent the University's largest source of income, increased by 2.6% to £56.2 million. The largest element relates to the University's International Programmes where income grew. The International Programmes currently has 51,000 continuing students (2014-15: 52,000) across approximately 180 countries and a portfolio of over 100 academic programmes and awards

Research grants and contracts income decreased from £1.9 million to £1.6 million.

Other income has increased to £78.8 million from £73.5 million in the prior year. There are a number of components:

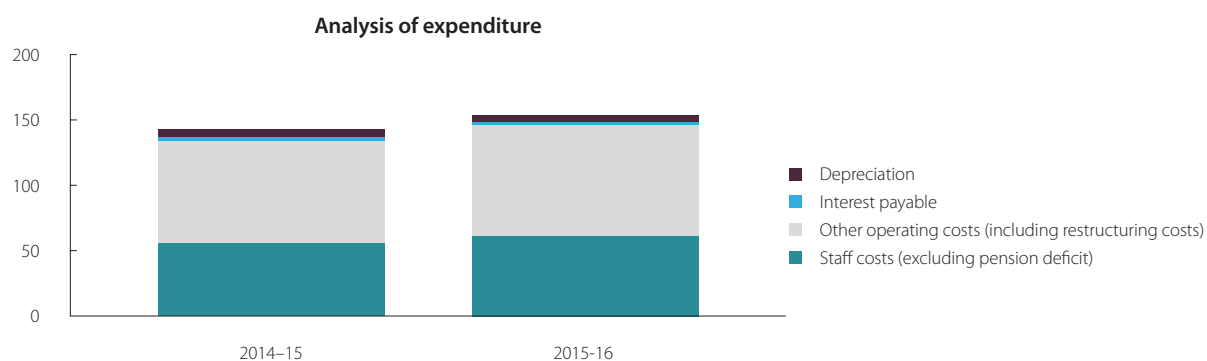
- Income from College subscriptions and charges has increased by £0.5 million from the prior year to £9.5 million. These payments are primarily for services provided to our member institutions and reflects an increase in the volume of services provided by the University to members.

- The income generated from the University's Residences, Catering and Conferences operations, which includes the intercollegiate student halls of residence, has grown by £0.5 million to £27.7 million.
- Estates income has risen to £4.8 million from £3.9 million in the prior year reflecting the growth in rental income secured from our estate.
- Other general income, which includes income generated from services provided to education establishments outside of the member institutions of the University has increased to £19.0 million from £15.6 million last year.
- Income in relation to arrangements with Health Education England increased by £0.5 million to £17.2 million.

Investment income, which relates to income generated from our endowments and our other investments, rose from £3.7 million in the prior year to £4.0 million this year.

Donation and Endowment income totalled £1.3 million up from £0.7 million received in the previous year.

Expenditure



Total expenditure increased by 4.1% compared to the prior year to £155.1 million.

Staff costs are the largest individual component of expenditure (as other operating costs include a number of separate elements) and have risen by £0.8 million since the prior year to £63.0 million. However, in addition to salaries and associated pension and social security costs, with the conversion to FRS 102 the movement on the University's share of the past service deficit on the pension schemes is included within staff costs. If this is excluded staff costs have risen by £5.7 million since last year to £61.2 million.

University average FTE staff numbers increased to 801 (1,078 if Health Education England staff are included).

Other operating expenditure has increased to £84.2 million from £78.3 million in the prior year. This comprises the costs, other than staff costs, in relation to the academic activities, residences and catering services and other activities across the University.

Capital Expenditure

The University has continued to invest in improving and upgrading its teaching and research infrastructure as well as its student facilities, halls of residences and its estate generally. In addition the University is investing in the development of new International Academy programmes.

Balance Sheet

Net assets at July 2016 totalled £630.6 million, rising from £621.4 million at July 2015.

Intangible assets have increased to £1.8 million during the year, reflecting the investment by the International Academy in the development of new programmes. Fixed assets reduced slightly during the year by £3.6 million to £509.8 million as the annual depreciation charge was larger than new additions in the year. Heritage assets have remained at their brought forward value of £13.0 million. Investments have increased by £13.4 million to £176.6 million due primarily to the increase in market value of the University's Investment Properties and the market value of the underlying asset portfolio within the University endowment.

Cash and cash equivalents have reduced during the year by £4.5 million to £12.3 million. However including cash held in the form of current asset investments, within endowment assets and other investments, total cash held has increased by £0.8 million over the year to £56.1 million. This reflects the net cash inflow from operations, the net cash outflow on capital expenditure and the inflow generated from investment income. This represents 132 days of expenditure. The University generated £2.5 million from operating activities during the year.

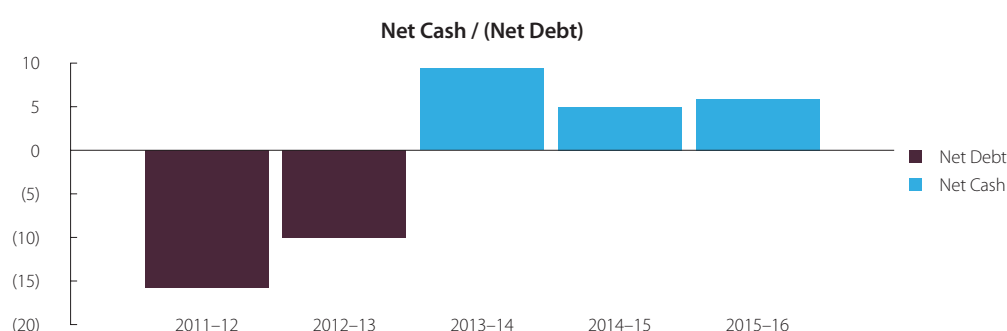
The long term borrowings, at £50.3 million, are unchanged over the year. Hence the University continues in a net cash position of £5.9 million at 31 July 2016, which has increased by £0.9 million from 31 July 2015.

There are relatively small movements across other balance sheet items.

Cash Flow

The University's total cash position (comprising cash, current asset investments and endowment asset cash) increased by £0.8 million across the year to £56.1 million at the 31 July 2016. This reflects the net cash inflow from operations, the net cash outflow on capital expenditure and the inflow generated from investment income. This represents 132 days of expenditure.

The long term borrowings, at £50.3 million, are unchanged over the year. Hence the University continues in a net cash position of £5.9 million at 31 July 2016, which has increased by £0.9 million from 31 July 2015.



As in prior years, the University has continued to pursue a conservative treasury management policy with appropriate counterparty limits and security criteria in place. The treasury management policy, which is agreed by the University's Investments Committee, accords priority to security and liquidity with yield considerations being subordinated to these.

Investment

The endowment funds are invested in the Unified Trust Fund ("UTF"). The funds within the UTF are invested in line with the agreed Investment Strategy, which provides for a balance between income and capital growth with a medium level of risk over the longer term. The primary objective is to achieve a total return, including dividends, interest, rent or other income, and capital appreciation, of inflation +4% per annum, gross of fees, over a rolling 5 year period. The new Strategy has split the fund into three distinct portfolios; Equity, which represents the largest of the three portfolios at approx. 72% of the fund and is managed by Newton Investment Management Limited; 11% in Absolute Return funds; and 17% in Property and which is invested in a property fund rather than direct specific property investments.

On a total return basis the performance of the UTF for 2015-16 saw a return of 13.3%, compared to the UTF's benchmark return of 10.1%. The benchmarks for the fund represent the asset holdings within the Strategy and the associated market conditions.

The University investment properties have been subject to a professional valuation as at 31 July 2016 undertaken by Knight Frank LLP, Chartered Surveyors. The valuation has resulted in their carrying value being increased by £6.4 million to £81.6 million, an increase of 8.5% reflecting the current buoyant state of the London property market.

Risks and Opportunities

The University of London is a unique institution. Our operations centre on our academic bodies as well as the support activities provided to the autonomous institutions that comprise the members of the University. The University also supplies services to other HEIs in the sector. The University's Estate comprises sizeable property assets in Bloomsbury and a number of other mainly central London locations.

Whilst the University's Collegiate Council determines and advises the Board of Trustees on the collective member institutions view, it is the Board of Trustees which is responsible for managing the risks and opportunities faced by the University. The University maintains a Strategic Risk Register which is regularly reviewed by the Board and a number of issues are identified as priorities.

The UK university sector continues to experience a period of unprecedented change with the backdrop of the uncertain level of public sector finances and funding for higher education. This has led to reductions in the level of central funding and increasing competition as universities vie for the best students and new providers enter the market. Initial inspection of our accounts reveal that the University's dependency on public funding is less than most other UK universities; these financial statements show that funding from HEFCE accounted for 6.0% of total income.

However the University does receive specific HEFCE funding for the national role that SAS has to promote and facilitate research in the Arts and Humanities. The funding is on the basis of a rolling grant with an annual contestable percentage which is subject to the School meeting the objectives set by its Strategic Advisory Board. Aside from this, the University continues to increase its investment in SAS to realise our own strategic objectives which underpin the University Strategy. It is not the University's intention that this ongoing investment should be used as a substitute for the loss of funding for SAS's national role.

A related risk is that of the future financial sustainability of Senate House Library, whose work is in part linked to SAS as well as providing a service to our member institutions and the wider research community. The University commenced a review of its strategy and operations for libraries in the summer of 2015, working with representatives from our member Institutions, which will also include looking to set an appropriate level of charges and fees.

The International Academy is a major source of income for the University. There are both opportunities and threats for this activity. The market for distance education is increasingly competitive with new institutions, new learning technologies and private capital all accelerating the pace of change. The University is investing in developing new and existing programmes and infrastructure to ensure it continues to be a world-leading institution in this area.

As a key part of the University Strategy the University is seeking to develop and grow our Shared Services activities in the coming years. The University has commenced a period of investment to grow our capability and capacity across these activities. We have established a new organisation, CoSector, and brought all of the service departments together within CoSector and given it the objective to deliver a surplus. The impact of potential government funding cuts across the sector could also serve as an opportunity as institutions seek to share the delivery of services.

The University is a significant provider of student residential services with its main focus on meeting the needs of the students of our member Institutions. The University's halls of residence accommodated approximated 2,000 students during the year ended 31 July 2016 as Garden Halls was still being redeveloped. The redevelopment of Garden Halls, completed in Autumn 2016, has given a significant modernisation to our residence provision and increased the number of available rooms by 1,200. We regard the expansion of our halls as offering an important growth opportunity, because residential accommodation is of such importance to present and future students. In addition to our halls of residence, the University through its Housing Services team provides students with the opportunity to access 20,000 beds in the private rental sector. The provision of first class student services, including residential services, is of critical importance to the University.

The University will look to ensure that the activities and services provided at Student Central are undertaken in a manner sustainable over the long term. A number of changes being made, including the streamlining of facilities management contracts and the release of space for additional commercial activity on the ground floor of the building.

As part of the strategy the University will seek to use its estate, where feasible and practical, to provide additional income sources.

The University will monitor and review the emerging impact of Brexit. There will be opportunities as well as threats. In the International Programmes, where students are studying at distance in their home country, we expect our revenue to benefit from the impact of the weakening of sterling. Student numbers in the School of Advanced Study are small. We will continue to support our staff and monitor the impact on future recruitment. For our other activities, we are providing services to our member institutions and so are potentially less directly impacted initially; we will continue to monitor and review the emerging picture.

Looking Forward

The University conducts regular reviews of its financial performance and prospective medium-term financial position annually or more frequently if required. This enables us to respond, should the need arise, to changes in our operations and to ensure that financial sustainability is unimpaired. The University Strategy has set out the plans through to 2019.

Forming a key component of the University Strategy, financial sustainability is essential and the University will be required to generate sufficient surpluses from its activities to meet its current and future business needs. The University will continue to review all activities to ensure that they are sustainable, affordable and fit for purpose. If the situation requires, the University will take the necessary actions in the coming years to ensure that it remains financially sustainable.

The financial strategy is to use our assets and operations to generate income, diversify our income sources where we are able, and to use this to support the ongoing investment in our academic operations. This will see the University seek to grow existing revenue sources and diversity and grow into new areas.

The University Strategy proposes to increase the financial operating surplus by 2020 through the following areas:

Academic

- Widening the offering in the International Programmes via a range of business models offering different levels of collaboration and involvement.
- Raising additional income for our academic work through fundraising activities and extra research income arising from our academic investment.

Services

- Additional income from new customers and new markets, and possibly investment from new partners.
- Addressing areas of cost under-recovery and inefficiency within the existing service offer.

Property

- Greater return on property assets, through realising new development opportunities and an increased income from rents and leases as opportunities arise.

Organisation

- Savings through better procurement, space utilisation and operational efficiencies.
- Grow the operation of the Development office, with its focus on fundraising with the expectation of increased donations from alumni, trusts and foundations and other sources in the future.

Summary

The University is in a sound financial position with financial sustainability as a key part of the University Strategy. We continue to build upon the work undertaken in recent years and plan to grow and diversify to provide the further investment capacity that will allow the University to further enhance its position.

Public Benefit Statement

The University is an exempt charity under the terms of the Charities Act 2011. The Charity Commission has issued guidance on public benefit to which the Trustees have had regard. This guidance requires that there must be clearly identified benefits related to the aims of the charity; that the benefits must be to the public, or to a section of the public; that where the benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by geographical or other restrictions or by the ability to pay fees; and that people in poverty must not be excluded from the opportunity to benefit.

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

The University makes a significant contribution, not just to the advancement of education, but also in a variety of ways to all of the other specific categories of charitable purposes set out in the Charities Act 2011.

The Colleges of the University, which are all themselves exempt charities, have included within their respective financial statements for 2015-16 Public Benefit statements in conformity with the reporting requirements of the HEFCE Accounts Direction for 2015-16 and reference thereto should be made in considering the public benefits delivered by the University, given that its primary purpose is to serve and further the interests of its Colleges.

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

To provide an example, the University of London International Academy (UoLIA), through its associated International Programmes, delivers programmes in a wide range of disciplines and subject areas. These include MScs/MAs in Poverty Reduction; Applied Educational Leadership and Management; Environmental Management; Livestock Health and Production; Clinical Trials; Epidemiology and Infectious Diseases, BAs in Theology; English; History; Philosophy and Classics and the LLM and LLB degrees. The

International Programmes are priced competitively to enable students, both in the UK and overseas, to access them. Thus the cost of a typical three-year undergraduate programme is some £3,500 to £5,500 whilst postgraduate programmes are available from £3,000 to £15,000.

The University, on behalf of the federation, manages a range of trust funds and endowments. The endowment funds as shown in the balance sheet at 31 July 2016 were carried at their market value which was £79.9 million and the sums expended during the year from these funds amounted to £3.4 million (see Note 22 of the Financial Statements). This expenditure represents payments in respect of fellowships and scholarships, prizes, and chairs and lectureship funds as well as a range of other awards to assist students and researchers within the Colleges and the University thereby providing opportunities to those whose means may otherwise inhibit them from participating in teaching and research activities. The University's trust funds are also utilised to fund an ongoing series of prestigious public lectures, recitals and readings generally in areas connected with the arts and humanities.

The School of Advanced Study is unique as the only institution in the UK nationally funded to promote and facilitate research in the humanities and social sciences. The School's events programme which comprises a wide range of seminars, workshops, lectures and conferences is unrivalled in scale, focus and quality. During 2015-16 approximately 2,325 events were organised attracting almost over 65,000 audience members drawn from the UK, internationally and the London area. The majority of the events are free and open to the public and all are welcomed and encouraged to take advantage of the access to the current research and interdisciplinary cross-fertilisation that these events afford.

Student Central's mission is to provide: student-led clubs and societies, events, services and facilities to University of London students and the wider London student community. The facilities include a gym, the largest swimming pool in central London and a venue for live music events. Students of the University of London Colleges and Central Activities are entitled to free membership and, in addition to its other activities, Student Central organises University-wide student sports competitions. During 2015-16 Student Central attracted a membership of nearly 15,000.

Corporate Governance Statement

The following statement is given to assist readers of the financial statements to obtain an understanding of the governance procedures of the University. The University endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and,
- in full accordance with the guidance to the University which has been provided by the Committee of University Chairmen in its "Higher Education Code of Governance".

The Board of Trustees, as the charity trustees of the University, confirm that they have complied with the duty in section 17 of the Charities Act 2011, to have due regard to the public benefit guidance published by the Charity Commission for England and Wales.

The University is an independent corporation which was incorporated originally by Royal Charter in 1836 and is, at present, incorporated by Royal Charter granted in 1863. It is now governed by the University of London Act 1994 and by the Statutes made in 2008 under that Act, which set out its objectives, powers and framework of governance. Following extensive consultation, amendments to the Statutes to widen representation on the governing body were approved by the Privy Council on 9 October 2015¹. The University of London is a federal university and, as well as the Central Academic Bodies and activities included in these financial statements, comprises a further 18² autonomous Colleges each of which is an HEI and a self-governing incorporated body with its own legal identity and which receives its funding from the Higher Education Funding Council for England (HEFCE) independently from the University itself.

The University's **Board of Trustees**, the governing and executive body of the University, comprises eleven appointed independent persons³ – all of whom are non-executive – the Vice-Chancellor, the Deputy Vice-Chancellor⁴ and four Heads of Colleges, appointed by the **Collegiate Council**. The role of the Chair of Board of Trustees is separated from the role of the University's chief executive, the Vice-Chancellor. The powers of the Board of Trustees are set out in the Statutes of the University and under the Memorandum of Assurance and Accountability between HEFCE and Institutions. The Board of Trustees, which normally meets six times a year, holds to itself, inter alia, responsibility for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from its committees on the day-to-day operations of its business and of its subsidiary undertakings.

The Board of Trustees is supported by the **Collegiate Council**, which comprises the Heads of the Colleges of the University, the Deputy Vice-Chancellor⁵, the Dean and Chief Executive of the School of Advanced Study, the Chief Executive of the University of London International Programmes⁶ and the Collegiate Council's Chair, the Vice-Chancellor. The Collegiate Council is responsible for determining, and advising the Board of Trustees on, the collective view of the Colleges in respect of all matters concerning the University of London as an incorporated body, including its strategic direction. It is also responsible for ensuring the proper discharge of the University's academic affairs.

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

¹ Following resolutions of the Board of Trustees on 27 May 2015 and 15 July 2015.

² City, University of London became part of the University of London with effect from 1 September 2016.

³ The number of independent persons on the Board of Trustees was increased from nine to eleven on 9 October 2015.

⁴ The Deputy Vice-Chancellor was added to the Membership of the Board of Trustees on 9 October 2015.

⁵ The Deputy Vice-Chancellor was added to the Membership of the Collegiate Council on 9 October 2015.

⁶ The Chief Executive of the University of London International Programmes was added to the Membership of the Collegiate Council on 9 October 2015.

Corporate Governance Statement continued

The University's Statutes provide that the Board of Trustees shall appoint an Audit and Risk Assurance Committee and that the Board of Trustees and the Collegiate Council may from time to time establish additional standing, special and advisory committees, sub-committees or boards. The committees which the Board of Trustees has established, in addition to the Audit and Risk Assurance Committee, include Nominations, Remuneration, Investments, Safety, and Trust Funds. Additionally, the Board has recently established, with effect from 1 August 2016, an Estates Committee (which succeeds the previously established Estates Sub-Group) and an Equality and Diversity Committee. All of these committees are formally constituted with terms of reference and include members drawn from the independent membership of the Board of Trustees.

The **Audit and Risk Assurance Committee**, which meets at least four times a year, is responsible for meeting with the external auditors to discuss audit findings, and with the internal auditors to consider their detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's responses and implementation plans.

The Committee also receives reports on value for money, monitors adherence to the regulatory requirements and considers reports from HEFCE as they affect the University's business. The Committee advises the Board of Trustees on the appointment and remuneration of the external and internal auditors with whom it meets for independent discussions. Whilst senior executives attend the meetings of the Committee as necessary, they are not members of the Committee. The Committee considers, and recommends to the Board of Trustees, comprehensive Financial Regulations for the conduct of the financial affairs of the University, and reviews the University's annual financial statements together with the accounting policies.

The **Nominations Committee** considers nominations for independent vacancies on the Board of Trustees. In line with the University's commitment to access and equal opportunities, the Committee seeks to achieve a balance of membership on the Board of Trustees in terms of gender, age, ethnicity and disability, and this

is an important consideration for the Committee in selecting members of the Board of Trustees. Vacancies are advertised openly and appropriately. Additionally, details of vacancies are circulated to Heads of Colleges and College Secretaries.

The **Remuneration Committee** determines the remuneration of the Vice-Chancellor and other senior staff and the **Investments Committee** is responsible for matters relating to the investments of the University, including recommending to the Board of Trustees the appointment of investment managers. The **Safety Committee** is responsible for reviewing and taking action as appropriate on the University's safety policies which ensure the health and safety of employees, students, visitors and others who may be affected by the University's activities. The **Trust Funds Committee** makes allocations from the University's endowment funds to support educational activities at the University and at the Colleges. It also acts as an oversight Committee ensuring that allocated monies are spent in accordance with the terms of each trust fund. The **Estates Committee** is responsible for a number of estates-related matters and also advises the Board of Trustees on matters relating to the University's estate, including specific projects and wider estates strategy. The **Equality and Diversity Committee** seeks to promote equality and diversity among staff and students. Its responsibilities include: developing and ensuring implementation of the University's Equality Strategy and related policies; monitoring and making recommendations in response to developments in legislation; and reporting to the Board of Trustees on equal opportunities monitoring and developments in equality and diversity.

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

Membership and Responsibilities of the Board of Trustees

Membership

Period 1 August 2015 to 30 November 2016 (unless otherwise stated):

| Independent Members | Period of Office |
|---------------------------------|----------------------|
| Ms Jane Andrewartha | From 1 August 2016 |
| Ms Stella Beaumont | |
| Mr Abdul Bhanji | |
| Ms Emma Burns | |
| Mr Philip Clark | |
| Sir Richard Dearlove (Chair) | |
| Mr Steven Fogel | Until 31 July 2016 |
| Mr Andrew Halper | From 1 August 2016 |
| Mr Gerard Lemos | Until 31 July 2016 |
| Mrs Suzanne McCarthy | Until 31 July 2016 |
| Mr Kieran Murphy | From 1 August 2016 |
| Mr Malcolm Roberts | |
| Mr Mark Storey | From 1 February 2016 |
| Mrs Rosalyn Wilton | From 1 February 2016 |

Vice-Chancellor

Professor Sir Adrian Smith

Responsibilities

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

| | Period of Office |
|---|---|
| Deputy Vice-Chancellor | |
| Professor Paul Webley | From 9 October 2015 to 2 March 2016 ⁷ |
| Representative Head of Colleges | |
| Professor Simon Gaskell, Principal of Queen Mary, University of London | |
| Professor David Latchman, Master of Birkbeck, University of London | |
| Professor Paul Layzell, Principal of Royal Holloway, University of London | |
| Professor Stuart Reid, Principal of the Royal, Veterinary College | |

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

⁷ Professor Webley sadly passed away on 2 March 2016.

Responsibilities of the Board of Trustees continued

In preparing the consolidated financial statements the Board has ensured that:

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

The Board has taken reasonable steps to:

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the financial memorandum with HEFCE and any other conditions which it has from time to time prescribed;
- ensure that there are appropriate financial and management controls in place to safeguard public funds, and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

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

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

Statement of Internal Control by the Board of Trustees

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

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 2016 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 regularly (usually on six occasions a year) to consider the plans and strategic direction of the University.

- We receive periodic reports concerning internal control from the Chair of the Audit and Risk Assurance Committee, 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.
- The Audit and Risk Assurance Committee receives regular reports from the internal audit service, including its independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
- 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 by the Board of the effectiveness of the system of internal control is informed by the work of the internal auditors, Uniac. They operate to the standards defined in the HEFCE Accountability and Audit: 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 Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF TRUSTEES OF THE UNIVERSITY OF LONDON

We have audited the financial statements of the University of London for the year ended 31 July 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Reserves, the Consolidated Cash Flow Statement, and the related Notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body in accordance with the memorandum of assurance and accountability effective August 2013. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's 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 of Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governing body and auditor

As explained more fully in the governing body's responsibilities statement, the governing body is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and

adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the University's affairs as at 31 July 2016 and of the group's surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion, in all material respects:

- income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2016 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2016 has been applied in accordance with the University's statutes and, where appropriate, with the memorandum of assurance and accountability, with the funding council; and
- the requirements of HEFCE's accounts direction have been met.

Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans, UK
30 November 2016

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 2015 and in accordance with Financial Reporting Standards (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements conform to guidance published by the Higher Education Funding Council for England.

The activities of the University, together with the factors likely to affect their future performance and position are as set out in the Strategic Report on pages 4–27. Having regard to the University's considerable assets and financial resources, its Board of Trustees believes it is well placed to manage its risks successfully notwithstanding the current economic conditions and future uncertainties associated therewith. The Board of Trustees has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the University and subsidiary undertakings. Intra-group sales and profits are eliminated fully on consolidation.

Related party transactions

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

Taxation

The University is an exempt charity under section 22 and Schedule 3 to the Charities Act 2011 and as such is a charitable company within the meaning of Part 11 of the Corporation Tax Act 2010 (CTA). Accordingly,

the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 of Part 11 of the CTA 1990 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied only to 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.

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 statement of comprehensive income.

Intangible assets

Course development expenditure is charged to the statement of comprehensive income in the year incurred unless it meets the recognition criteria for capitalisation as set out in FRS 102 18.4 and 18.8H. When the recognition criteria have been met then such expenditure on course development is capitalised as an intangible asset under construction. When the asset becomes available for use, it is amortised on a straight line basis over the expected economic life of the course, with amortisation being an expense in the statement of comprehensive income. An impairment test is carried out annually and where it is judged that the carrying value of the intangible asset exceeds the likely future economic benefit, then it is written down appropriately. The useful economic life of a new course is five years. Once the original intangible asset has started being amortised, if there is subsequent development work capitalised on that course, this will be assessed by management. If it is deemed to be intrinsically related to the original development work capitalised, it will be amortised over the remaining life of the original intangible asset. If it is deemed to represent future economic benefit separate to that of the original development work, it will be capitalised separately and amortised over five years.

Statement of the University's Principal Accounting Policies continued

Tangible fixed assets

Tangible fixed assets are operational assets whose risks and rewards belong to the University of London. This consists of both assets owned by the University and assets held by the University on a finance lease where the University is the lessee. Refurbishment costs incurred in relation to buildings after initial measurement are capitalised to the extent that they increase the expected future economic benefits of the asset in question to the University. Assets which are let out on finance leases where the University is the lessor and investment property are excluded.

Property

The University has the following classes of property assets and bases of recognition:

- Freehold land: recognised at fair value as deemed cost (ie. fair value at 1 August 2014) and not depreciated due to its infinite useful economic life
- Freehold buildings & refurbishment: Buildings, including any refurbishment prior to 1 August 2014, are recognised at fair value as deemed cost (ie. fair value at 1 August 2014) and depreciated to their estimated residual value over the useful economic life of the asset. Building additions subsequent to 1 August 2014 are recognised at cost and depreciated over the useful economic life of the building. Capital refurbishment subsequent to 1 August 2014 other than separately identifiable items of plant and equipment, to the extent that it increases future economic benefit to the University, is recognised at cost and depreciated over the useful economic life of the refurbishment asset.
- Long leasehold buildings & refurbishment: Buildings held on a finance lease where the University is the lessee are recognised at inception of the lease as the lower of (i) the fair value of the building and (ii) the present value of the minimum lease payments. This is depreciated over the lower of the useful economic life of the asset and the lease term. Capital refurbishment other than separately identifiable items of plant and equipment, to the extent that it increases future economic benefit to the University, is recognised at cost and depreciated over the useful economic life of the refurbishment asset.

The useful economic lives of the property assets are as follows:

- Land: infinite
- Buildings: 100 years
- Refurbishment costs: 7-20 years

Assets under construction

Assets under construction are not depreciated. A quarterly review of assets under construction is undertaken to assess whether the assets under construction are available for use, at which point they become depreciable assets and are reclassified appropriately.

Plant and equipment

Single items of plant and equipment costing £10,000 or more, or multiple items of plant and equipment whose functionality is intrinsically linked and which together cost £10,000 or more, are capitalised as plant and equipment assets. Capitalised assets are depreciated over their useful economic life. Single items under £10,000 are written off in the year of acquisition. Groups of items purchased together which individually cost under £10,000 and together cost £10,000 or more, but whose functionality is not intrinsically linked, are also written off in the year of acquisition.

The useful economic lives of the plant and equipment assets are as follows:

- Motor vehicles: 3 years
- Computing equipment: 5 years
- Boats and boating equipment: 10-25 years
- Other plant and machinery: 5-20 years

In cases where the asset class has a potential range of useful economic lives, the assets are assessed on an individual basis and assigned the most appropriate useful economic life from within that range.

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

Leases: University as lessee

When the University enters into any lease agreements as lessee, the lease is reviewed. If there are any indicators of a finance lease implicit in the lease as set out in FRS 102: 20, a management decision is made over whether the lease is a finance lease or an operating lease.

Statement of the University's Principal Accounting Policies continued

Finance lease

When a lease is deemed to be a finance lease, the associated asset is recognised as an asset of the University of London. The amount recognised is the lower of the fair value and the present value of minimum lease payments at the time of inception of the lease. This is then depreciated over the lower of the life of the lease and the UEL of the asset class to which it belongs.

Operating lease

When a lease is deemed to be an operating lease, the cost of lease payments and the reduction of cost of any lease incentives are recognised on a straight-line basis over the life of the lease. The leased asset is not recognised as the University's asset.

Leases: University as lessor

When an asset owned by the University of London is let out, the lease is reviewed. If there are any indicators of a finance lease implicit in the lease as set out in FRS 102: 20, a management decision is made over whether the lease is a finance lease or an operating lease.

Finance lease

When a lease is deemed to be a finance lease, the associated tangible fixed asset is derecognised, and a finance lease receivable is recognised. The finance lease receivable consists of the present value of the residual value of the asset on reversion to the University at the end of the lease, and the present value of any rental income receivable throughout the life of the lease. A rate deemed to be appropriate is used to calculate the finance income, and equivalent increase in finance lease receivable, during the life of the lease. Any rental income received is recognised as a reduction in finance lease receivable. The finance lease receivable is reviewed annually for impairment.

Operating lease

When a lease is deemed to be an operating lease, income from lease payments and reduction of income of any lease incentives are recognised on a straight-line basis over the life of the lease. The leased asset remains the University's asset, and depreciation and any other costs associated with the asset are recognised as an expense.

Heritage assets

The University has received gifts and bequests of works of art, library collections and other decorative items. The University has also purchased works of art, rare books and manuscripts with funds from specific benefactions and public grants. All of these assets are held and maintained principally for their contribution to knowledge and culture.

Heritage assets are recognised at cost of acquisition or, in the case of donated assets, valuation at the date of donation. Where a valuation cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the donated asset is not recognised but is disclosed in the note to the accounts. Historic assets which are used by the University are accounted for as tangible fixed assets.

Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material. Heritage assets are assessed annually for impairment.

Investments

Investment properties

Investment properties are land and buildings owned by the University of London which are held for capital appreciation or rental income. All assets let out under finance leases are excluded.

Investment properties are held at fair value, and are revalued annually with the assistance of qualified external valuers. Any revaluation gain or loss is taken to income or expenditure. No depreciation is provided in respect of investment properties.

Subsidiaries

Investment in subsidiaries is held at the carrying amount which is deemed to be the net asset value of the subsidiary, less any impairment.

Other non-current investments

Other non-current investments are held at fair value and revalued at the end of each reporting period, with changes in fair value being recognised in the statement of comprehensive income.

Current asset investments

Current asset investments comprise money on term deposits of longer than three months which is stated at the lower cost and net realisable value, and money market funds which are shown at market value in the balance sheet.

Statement of the University's Principal Accounting Policies continued

Stocks

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

Financial instruments

Basic financial instruments comprise cash, demand and fixed-term deposits, loans receivable and payable and bonds. Such instruments are recognised at the transaction price and held at amortised cost using the effective interest rate method or cost. They are subject to an annual impairment review.

Investments in non-convertible preference shares and non-puttable ordinary and preference shares are measured at fair value where publicly traded or their value can otherwise be reliably measured. Otherwise they are measured at cost less impairment.

Complex financial instruments include options, rights, warrants, futures and forward contracts and interest rate swaps that can be settled in cash or by exchanging another financial instruments, hedging instruments and asset-back securities. Complex financial instruments are recognised initially and held at fair value with changes in fair value taken directly to the statement of comprehensive income.

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand and deposits repayable within three months. Deposits repayable in more than three months are held as current asset investments.

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; and an inability to measure the economic outflow.

Pensions

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.

The University contributes to the National Health Service Pension Scheme (NHSPS), an unfunded defined benefit scheme for the academic and non-academic staff at the Local Education and Training Boards (LETBs), which replaced the London and Kent, Surrey and Sussex (KSS) Deaneries in April 2013.

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 FRS 102 28.11. Its defined benefit schemes (USS, SAUL and NHSPS) 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. Contributions to defined contribution schemes, or schemes treated as defined contribution schemes, are recognised as an expense where already paid by year end, or are recognised as a liability where not paid by year end.

The University also complies with FRS 28.11A. The University has entered into agreements with USS and SAUL to fund their deficits, and recognises a liability for the contributions payable that arise from these agreements. The expense resulting from this liability and any movements in this liability are recognised in the statement of comprehensive income. NHSPS does not meet the criteria of FRS 102 28.11A so no liability is recognised.

Grants

All grants are accounted for under the performance model.

Statement of the University's Principal Accounting Policies continued

Capital grants with performance conditions for both land and buildings, and revenue grants with performance conditions, from both Funding Bodies and from other sources, are recognised initially as deferred income, and then released to the statement of comprehensive income on entitlement.

Capital grants with restrictions but without performance conditions for both land and buildings, and revenue grants with restrictions but without performance conditions, from both Funding Bodies and from other sources, are recognised in the statement of comprehensive income on entitlement, and are subsequently recorded within restricted reserves.

Donations and endowments

Donations with performance conditions are recognised as deferred income, and recognised in the statements of comprehensive income on entitlement to income when the performance conditions are met.

Unrestricted donations are recognised in the statement of comprehensive income on entitlement to income and form part of the movement of unrestricted reserves.

Restricted donations which can be spent on the specified activity within a short period of time are recognised in the statement of comprehensive income on entitlement to income and form part of the movement of restricted reserves. Expenditure incurred on the activity to which the donation was restricted, to the value of that donation, also forms part of the movement of restricted reserves.

Restricted donations which could not be spent within a short period of time are recognised as expendable endowments.

Expendable endowments comprise restricted donations to the University which could not be spent within a short period of time and Trusts of which the University is a Trustee with no permanent restrictions on capital. Income is recognised in the statement of comprehensive income on entitlement. Donation income, any investment income arising from investment of the funds, and expenditure incurred in line with the purpose of the donation or Trust, form part of the creation of, and movement in, expendable endowment reserves. Endowment assets may be held as non-current investments or cash.

Permanently restricted endowments comprise donations to the University and Trusts of which the University is a Trustee 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. Income is recognised in the statement of comprehensive income on entitlement. Donation income, any investment income arising from investment of the funds, and expenditure incurred in line with the purpose of the donation or Trust, form part of the creation of, and movement in, permanent endowment reserves.

Other items of total comprehensive income

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

All income from short-term deposits is credited to the statement of comprehensive income in the period in which it is earned.

Service concessions

Where the University is the grantor in a service concession arrangement, infrastructure assets are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are bought into use with a corresponding financial liability. Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement. Where the University does not recognise a liability to make payments, it does not recognise an infrastructure asset.

Transition to FRS 102

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in Note 31.

Application of first time adoption grants certain exemption from the full requirements of the 2015 SORP in the transition period. The following exemptions have been taken into these financial statements:

- Fair value at 1 August 2014 has been used as deemed cost at 1 August 2014 for land and buildings

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2016

| | | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|--|--------------------------------------|-------------------------|----------------|-------------------------|----------------|
| | | Consolidated | University | Consolidated | University |
| Notes | | £'000 | £'000 | £'000 | £'000 |
| Income | | | | | |
| 1 | Tuition fees and education contracts | 56,220 | 56,220 | 54,821 | 54,821 |
| 2 | Funding body grants | 9,385 | 9,377 | 9,395 | 9,395 |
| 3 | Research grants and contracts | 1,619 | 1,619 | 1,937 | 1,937 |
| 4 | Other income | 78,787 | 68,494 | 73,497 | 64,670 |
| 5 | Investment income | 4,031 | 7,519 | 3,703 | 6,372 |
| 6 | Donations and endowments | 1,326 | 1,326 | 745 | 745 |
| Total income | | 151,368 | 144,555 | 144,098 | 137,940 |
| Expenditure | | | | | |
| 7 | Staff costs | 62,967 | 60,079 | 62,158 | 59,720 |
| 9 | Other operating expenses | 84,185 | 81,037 | 78,346 | 75,535 |
| 12 | Depreciation | 4,998 | 4,204 | 5,699 | 4,866 |
| 8 | Interest and other finance costs | 2,904 | 2,900 | 2,710 | 2,710 |
| 9 | Total expenditure | 155,054 | 148,220 | 148,913 | 142,831 |
| Deficit before other gains and losses | | (3,686) | (3,665) | (4,815) | (4,891) |
| Loss on disposal of fixed assets | | (671) | (671) | (77) | (77) |
| 15 | Gain on investments | 13,029 | 13,483 | 18,995 | 18,995 |
| Surplus before tax | | 8,672 | 9,147 | 14,103 | 14,027 |
| 10 | Taxation | 475 | – | (72) | 4 |
| Total comprehensive income for the year | | 9,147 | 9,147 | 14,031 | 14,031 |
| Represented by: | | | | | |
| Endowment comprehensive income for the year | | 5,431 | 5,431 | 5,857 | 5,857 |
| Restricted comprehensive income for the year | | 32 | 32 | 123 | 123 |
| Unrestricted comprehensive income for the year | | 3,684 | 3,684 | 8,051 | 8,051 |
| | | 9,147 | 9,147 | 14,031 | 14,031 |

All surplus for the year is attributable to the University

All comprehensive income for the year is attributable to the University

All items of income and expenditure relate to continuing activities

Consolidated and University Statement of Changes in Reserves

For the year ended 31 July 2016

| Consolidated | Income and expenditure account | | | Total £'000 |
|---|--------------------------------|---------------------|-----------------------|----------------|
| | Endowment £'000 | Restricted £'000 | Unrestricted £'000 | |
| Balance at 1 August 2014 | 68,617 | 68 | 538,714 | 607,399 |
| Surplus from the income and expenditure statement | 8,344 | 237 | 5,450 | 14,031 |
| Release of restricted funds spent in year | (2,487) | (114) | 2,601 | – |
| Total comprehensive income for the year | 5,857 | 123 | 8,051 | 14,031 |
| Balance at 1 August 2015 | 74,474 | 191 | 546,765 | 621,430 |
| Surplus / (deficit) from the income and expenditure statement | 8,831 | 646 | (330) | 9,147 |
| Release of restricted funds spent in year | (3,400) | (614) | 4,014 | – |
| Total comprehensive income for the year | 5,431 | 32 | 3,684 | 9,147 |
| Balance at 31 July 2016 | 79,905 | 223 | 550,449 | 630,577 |

| University | Income and expenditure account | | | Total £'000 |
|---|--------------------------------|---------------------|-----------------------|----------------|
| | Endowment £'000 | Restricted £'000 | Unrestricted £'000 | |
| Balance at 1 August 2014 | 68,617 | 68 | 538,714 | 607,399 |
| Surplus from the income and expenditure statement | 8,344 | 237 | 5,450 | 14,031 |
| Release of restricted funds spent in year | (2,487) | (114) | 2,601 | – |
| Total comprehensive income for the year | 5,857 | 123 | 8,051 | 14,031 |
| Balance at 1 August 2015 | 74,474 | 191 | 546,765 | 621,430 |
| Surplus / (deficit) from the income and expenditure statement | 8,831 | 646 | (330) | 9,147 |
| Release of restricted funds spent in year | (3,400) | (614) | 4,014 | – |
| Total comprehensive income for the year | 5,431 | 32 | 3,684 | 9,147 |
| Balance at 31 July 2016 | 79,905 | 223 | 550,449 | 630,577 |

Consolidated and University Balance Sheet

For the year ended 31 July 2016

| Notes | As at 31 July 2016 | | As at 31 July 2015 | |
|--|-----------------------|---------------------|-----------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Non-current assets | | | | |
| 11 Intangible assets | 1,817 | 1,817 | 491 | 491 |
| 12 Fixed assets | 509,823 | 509,479 | 513,390 | 510,652 |
| 12, 13 Heritage assets | 12,961 | 12,961 | 12,961 | 12,961 |
| 15 Non-current investments | 176,625 | 177,514 | 163,254 | 163,089 |
| | 701,226 | 701,771 | 690,096 | 687,193 |
| Current assets | | | | |
| 16 Stock | 1,133 | 1,133 | 1,503 | 1,503 |
| 17 Trade and other receivables | 14,428 | 14,147 | 13,759 | 15,938 |
| 18 Current investments | 39,792 | 39,792 | 34,727 | 34,727 |
| 24 Cash and cash equivalents | 12,259 | 10,077 | 16,772 | 14,629 |
| | 67,612 | 65,149 | 66,761 | 66,797 |
| 19 Creditors: amounts falling due within one year | (35,300) | (33,382) | (33,801) | (31,024) |
| Net current assets | 32,312 | 31,767 | 32,960 | 35,773 |
| Total assets less current liabilities | 733,538 | 733,538 | 723,056 | 722,966 |
| 20 Creditors: amounts falling due after more than one year | (86,897) | (86,897) | (87,646) | (87,646) |
| Provisions | | | | |
| 21 Pension provisions | (16,064) | (16,064) | (13,890) | (13,890) |
| 21 Other provisions | – | – | (90) | – |
| Total net assets | 630,577 | 630,577 | 621,430 | 621,430 |
| Restricted reserves | | | | |
| 22 Income and expenditure reserve – endowment reserve | 79,905 | 79,905 | 74,474 | 74,474 |
| 23 Income and expenditure reserve – restricted reserve | 223 | 223 | 191 | 191 |
| Unrestricted reserves | | | | |
| Income and expenditure reserve – unrestricted | 550,449 | 550,449 | 546,765 | 546,765 |
| Total reserves | 630,577 | 630,577 | 621,430 | 621,430 |

The financial statements were approved by the Board of Trustees on 30 November 2016 and were signed on its behalf on that date by:

Sir Richard Dearlove,
Chairman, Board of Trustees

Andrew Murphy,
Chief Financial Officer

Professor Sir Adrian Smith,
Vice-Chancellor

Consolidated Cash Flow Statement

For the year ended 31 July 2016

| Notes | | Year ended 31 July 2016 £'000 | Year ended 31 July 2015 £'000 |
|---|--|-------------------------------------|-------------------------------------|
| Cash flow from operating activities | | | |
| | Surplus for the year | 9,147 | 14,031 |
| Adjustment for non-cash items | | | |
| 12 | Depreciation | 4,998 | 5,699 |
| 11 | Amortisation of intangibles | 115 | 34 |
| 15 | (Loss) / gain on non-current investments | (13,328) | (22,767) |
| 16 | Decrease / (increase) in stock | 370 | (151) |
| 17 | Decrease / (increase) in debtors | (669) | 813 |
| 19, 20 | Increase / (decrease) in creditors | 750 | (5,215) |
| 21 | Increase / (decrease) in pension provision | 2,174 | 6,888 |
| 21 | Increase / (decrease) in other provisions | (90) | 76 |
| Adjustment for investing or financing activities | | | |
| 5 | Investment income | (4,031) | (3,703) |
| 8 | Interest payable | 2,573 | 2,541 |
| | (Profit) / loss on the sale of fixed assets | 671 | 77 |
| | Capital grant income | (178) | (128) |
| Net cash inflow from operating activities | | 2,502 | (1,805) |
| Cash flows from investing activities | | | |
| | Proceeds from sales of fixed assets | 300 | – |
| | Capital grants receipts | 178 | 128 |
| | Withdrawal of deposits | – | 2,783 |
| | Investment income | 4,031 | 3,703 |
| | Payments made to acquire fixed assets | (2,402) | (3,314) |
| | Payments made to acquire intangible assets | (1,441) | (491) |
| | New non-current investments | (43) | (3,856) |
| | New deposits | (5,065) | – |
| | | (4,442) | (1,047) |
| Cash flows from financing activities | | | |
| | Interest paid | (2,573) | (2,541) |
| | | (2,573) | (2,541) |
| (Decrease) / increase in cash and cash equivalents in the year | | (4,513) | (5,393) |
| 24 | Cash and cash equivalents at beginning of the year | 16,772 | 22,165 |
| 24 | Cash and cash equivalents at end of the year | 12,259 | 16,772 |

Notes to the Financial Statements

For the year ended 31 July 2016

| Notes | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 1 Tuition fees and education contracts | | | | |
| Full-time home and EU students | 319 | 319 | 489 | 489 |
| Full-time international students | 54,562 | 54,562 | 53,427 | 53,427 |
| Part-time students | 1,339 | 1,339 | 905 | 905 |
| | 56,220 | 56,220 | 54,821 | 54,821 |
| 2 Funding body grants | | | | |
| Recurrent grant | | | | |
| Higher Education Funding Council | 9,207 | 9,199 | 9,267 | 9,267 |
| Capital grant | 178 | 178 | 128 | 128 |
| | 9,385 | 9,377 | 9,395 | 9,395 |
| 3 Research grants and contracts | | | | |
| Research councils | 1,027 | 1,027 | 1,359 | 1,359 |
| Research charities | 266 | 266 | 187 | 187 |
| Government (UK and overseas) | 325 | 325 | 391 | 391 |
| Other | 1 | 1 | – | – |
| | 1,619 | 1,619 | 1,937 | 1,937 |
| 4 Other income | | | | |
| Colleges: Subscriptions and charges | 9,541 | 9,541 | 8,956 | 8,956 |
| Residences, catering and conferences | 27,719 | 25,666 | 27,232 | 23,141 |
| Estates revenue | 4,762 | 4,762 | 3,934 | 3,934 |
| Other revenue grants | 533 | 533 | 1,015 | 1,015 |
| Other income | 18,989 | 10,749 | 15,605 | 10,869 |
| Arrangements with HEE | 17,243 | 17,243 | 16,755 | 16,755 |
| | 78,787 | 68,494 | 73,497 | 64,670 |
| 5 Investment income | | | | |
| 22 Investment income on endowments | 2,644 | 2,644 | 2,557 | 2,557 |
| Other investment income | 1,387 | 4,875 | 1,146 | 3,815 |
| | 4,031 | 7,519 | 3,703 | 6,372 |
| 6 Donations and endowments | | | | |
| 22,23 Donations with restrictions | 999 | 999 | 405 | 405 |
| Unrestricted donations | 327 | 327 | 340 | 340 |
| | 1,326 | 1,326 | 745 | 745 |

Notes to the Financial Statements

For the year ended 31 July 2016

7 Staff costs

| | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|----------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Staff costs : | | | | |
| Salaries | 46,809 | 44,039 | 42,745 | 40,896 |
| Other staff costs | 685 | 660 | 473 | 473 |
| Social security costs | 4,145 | 4,097 | 3,719 | 3,558 |
| Movement on USS provision | 554 | 554 | 6,675 | 6,675 |
| Movement on SAUL provision | 1,196 | 1,196 | – | – |
| Other pension costs | 9,578 | 9,533 | 8,546 | 8,118 |
| Total | 62,967 | 60,079 | 62,158 | 59,720 |

The above is analysed as follows:

| | | | | |
|-----------------------------|---------------|---------------|--------|--------|
| University and Subsidiaries | 46,809 | 43,921 | 46,299 | 43,861 |
| HEE | 16,158 | 16,158 | 15,859 | 15,859 |
| Total | 62,967 | 60,079 | 62,158 | 59,720 |

| | 2016 £ | 2015 £ |
|------------------------------------|----------------|-----------|
| Emoluments of the Vice-Chancellor: | | |
| Salary | 173,400 | 171,683 |
| | 173,400 | 171,683 |

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

| | 2016 No. | 2015 No. |
|----------------------|-----------|----------|
| £100,000 to £109,999 | 4 | 6 |
| £110,000 to £119,999 | 3 | 2 |
| £120,000 to £129,999 | 4 | 2 |
| £130,000 to £139,999 | 3 | 1 |
| £140,000 to £149,999 | 3 | 2 |
| £150,000 to £159,999 | 2 | 1 |
| £160,000 to £169,999 | – | 1 |
| £170,000 to £179,999 | 1 | 1 |
| £200,000 to £209,999 | 1 | – |
| | 21 | 16 |

Notes to the Financial Statements

For the year ended 31 July 2016

7 Staff costs continued

| | 2016 No. | 2015 No. |
|---|--------------|----------|
| Average full time equivalent staff numbers: | | |
| University and Subsidiary | 801 | 746 |
| HEE | 277 | 331 |
| | 1,078 | 1,077 |

Compensation for loss of office payable to a senior post-holder:

| | £'000 | £'000 |
|--|-------|-------|
| Compensation payable recorded within staff costs | – | – |

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel and employer's pension contributions.

Key management personnel are deemed to be the six members of staff who, along with the Vice-Chancellor, are members of the Vice Chancellor's Executive Group.

| | Year ended 31 July 2016 £'000 | Year ended 31 July 2015 £'000 |
|---------------------------------------|----------------------------------|----------------------------------|
| Key management personnel compensation | 966 | 895 |

8 Interest and other finance costs

| Notes | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|---------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Loan interest | 2,573 | 2,573 | 2,541 | 2,541 |
| Exchange differences | (93) | (97) | (45) | (45) |
| 29 Net charge on pension scheme | 424 | 424 | 214 | 214 |
| | 2,904 | 2,900 | 2,710 | 2,710 |

Notes to the Financial Statements

For the year ended 31 July 2016

9 Analysis of total expenditure by activity

| | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|--|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Academic and related expenditure | 21,509 | 21,509 | 19,083 | 19,083 |
| University of London International Academy | 48,666 | 48,666 | 47,358 | 47,358 |
| Administration and central services | 12,412 | 14,809 | 16,373 | 19,383 |
| Premises | 17,736 | 17,736 | 14,413 | 14,390 |
| Residences, catering and conferences | 16,925 | 15,587 | 16,505 | 14,936 |
| Research grants and contracts | 1,474 | 1,474 | 1,711 | 1,711 |
| Other expenses | 19,089 | 11,196 | 16,715 | 9,215 |
| Arrangements with HEE | 17,243 | 17,243 | 16,755 | 16,755 |
| | 155,054 | 148,220 | 148,913 | 142,831 |

Other operating expenses include:

| | | |
|---|--------------|-------|
| External auditors remuneration in respect of audit services | 68 | 74 |
| External auditors remuneration in respect of non-audit services | 79 | 139 |
| Operating lease rentals | | |
| Land and buildings | 1,447 | 1,204 |
| Other | 182 | 129 |

Analysis of total consolidated expenditure by activity and by nature

| | Staff costs 2016 £'000 | Other operating expenses 2016 £'000 | Depreciation 2016 £'000 | Finance costs 2016 £'000 | Total expenditure 2016 £'000 | Total expenditure 2015 £'000 |
|--|------------------------------|---|-------------------------------|--------------------------------|------------------------------------|------------------------------------|
| Academic and related expenditure | 12,861 | 8,543 | 105 | – | 21,509 | 19,083 |
| University of London International Academy | 10,974 | 37,692 | – | – | 48,666 | 47,358 |
| Administration and central services | 8,887 | 2,895 | – | 630 | 12,412 | 16,373 |
| Premises | 1,429 | 14,314 | 1,993 | – | 17,736 | 14,413 |
| Residences, catering and conferences | 1,676 | 10,829 | 2,150 | 2,270 | 16,925 | 16,505 |
| Research grants and contracts | 675 | 799 | – | – | 1,474 | 1,711 |
| Other expenses | 10,307 | 8,028 | 750 | 4 | 19,089 | 16,715 |
| Arrangements with HEE | 16,158 | 1,085 | – | – | 17,243 | 16,755 |
| | 62,967 | 84,185 | 4,998 | 2,904 | 155,054 | 148,913 |

Notes to the Financial Statements

For the year ended 31 July 2016

10 Taxation

Recognised in the statement of comprehensive income

| | 2016 Consolidated £'000 | 2015 Consolidated £'000 |
|--|-------------------------------|-------------------------------|
| Current tax | | |
| Current tax expense | – | 25 |
| Research and Development tax credits | – | (29) |
| Current tax expense | – | (4) |
| Deferred tax | | |
| Origination and reversal of timing differences | (475) | 76 |
| Deferred tax (credit) / expense | (475) | 76 |
| Total tax (credit) / expense | (475) | 72 |

11 Intangible assets

UoLIA course development

| | Year ended 31 July 2016 | |
|----------------------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 |
| Opening balance | 491 | 491 |
| Additions in the year | 1,441 | 1,441 |
| Amortisation charge for the year | (115) | (115) |
| Closing balance | 1,817 | 1,817 |

The addition during the year relates to the capitalisation of UoLIA course development.

The amortisation period is 5 years.

Notes to the Financial Statements

For the year ended 31 July 2016

12 Fixed assets

| | Freehold land £'000 | Freehold buildings £'000 | Leasehold land and buildings £'000 | Assets in the course of construction £'000 | Plant and equipment £'000 | Heritage assets £'000 | Total £'000 |
|---------------------------|---------------------------|--------------------------------|---|---|---------------------------------|-----------------------------|-----------------|
| Consolidated | | | | | | | |
| Cost or valuation | | | | | | | |
| At 1 August 2015 | 143,691 | 344,288 | 24,677 | 1,627 | 13,418 | 12,961 | 540,662 |
| Additions | – | – | 76 | 2,527 | 384 | – | 2,987 |
| Transfers | – | 538 | 68 | (971) | 365 | – | – |
| Disposals | – | (400) | – | (585) | (5,515) | – | (6,500) |
| At 31 July 2016 | 143,691 | 344,426 | 24,821 | 2,598 | 8,652 | 12,961 | 537,149 |
| Depreciation | | | | | | | |
| At 1 August 2015 | – | (3,541) | (1,890) | – | (8,880) | – | (14,311) |
| Charge for the year | – | (3,511) | (446) | – | (1,041) | – | (4,998) |
| Disposals | – | 100 | – | – | 4,844 | – | 4,944 |
| At 31 July 2016 | – | (6,952) | (2,336) | – | (5,077) | – | (14,365) |
| Net book value | | | | | | | |
| At 31 July 2016 | 143,691 | 337,474 | 22,485 | 2,598 | 3,575 | 12,961 | 522,784 |
| At 31 July 2015 | 143,691 | 340,747 | 22,787 | 1,627 | 4,538 | 12,961 | 526,351 |
| University | | | | | | | |
| Cost and valuation | | | | | | | |
| At 1 August 2015 | 143,691 | 344,188 | 24,677 | 1,262 | 6,996 | 12,961 | 533,775 |
| Additions | – | – | 76 | 2,422 | 1,619 | – | 4,117 |
| Transfers | – | 538 | 68 | (971) | 365 | – | – |
| Disposals | – | (300) | – | (115) | (671) | – | (1,086) |
| At 31 July 2016 | 143,691 | 344,426 | 24,821 | 2,598 | 8,309 | 12,961 | 536,806 |
| Depreciation | | | | | | | |
| At 1 August 2015 | – | (3,444) | (1,890) | – | (4,828) | – | (10,162) |
| Charge for the year | – | (3,511) | (446) | – | (247) | – | (4,204) |
| Disposals | – | – | – | – | – | – | – |
| At 31 July 2016 | – | (6,955) | (2,336) | – | (5,075) | – | (14,366) |
| Net book value | | | | | | | |
| At 31 July 2016 | 143,691 | 337,471 | 22,485 | 2,598 | 3,234 | 12,961 | 522,440 |
| At 31 July 2015 | 143,691 | 340,744 | 22,787 | 1,262 | 2,168 | 12,961 | 523,613 |

As part of the transition to FRS 102 the freehold land and buildings were restated at their fair value as at 1 August 2014 as deemed cost brought forward. The valuation of these properties as at 1 August 2014 was carried out by Knight Frank LLP, Chartered Surveyors during 2016, with the final valuation report delivered in October 2016.

Notes to the Financial Statements

For the year ended 31 July 2016

13 Heritage assets

The University has a large collection of heritage assets that are held and maintained principally for their contribution to knowledge and culture.

The University of London Artworks Collection includes historic paintings, prints, drawings, photographs, silverware, ceramics, textiles, sculptures and artefacts in various materials. Many items illustrate the history and development of the University of London and prominent individuals. This collection numbers over 400 pieces and is a mixture of acquired and donated artwork. Coram James valued this collection during the year ended 31 July 2016 as worth £2,441,300. The collection is normally on display at various locations on the University's premises, or in the case of some of the more delicate items, viewable by appointment. More details can be found at <http://www.senatehouselibrary.ac.uk/our-collections/special-collections/university-london-artworks-collection>

The University of London Senate House Library holds the highest proportion of special collections, manuscripts and archives of any UK University Library. There are c.12 million items managed by the Historical Collections Department. The Collections are open to all Library members and available to view on request in the Special Collections Reading Room. The diverse nature of the assets held, the number of assets held and the lack of comparable market values, means the University considers that the costs of valuing each item in the special collection would be onerous and not commensurate with the benefits to users of the financial statements. More details can be found at <http://www.senatehouselibrary.ac.uk/our-collections/special-collections/>

For insurance purposes, 19 of the books and manuscripts considered by the Historical Collections Department to be the most cultural significant or rarest, were valued by Dominic Winter during the year ended 31 July 2016. Total value of this collection according to Dominic Winter's valuation is £10.545m.

No new heritage assets have been purchased or donated during the year or in the previous four accounting periods. Heritage Assets are assessed annually to consider whether there are indicators of impairment in the years where no professional valuation has taken place. In the years, where a professional valuation has taken place, the new valuations are compared to the carrying amounts to identify any indications of impairment. It has been determined that there is no need for impairment.

14 Service concession arrangements

The University has one service concession arrangement where service delivery has commenced.

On 4 July 2014 the University entered into a 52-year contract with a third party provider for the provision and maintenance of Cartwright Gardens Halls of Residence providing accommodation to 1,200 students.

The halls were brought into use in October 2016 and the contract will finish on 31 August 2056.

At the end of the concession period, the University will retain beneficial ownership of the halls of residence.

Under the arrangement, the University has no minimum guaranteed payment and therefore no asset and liability to recognise on the Balance Sheet.

Notes to the Financial Statements

For the year ended 31 July 2016

15 Non-current investments

| | Subsidiary companies £'000 | University investment in Unified Trust Fund £'000 | Investment properties £'000 | Other non-current investments £'000 | Endowments £'000 | Total £'000 |
|---|----------------------------------|---|-----------------------------------|--|---------------------|--------------------------------------|
| Consolidated | | | | | | |
| At 1 August 2015 | | 8,244 | 75,185 | 4,033 | 72,020 | 159,482 |
| Additions | | 1,357 | – | 315 | – | 1,672 |
| Disposals | | – | – | – | (1,629) | (1,629) |
| Impairment | | – | – | – | – | – |
| Revaluation | | 815 | 6,380 | – | 5,834 | 13,029 |
| At 31 July 2016 | | 10,416 | 81,565 | 4,348 | 76,225 | 172,554 |
| Short term deposits and cash | | 391 | | | 3,680 | 4,071 |
| | | 10,807 | 81,565 | 4,348 | 79,905 | 176,625 |
| University | | | | | | |
| At 1 August 2015 | (165) | 8,244 | 75,185 | 4,033 | 72,020 | 159,317 |
| Additions | 600 | 1,357 | – | 315 | – | 2,272 |
| Disposals | – | – | – | – | (1,629) | (1,629) |
| Impairment | – | – | – | – | – | – |
| Revaluation | – | 815 | 6,380 | – | 5,834 | 13,029 |
| Subsidiaries' net assets movement | 454 | – | – | – | – | 454 |
| At 31 July 2016 | 889 | 10,416 | 81,565 | 4,348 | 76,225 | 173,443 |
| Short term deposits and cash | | 391 | | | 3,680 | 4,071 |
| | 889 | 10,807 | 81,565 | 4,348 | 79,905 | 177,514 |
| The holdings in the Unified Trust Fund are held at market value. | | | | | | |
| Other non-current investments consist of : | | | | | | |
| | | | | | | Consolidated and University £'000 |
| UPP (Cartwright Gardens) Holdings Limited share capital and premium | | | | | | 211 |
| UPP (Cartwright Gardens) Holdings Limited subordinated loan | | | | | | 4,137 |
| | | | | | | 4,348 |

Notes to the Financial Statements

For the year ended 31 July 2016

15 Non-current investments continued

Investment in subsidiary companies

The University of London owns 100% of the issued share capital (one £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. At 31 July 2016 Senate House Services Limited had net assets of £261,000 and accordingly, in the balance sheet of the University at this date, the value of Investments, including the subsidiary, is increased by this amount.

CoSector Limited is a company registered in England and has an issued share capital of £600,001, with the University of London as its sole shareholder. The principal activity of the company during the year was the provision of operational services to the University of London. At 31 July 2016 CoSector Limited had net assets of £628,000 and accordingly, in the balance sheet of the University at this date, the value of Investments, including the subsidiary, is increased by this amount.

Senate House Services One Limited is a company registered in England and has an issued share capital of £1, with the University of London as its sole shareholder. The company was incorporated on 16 June 2016 and was dormant during the year.

Prosum Shared Services Limited is a company registered in England and has an issued share capital of £1, with the University of London as its sole shareholder. The company has not traded in the year.

Investment properties

The investment properties were valued at 31 July 2016 by Knight Frank LLP, Chartered Surveyors. The valuation method adopted has been to capitalise both the term at passing rent and the reversionary interest at market rent. Appropriate yields have been applied to the term and reversion respectively in order to provide an investment value of the University's interest in the land and buildings after making allowance for purchaser's costs.

Notes to the Financial Statements

For the year ended 31 July 2016

16 Stock

| | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|----------------|-------------------------|--------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Finished goods | 1,133 | 1,133 | 1,503 | 1,503 |
| | 1,133 | 1,133 | 1,503 | 1,503 |

17 Trade and other receivables

| | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|---------------------------------------|-------------------------|---------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts falling due within one year: | | | | |
| Research grants receivables | 185 | 185 | – | – |
| Other trade receivables | 7,082 | 5,759 | 8,183 | 5,909 |
| Other receivables | 900 | 462 | 28 | 28 |
| Prepayments and accrued income | 6,261 | 5,274 | 5,548 | 4,593 |
| Amounts due from subsidiary companies | – | 2,467 | – | 5,408 |
| | 14,428 | 14,147 | 13,759 | 15,938 |

18 Current investments

| | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|---------------------|-------------------------|---------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Short term deposits | 39,792 | 39,792 | 34,727 | 34,727 |
| | 39,792 | 39,792 | 34,727 | 34,727 |

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2016 the weighted average interest rate of these fixed rate deposits was 1.23% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 215 days. The fair value of these deposits was not materially different from the book value.

Notes to the Financial Statements

For the year ended 31 July 2016

19 Creditors: amounts falling due within one year

| | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|--|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Trade payables | 1,470 | 1,366 | 1,397 | 1,049 |
| Social security and other taxation payable | 1,918 | 1,389 | 1,721 | 1,721 |
| Accruals and deferred income | 28,469 | 26,663 | 28,470 | 26,348 |
| Other payables | 3,443 | 3,350 | 2,213 | 1,906 |
| Amounts due to subsidiary companies | – | 614 | – | – |
| | 35,300 | 33,382 | 33,801 | 31,024 |

Deferred income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

| | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|--------------|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Grant income | 211 | 211 | 602 | 602 |
| | 211 | 211 | 602 | 602 |

Notes to the Financial Statements

For the year ended 31 July 2016

20 Creditors: amounts falling due after more than one year

| | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|-------------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Deferred income | 36,647 | 36,647 | 37,396 | 37,396 |
| Unsecured loans | 50,250 | 50,250 | 50,250 | 50,250 |
| | 86,897 | 86,897 | 87,646 | 87,646 |
| Analysis of unsecured loans: | | | | |
| Due between one and two years | 263 | 263 | – | – |
| Due between two and five years | 1,898 | 1,898 | 1,595 | 1,595 |
| Due in five years or more | 48,089 | 48,089 | 48,655 | 48,655 |
| Due after more than one year | 50,250 | 50,250 | 50,250 | 50,250 |
| Total unsecured loans | 50,250 | 50,250 | 50,250 | 50,250 |

Included in loans are the following:

| Lender | Amount £'000 | Term | Interest rate % | Borrower |
|-----------------|-----------------|------|--------------------|------------|
| | | | | |
| RBS (unsecured) | 50,000 | 2047 | 5.10 | University |

The first repayment on the RBS unsecured loan is due in 2018.

Notes to the Financial Statements

For the year ended 31 July 2016

21 Provisions for liabilities

Consolidated

| | Obligation to fund deficit on USS pension £'000 | Obligation to fund deficit on SAUL pension £'000 | Total pensions provisions £'000 | Deferred tax £'000 | Total other £'000 |
|------------------------|--|---|--|--------------------------|-------------------------|
| At 1 August 2015 | 13,890 | – | 13,890 | 90 | 90 |
| Additions in 2015–16 | 978 | 1,196 | 2,174 | (90) | (90) |
| At 31 July 2016 | 14,868 | 1,196 | 16,064 | – | – |

University

| | Obligation to fund deficit on USS pension £'000 | Obligation to fund deficit on SAUL pension £'000 | Total pensions provisions £'000 | Deferred tax £'000 | Total other £'000 |
|------------------------|--|---|--|--------------------------|-------------------------|
| At 1 August 2015 | 13,890 | – | 13,890 | – | – |
| Additions in 2015–16 | 978 | 1,196 | 2,174 | – | – |
| At 31 July 2016 | 14,868 | 1,196 | 16,064 | – | – |

USS deficit

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision. The USS deficit recovery plan extends to 2031, the period over which outflow related to this provision is expected.

SAUL deficit

The obligation to fund the past deficit on the Superannuation Arrangements of the University of London arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the SAUL scheme and salary payment over the period of the contracted obligation in assessing the value of this provision. The SAUL deficit recovery plan extends to 2018, the period over which outflow related to this provision is expected.

Deferred tax

Deferred taxation arises from the additional capital allowances available in assessing corporation tax liability to the depreciation rates used by the business. There is no deferred tax provision at year end.

Notes to the Financial Statements

For the year ended 31 July 2016

22 Endowment reserves

Restricted net assets relating to endowments are as follows:

| | Restricted permanent endowments £'000 | Expendable endowments £'000 | 2016 Total £'000 | 2015 Total £'000 |
|--|--|-----------------------------------|------------------------|------------------------|
| Balances at 1 August 2015 | | | | |
| Capital | 59,065 | 9,959 | 69,024 | 61,280 |
| Accumulated income | 4,620 | 830 | 5,450 | 7,337 |
| | 63,685 | 10,789 | 74,474 | 68,617 |
| New endowments | – | – | – | – |
| Donations | 10 | 343 | 353 | 281 |
| Investment income | 2,257 | 387 | 2,644 | 2,557 |
| Expenditure | (2,674) | (726) | (3,400) | (2,487) |
| (Decrease) / increase in market value of investments | 5,002 | 832 | 5,834 | 5,506 |
| Total endowment comprehensive income for the year | 4,595 | 836 | 5,431 | 5,857 |
| At 31 July 2016 | 68,280 | 11,625 | 79,905 | 74,474 |
| Transfers from accumulated income to capital in the year | 1,282 | 85 | 1,367 | 2,238 |
| Represented by: | | | | |
| Capital | 65,349 | 10,876 | 76,225 | 69,024 |
| Accumulated income | 2,931 | 749 | 3,680 | 5,450 |
| | 68,280 | 11,625 | 79,905 | 74,474 |

Notes to the Financial Statements

For the year ended 31 July 2016

22 Endowment reserves continued

| Note | Connected Institutions | Number of Trusts | Opening Fund Balance £'000 | Income £'000 | Capital Appreciation £'000 | Expenditure £'000 | Transfers between funds £'000 | Closing Fund Balance £'000 |
|------|-------------------------------------|------------------|-------------------------------|-----------------|-------------------------------|----------------------|----------------------------------|-------------------------------|
| | Individual Charities | | | | | | | |
| | Scholarship Studentship Fund | | 6,195 | 235 | 530 | – | 90 | 7,050 |
| a | Research Fund | | 4,443 | 165 | 372 | (4) | (47) | 4,929 |
| | Prize Fund | | 491 | 18 | 41 | (4) | (1) | 545 |
| b | Convocation | | 2,634 | 164 | 223 | (99) | 180 | 3,102 |
| c | Chadburn Lectures | | 9,681 | 357 | 828 | (148) | 313 | 11,031 |
| d | Teachers of Anatomy | | 157 | 270 | – | (377) | – | 50 |
| e | Maplethorpe | | 5,365 | 200 | 447 | – | (4) | 6,008 |
| f | Perren | | 3,229 | 120 | 270 | – | 24 | 3,643 |
| g | Frost Chair | | 2,904 | 98 | 219 | – | 60 | 3,281 |
| | Summarised Charities | | | | | | | |
| | Research Support: | 85 | 31,004 | 1,105 | 2,306 | (2,562) | 255 | 32,108 |
| | Bursary / Scholarship | 19 | 5,508 | 197 | 442 | (81) | (108) | 5,958 |
| | General central University support: | 15 | 1,184 | 9 | 13 | (25) | (872) | 309 |
| | Prize funds | 9 | 1,679 | 59 | 143 | (100) | 110 | 1,891 |
| | | | 74,474 | 2,997 | 5,834 | (3,400) | – | 79,905 |

Notes to the Financial Statements

For the year ended 31 July 2016

22 Endowment reserves continued

a University of London Scholarship Fund

The Charity Commission approved a new scheme on 9 February 2011 for the use of these combined charitable trusts. The income is to be distributed to the Colleges of the University of London for three purposes; by awarding prizes, to undertake research, to provide studentships.

b Convocation

This trust receives donations from University of London alumni and is used to support federal student services.

c Chadburn Lectureship in Medicine

This trust is to support up to two Lectureships on a part time basis to provide opportunities for Doctors in training whose personal circumstances preclude a full time commitment to their careers.

d Teachers of Anatomy

This trust is to promote the study of anatomy within institutions of medical education in South East England by providing cadavers for the purpose of teaching and research in anatomy.

e Maplethorpe

This trust is to support up to two annual Lectureships in the study of pharmacy.

f Perren

This trust is for the furtherance of astronomical knowledge and the study of astronomy.

g Frost Chair

This trust is to support an academic Chair in Ophthalmology.

h Warburg Institute

The Warburg Institute is a constituent part of the School of Advanced Study specialising in cultural history, art history and history of ideas in the Renaissance. The Warburg Institute operates as an integral part of the operation of the University of London and therefore the income and expenditure of the Warburg Institute are included within the main income and expenditure account. The designated reserves of the Warburg Institute are included within the main reserves.

Notes to the Financial Statements

For the year ended 31 July 2016

23 Restricted reserves

Reserves with restrictions are as follows:

| | Donations £'000 | 2016 Total £'000 | 2015 Total £'000 |
|---|--------------------|------------------------|------------------------|
| Balances at 1 August 2015 | 191 | 191 | 68 |
| New donations | 646 | 646 | 237 |
| Expenditure | (614) | (614) | (114) |
| Total restricted comprehensive income for the year | 32 | 32 | 123 |
| At 31 July 2016 | 223 | 223 | 191 |

Analysis of other restricted funds /donations by type of purpose:

| | 2016 Total £'000 | 2015 Total £'000 |
|----------------------------|------------------------|------------------------|
| Scholarships and bursaries | 11 | – |
| Research support | 92 | 191 |
| General | 120 | – |
| | 223 | 191 |

24 Cash and cash equivalents

| | At 1 August 2015 £'000 | Cash flows £'000 | At 31 July 2016 £'000 |
|---------------------------|------------------------------|------------------------|-----------------------------|
| Consolidated | | | |
| Cash and cash equivalents | 16,772 | (4,513) | 12,259 |
| | 16,772 | (4,513) | 12,259 |

Analysis of changes in net funds

| | At 1 August 2015 £'000 | Cash flows £'000 | Non-cash items £'000 | At 31 July 2016 £'000 |
|--|------------------------------|------------------------|----------------------------|-----------------------------|
| Consolidated | | | | |
| Cash and cash equivalents | 16,772 | (4,513) | – | 12,259 |
| Endowment assets – short term deposits and cash | 3,608 | 72 | – | 3,680 |
| Other investments – short term deposits and cash | 164 | 227 | – | 391 |
| | 20,544 | (4,214) | – | 16,330 |
| Current asset investments | 34,727 | 5,065 | – | 39,792 |
| Debt due after one year | (50,250) | – | – | (50,250) |
| | 5,021 | 851 | – | 5,872 |

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

Notes to the Financial Statements

For the year ended 31 July 2016

25 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2016:

| | 31 July 2016 | | 31 July 2015 | |
|----------------------------|-----------------------|---------------------|-----------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Commitments contracted for | 1,413 | 1,413 | 442 | 442 |
| | 1,413 | 1,413 | 442 | 442 |

26 Lease obligations

Total rentals payable under operating leases:

| | 31 July 2016 | | 31 July 2015 | |
|--|--------------------------------|--------------------------|----------------|----------------|
| | Land and buildings £'000 | Other leases £'000 | Total £'000 | Total £'000 |
| Payable during the year | 1,447 | 182 | 1,629 | 1,333 |
| Future minimum lease payments due: | | | | |
| Not later than 1 year | 1,237 | 150 | 1,387 | 1,009 |
| Later than 1 year and not later than 5 years | 103 | 117 | 220 | 77 |
| Later than 5 years | 16 | – | 16 | 12 |
| Total lease payments due | 1,356 | 267 | 1,623 | 1,098 |

27 Related parties

Due to the nature of the University's operations and the composition of the Board of Trustees and the Collegiate Council it is inevitable that transactions will take place with organisations in which a member of the Board or Council may have an interest. The Corporate Governance Statement (pages 29 and 30) sets out in more detail the relationship between the University and its Colleges. All transactions involving organisations in which a member of the Board or Council may have an interest are conducted at arm's length in accordance with the University's financial regulations and normal procurement procedures and none of these transactions fall to being disclosed as being with related parties. In line with the Committee of University Chairman guidance, all members of the Board and the Collegiate Council are required to complete a register of interests to record any areas of potential conflict with the interests of the University.

Trustees are not entitled to and did not receive any remuneration for their services. Five Trustees received a total of £10,080 (2014–15: Three Trustees £3,344) representing the reimbursement of travel and subsistence expenses incurred in attending Board of Trustees and Committee meetings and events in their official capacity.

28 Events after the reporting period

On 1 September 2016 City University acceded to the Federation. The new member institution is now formally known as City, University of London and its distinctive academic profile will bring a new element to the University.

Notes to the Financial Statements

For the year ended 31 July 2016

29 Pension schemes

Different categories of staff were eligible to join one of three principle different schemes:

- Universities' Superannuation Scheme (USS)
- Superannuation Arrangements of the University of London (SAUL)
- National Health Service Pension Scheme (NHSPS)

The two main schemes, being USS and SAUL, are both defined-benefit schemes contracted out of the State Second Pension (S2P) the assets of which are held in separate trustee administered funds.

| | Year ended 31 July 2016 | Year ended 31 July 2015 |
|-----------------------|-------------------------|-------------------------|
| | £'000 | £'000 |
| USS | 6,296 | 5,679 |
| SAUL | 2,778 | 2,380 |
| NHSPS | 459 | 426 |
| Other pension schemes | 45 | 61 |
| | 9,578 | 8,546 |

(i) The Universities Superannuation Scheme

The total cost charged to the profit and loss account is £6,296k (2015: £5,679k).

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

| | 2016 | 2015 |
|---------------------------|------|---|
| Discount rate | 3.6% | 3.3% |
| Pensionable salary growth | N/A | 3.5% in the first year and 4.0% thereafter |
| Pension increases (CPI) | 2.2% | 2.2% |

Notes to the Financial Statements

For the year ended 31 July 2016

29 Pension schemes continued

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

| | |
|---------------------------|--|
| Male members' mortality | 98% of S1NA ["light"] YoB tables – no age rating |
| Female members' mortality | 99% of S1NA ["light"] YoB tables – rated down 1 year |

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

| | 2016 | 2015 |
|-----------------------------------|------|------|
| Males currently aged 65 (years) | 24.3 | 24.2 |
| Females currently aged 65 (years) | 26.5 | 26.4 |
| Males currently aged 45 (years) | 26.4 | 26.3 |
| Females currently aged 45 (years) | 28.8 | 28.7 |

| | 2016 | 2015 |
|------------------------------|---------|---------|
| Scheme assets | £49.8bn | £49.1bn |
| Total scheme liabilities | £58.3bn | £60.2bn |
| FRS 102 total scheme deficit | £8.5bn | £11.1bn |
| FRS 102 total funding level | 85% | 82% |

(ii) Superannuation Arrangements of the University of London

The Superannuation Arrangements of the University of London ("SAUL") is a centralised defined benefit scheme within the United Kingdom and is contracted-out of the Second State Pension (prior to April 2016). SAUL is an independently-managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

The total cost charged to the profit and loss account is £2,778k (2015: £2,380k).

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its Technical Provisions, which represent the current value of benefits to which members are entitled based on pensionable service to the valuation date. The latest available full actuarial valuation of the scheme was at 31 March 2014. At the valuation date, the value of the assets of the scheme was £1,927 million and the value of the scheme's technical provisions was £1,986 million indicating a shortfall of £59 million. The assets therefore were sufficient to cover 97% of the benefits which had accrued to members after allowing for expected future increases in earnings. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

| | 2015 | 2014 |
|------------------------------|---------|---------|
| Scheme assets | £2,371m | £1,927m |
| Total scheme liabilities | £2,562m | £1,986m |
| FRS 102 total scheme deficit | £60m | £59m |
| FRS 102 total funding level | 93% | 97% |

Notes to the Financial Statements

For the year ended 31 July 2016

29 Pension schemes *continued*

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

Investment return assumptions

These are derived from the yield available on notional portfolios of conventional and index-linked UK Government bonds whose cash flows approximately match SAUL's estimated benefit cash flows.

The past service (i.e. Technical Provisions) assumptions are derived from the estimated cash flows from SAUL's total membership. The assumptions used to determine the cost of future benefit accrual are based on the projected cash flows from SAUL's active membership only. This results in a different underlying gilt yield for past and future service assumptions.

Investment return pre-retirement (discount rate)

An additional 2.45% per annum is added to the gilt yield described above to reflect the allowance the Trustee has made for the additional investment returns based on the investment strategy as set out in the Statement of Investment Principles.

Investment return post-retirement (discount rate)

An additional 0.35% per annum is added to the gilt yield described above to reflect the allowance the Trustee has made for the additional investment returns based on the investment strategy as set out in the Statement of Investment Principles.

Inflation (RPI)

The assumption for the rate of increase in the Retail Price Index (RPI) will be taken to be the difference between an estimate of the yields available on notional portfolios of conventional and index-linked UK Government bonds whose cash flows approximately match SAUL's estimated benefit cash flows less 0.05% per annum.

Inflation (CPI)

The assumption for the rate of increase in the Consumer Price Index (CPI) will be derived from the RPI inflation assumption with an appropriate adjustment to recognise the difference between expectations of future RPI increases and future CPI increases. The adjustment will be reviewed at each valuation; at the 31 March 2014 valuation the adjustment was a deduction of 0.85% per annum.

Pension increases

For the purposes of the Technical Provisions, SAUL's inflation linked benefits have been assumed to increase in payment in line with the relevant RPI or CPI inflation assumptions described above.

General salary increases

The assumption for the real salary increases (salary increases in excess of increases in the CPI) has been determined to be 1.00% per annum.

Promotional salary scale

Allowance for promotional salary increases has been made in line with the standard LG59/60 M and LG59/60 F tables for males and females respectively

Mortality

The mortality assumptions are based on up-to-date information published by the Continuous Mortality Investigation (CMI) and National Statistics, making allowance for future improvements in longevity and the experience of SAUL.

The mortality tables are S2PA Year of Birth tables with improvements based on the CMI 2013 model with a long term improvement rate of 1.5% with male Members being treated as though they were 0.4 years older and female members being treated as if they were 0.4 years younger than their actual age.

Notes to the Financial Statements

For the year ended 31 July 2016

29 Pension schemes continued

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of Salaries between 1 April 2016 and 31 March 2018 (inclusive). The overall level of the Employers' contributions will, therefore, increase from 13% of Salaries to 16% of Salaries with effect from 1 April 2016.

Pension benefits accrued within SAUL currently build up on either a Final Salary basis or a Career Average Revalued Earnings ("CARE") basis. Following a consultation with Members, the SAUL Final Salary Section closed from 31 March 2016 and all Members have built up benefits on a CARE basis from 1 April 2016.

The University is not expected to be liable to SAUL for any other current participating employer's obligations under the Rules of SAUL, but in the event of an insolvency event of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the next actuarial valuation.

(iii) National Health Service Pension Scheme

The NHS Pension Scheme (NHSPS) 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 102 Section 28, thereby charging to its accounts the contributions payable to the scheme for the year. The NHS Pension Scheme is funded centrally by the Treasury on a current cost basis. The University has no contractual obligation to fund any deficit of the NHSPS and therefore recognises no related liability.

30 Accounting estimates and judgements

Treatment of pension schemes

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as those provided by USS and SAUL. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The University is satisfied that the schemes provided by USS and SAUL meet the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

Estimates used to calculate pension deficit liability

The changes in salary costs and staff numbers have been assessed using the forecast impact of the University's strategic plans on the number of staff employed, and known statutory and other increases to pay. The discount rate used is considered to be the equivalent of that of a high quality corporate bond.

Useful lives of fixed assets

Items of plant and equipment are assessed on purchase to establish their useful life. Considerations include past experience of similar assets, supplier warranties and projected replacement dates.

Refurbishment assets are assessed on completion to establish their useful life. Considerations include the time elapsed since the last refurbishment of that underlying asset, and its projected future refurbishment dates.

Freehold buildings were assessed to have a useful life of 100 years at 1 August 2014. This is based on the nature of the buildings, which are in conservation areas, and many of which are listed. It is also based on the age and condition of the buildings, many of which have existed for over 100 years, and most of which have existed for a significant period of time. The buildings are reassessed annually and the remaining useful life updated, if applicable.

Impairment of assets

Assets are considered annually for indicators of impairment. If any indicators are identified, the value of the impairment is assessed and the asset in question is impaired. Indicators of impairment include physical deterioration, reductions in projected income streams, reductions in the market value of the asset and changes in use of the asset.

Valuation of assets

The University has employed professional valuers to provide valuations for various assets. Knight Frank have valued investment properties at fair value at year end and also operational land and buildings for the purpose of including their brought forward fair values as deemed cost. Within heritage assets, manuscripts and books have been valued by Dominic Winter, and the University Artworks Collection has been valued by Coram James. The value of the UTF units held by the University and by the Endowments is derived from valuations provided by the UTF's investment managers, Newton, Ruffer and Mayfair. Management have judged these valuations to be appropriate for use in determining the fair value, where appropriate, of the University's assets.

Notes to the Financial Statements

For the year ended 31 July 2016

31 Transition to FRS 102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the 2015 SORP. The accounting policies have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, 2015 SORP based Balance Sheet, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the 2015 SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

| Financial Position | 1 August 2014 | | 31 July 2015 | |
|--|----------------|----------------|----------------|----------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Total reserves under 2007 SORP | 244,619 | 244,619 | 267,418 | 267,418 |
| Fixed assets at brought forward fair value | 357,142 | 357,142 | 357,613 | 357,613 |
| USS pension provision | (7,001) | (7,001) | (13,890) | (13,890) |
| Employee leave accrual | (555) | (555) | (442) | (442) |
| Capital grants under performance conditions | 9,512 | 9,512 | 9,214 | 9,214 |
| Total effect of transition to FRS 102 | 359,098 | 359,098 | 352,495 | 352,495 |
| Reclassification of assets | 3,935 | 3,935 | 1,775 | 1,775 |
| Donations | (132) | (132) | (6) | (6) |
| Elimination of Student Societies from consolidation | – | – | (135) | (135) |
| Inclusion of all University and Subsidiary tax charges and credits | (121) | (121) | (117) | (117) |
| Reclassifications identified as part of transition | 3,682 | 3,682 | 1,517 | 1,517 |
| Total reserves under 2015 SORP | 607,399 | 607,399 | 621,430 | 621,430 |

| Financial performance | Year ended 31 July 2015 | |
|--|-------------------------|----------------|
| | Consolidated | University |
| | £'000 | £'000 |
| Surplus for the year under 2007 SORP | 1,555 | 1,555 |
| Fixed assets at brought forward fair value, reclassification of assets | 471 | 471 |
| USS pension provision | (6,888) | (6,888) |
| Employee leave accrual | 113 | 113 |
| Capital grants under performance conditions | (298) | (298) |
| Items previously in the STRGL now in the SOCI: | | |
| Appreciation of endowment asset investments | 5,792 | 5,792 |
| Appreciation of fixed asset investments | 359 | 359 |
| Appreciation of investment properties | 15,004 | 15,004 |
| New student societies' reserves | 88 | 88 |
| Total effect of transition to FRS 102 | 14,641 | 14,641 |
| Reclassification of assets | (2,160) | (2,160) |
| Donations | 126 | 126 |
| Elimination of Student Societies from consolidation | (135) | (135) |
| Inclusion of all University and Subsidiary tax charges and credits | 4 | 4 |
| Reclassifications identified as part of transition | (2,165) | (2,165) |
| Total comprehensive income for the year under 2015 SORP | 14,031 | 14,031 |

Cash Flows

The only impact of the transition to FRS 102 on the cash flows of the University or the Group is the reclassification of some short term investments to cash and cash equivalents as shown above.

Notes to the Financial Statements

For the year ended 31 July 2016

31 Transition to FRS 102 and the 2015 SORP continued

| Consolidated Balance Sheet | | 1 August 2014 | | |
|------------------------------|---|--|---|-----------------------|
| Notes | 2007 SORP £'000 | Effect of transition to 2015 SORP £'000 | Reclassifications identified as part of transition £'000 | 2015 SORP £'000 |
| Non-current assets | | | | |
| | 34 | – | – | 34 |
| f | Intangible assets and goodwill | | | |
| f | Fixed assets | 169,731 | 346,121 | 515,852 |
| f | Heritage assets | 1,940 | 11,021 | 12,961 |
| f, g | Investments | 62,908 | – | 71,188 |
| | 234,613 | 357,142 | 8,280 | 600,035 |
| g | Endowment assets | 72,962 | – | 68,617 |
| Current assets | | | | |
| | 1,352 | – | – | 1,352 |
| e | Stock | | | |
| e | Trade and other receivables | 14,771 | – | 14,572 |
| | Investments | 37,510 | – | 37,510 |
| | Cash and cash equivalents | 18,991 | – | 18,991 |
| | 72,624 | – | (199) | 72,425 |
| c, e | Creditors: amounts falling due within one year | (37,674) | (555) | (38,193) |
| | Net current (liabilities)/assets | 34,950 | (555) | 34,232 |
| | Total assets less current liabilities | 342,525 | 356,587 | 702,884 |
| | Creditors: amounts falling due after more than one year | (88,394) | – | (88,394) |
| Provisions | | | | |
| b | Pension liability | – | (7,001) | (7,001) |
| l | Other provision | – | – | (90) |
| | Total net assets | 254,131 | 349,586 | 607,399 |
| a | Deferred capital grants | 9,512 | (9,512) | – |
| Restricted reserves | | | | |
| | Income and expenditure reserve – endowment reserve | 72,961 | – | 68,617 |
| d | Income and expenditure reserve – restricted reserve | – | – | 68 |
| Unrestricted reserves | | | | |
| a-g, k, l | Income and expenditure reserve unrestricted | 115,496 | 415,260 | 538,714 |
| k | Revaluation reserve | 56,162 | (56,162) | – |
| | 244,619 | 359,098 | 3,682 | 607,399 |
| | Total reserves | 254,131 | 349,586 | 607,399 |

Notes to the Financial Statements

For the year ended 31 July 2016

31 Transition to FRS 102 and the 2015 SORP continued

| Consolidated Balance Sheet | | 31 July 2015 | | | |
|------------------------------|---|--|---|-----------------------|----------|
| Notes | 2007 SORP £'000 | Effect of transition to 2015 SORP £'000 | Reclassifications identified as part of transition £'000 | 2015 SORP £'000 | |
| Non-current assets | | | | | |
| | Intangible assets and goodwill | 491 | – | – | 491 |
| f | Fixed assets | 166,798 | 346,592 | – | 513,390 |
| f | Heritage assets | 1,940 | 11,021 | – | 12,961 |
| f, g | Investments | 82,291 | – | 6,489 | 88,780 |
| | | 251,520 | 357,613 | 6,489 | 615,622 |
| g | Endowment assets | 79,188 | – | (4,714) | 74,474 |
| Current assets | | | | | |
| | Stock | 1,503 | – | – | 1,503 |
| e | Trade and other receivables | 13,951 | – | (192) | 13,759 |
| | Investments | 34,727 | – | – | 34,727 |
| | Cash and cash equivalents | 16,772 | – | – | 16,772 |
| | | 66,953 | – | (192) | 66,761 |
| c, e | Creditors: amounts falling due within one year | (33,383) | (442) | 24 | (33,801) |
| | Net current (liabilities)/assets | 33,570 | (442) | (168) | 32,960 |
| | Total assets less current liabilities | 364,278 | 357,171 | 1,607 | 723,056 |
| | Creditors: amounts falling due after more than one year | (87,646) | – | – | (87,646) |
| Provisions | | | | | |
| b | Pension liability | – | (13,890) | – | (13,890) |
| l | Other provision | – | – | (90) | (90) |
| | Total net assets | 276,632 | 343,281 | 1,517 | 621,430 |
| a | Deferred capital grants | 9,214 | (9,214) | – | – |
| Restricted reserves | | | | | |
| | Income and expenditure reserve – endowment reserve | 79,188 | – | (4,714) | 74,474 |
| d | Income and expenditure reserve – restricted reserve | – | – | 191 | 191 |
| Unrestricted reserves | | | | | |
| a-g, k, l | Income and expenditure reserve unrestricted | 116,705 | 424,020 | 6,040 | 546,765 |
| k | Revaluation reserve | 71,525 | (71,525) | – | – |
| | | 267,418 | 352,495 | 1,517 | 621,430 |
| | Total reserves | 276,632 | 343,281 | 1,517 | 621,430 |

Notes to the Financial Statements

For the year ended 31 July 2016

31 Transition to FRS 102 and the 2015 SORP continued

| University Balance Sheet | | 1 August 2014 | | |
|------------------------------|---|--|---|-----------------------|
| Notes | 2007 SORP £'000 | Effect of transition to 2015 SORP £'000 | Reclassifications identified as part of transition £'000 | 2015 SORP £'000 |
| Non-current assets | | | | |
| | 34 | – | – | 34 |
| f | Intangible assets and goodwill | | | |
| f | Fixed assets | 167,359 | 346,121 | 513,480 |
| f | Heritage assets | 1,940 | 11,021 | 12,961 |
| f, g, l | Investments | 62,419 | – | 70,609 |
| | 231,752 | 357,142 | 8,190 | 597,084 |
| g | Endowment assets | 72,962 | – | 68,617 |
| Current assets | | | | |
| | 1,352 | – | – | 1,352 |
| e | Stock | | | |
| e | Trade and other receivables | 16,906 | – | 16,707 |
| | Investments | 37,510 | – | 37,510 |
| | Cash and cash equivalents | 16,306 | – | 16,306 |
| | 72,074 | – | (199) | 71,875 |
| c, e | Creditors: amounts falling due within one year | (34,263) | (555) | 36 |
| | (34,782) | | | |
| | Net current (liabilities)/assets | 37,811 | (555) | (163) |
| | 37,093 | | | |
| | Total assets less current liabilities | 342,525 | 356,587 | 3,682 |
| | 702,794 | | | |
| | Creditors: amounts falling due after more than one year | (88,394) | – | – |
| | (88,394) | | | |
| Provisions | | | | |
| b | Pension liability | – | (7,001) | – |
| | (7,001) | | | |
| | Total net assets | 254,131 | 349,586 | 3,682 |
| | 607,399 | | | |
| a | Deferred capital grants | 9,512 | (9,512) | – |
| | – | | | |
| Restricted reserves | | | | |
| | 72,961 | – | (4,344) | 68,617 |
| | Income and expenditure reserve – endowment reserve | | | |
| d | Income and expenditure reserve – restricted reserve | – | – | 68 |
| | 68 | | | |
| Unrestricted reserves | | | | |
| a-g, k, l | Income and expenditure reserve unrestricted | 115,496 | 415,260 | 7,958 |
| k | Revaluation reserve | 56,162 | (56,162) | – |
| | 244,619 | 359,098 | 3,682 | 607,399 |
| | Total reserves | 254,131 | 349,586 | 3,682 |
| | 607,399 | | | |

Notes to the Financial Statements

For the year ended 31 July 2016

31 Transition to FRS 102 and the 2015 SORP continued

| University Balance Sheet | | 31 July 2015 | | |
|--------------------------|---|--|---|-----------------------|
| Notes | 2007 SORP £'000 | Effect of transition to 2015 SORP £'000 | Reclassifications identified as part of transition £'000 | 2015 SORP £'000 |
| | Non-current assets | | | |
| | Intangible assets and goodwill | 491 | – | 491 |
| f | Fixed assets | 164,060 | 346,592 | 510,652 |
| f | Heritage assets | 1,940 | 11,021 | 12,961 |
| f, g, l | Investments | 82,217 | – | 88,615 |
| | | 248,708 | 357,613 | 612,719 |
| g | Endowment assets | 79,188 | – | 74,474 |
| | Current assets | | | |
| | Stock | 1,503 | – | 1,503 |
| e | Trade and other receivables | 16,130 | – | 15,938 |
| | Investments | 34,727 | – | 34,727 |
| | Cash and cash equivalents | 14,629 | – | 14,629 |
| | | 66,989 | – | 66,797 |
| c, e | Creditors: amounts falling due within one year | (30,607) | (442) | (31,024) |
| | Net current (liabilities)/assets | 36,382 | (442) | 35,773 |
| | Total assets less current liabilities | 364,278 | 357,171 | 722,966 |
| | recorded within other Comprehensive Income. | | | |
| | Creditors: amounts falling due after more than one year | (87,646) | – | (87,646) |
| | Provisions | | | |
| b | Pension liability | – | (13,890) | (13,890) |
| | Total net assets | 276,632 | 343,281 | 621,430 |
| a | Deferred capital grants | 9,214 | (9,214) | – |
| | Restricted reserves | | | |
| | Income and expenditure reserve – endowment reserve | 79,188 | – | 74,474 |
| d | Income and expenditure reserve – restricted reserve | – | – | 191 |
| | Unrestricted reserves | | | |
| a-g, k, l | Income and expenditure reserve unrestricted | 116,705 | 424,020 | 546,765 |
| k | Revaluation reserve | 71,525 | (71,525) | – |
| | | 267,418 | 352,495 | 621,430 |
| | Total reserves | 276,632 | 343,281 | 621,430 |

Notes to the Financial Statements

For the year ended 31 July 2016

31 Transition to FRS 102 and the 2015 SORP continued

| Consolidated Statement of Comprehensive income | | 2007 SORP | STRGL Items* | Effect of transition to 2015 SORP | Reclassifications identified as part of transition | 2015 SORP |
|--|---|------------------|---------------|-----------------------------------|--|------------------|
| Notes | | £'000 | £'000 | £'000 | £'000 | £'000 |
| Income | | | | | | |
| m | Tuition fees and education contracts | 54,137 | – | – | 684 | 54,821 |
| a | Funding body grants | 9,440 | – | (45) | – | 9,395 |
| | Research grants and contracts | 1,937 | – | – | – | 1,937 |
| a, i, j, m | Other income | 74,593 | 88 | (109) | (1,075) | 73,497 |
| f, j | Investment income | 3,820 | – | – | (117) | 3,703 |
| | Total income before donations and endowments | 143,927 | 88 | (154) | (508) | 143,353 |
| d, e | Donations and endowments | 337 | – | – | 408 | 745 |
| | Total income | 144,264 | 88 | (154) | (100) | 144,098 |
| Expenditure | | | | | | |
| b, c, n | Staff costs | (55,123) | – | (6,562) | (473) | (62,158) |
| a, h, i, n | Other operating expenses | (78,716) | – | (270) | 640 | (78,346) |
| f | Depreciation | (6,252) | – | 553 | – | (5,699) |
| b, h | Interest and other finance costs | (2,541) | – | (169) | – | (2,710) |
| | Total expenditure | (142,632) | – | (6,448) | 167 | (148,913) |
| | Loss on disposal of fixed assets | (77) | – | – | – | (77) |
| f | Gain/(loss) on investments | – | 21,155 | – | (2,160) | 18,995 |
| | Surplus before tax | 1,555 | 21,243 | (6,602) | (2,093) | 14,103 |
| l | Taxation | – | – | – | (72) | (72) |
| | Total comprehensive income for the year | 1,555 | 21,243 | (6,602) | (2,165) | 14,031 |

* This column represents items that were previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) and are now recorded within the Statement of Comprehensive Income (SOCi). This column should not include recognition of valuation changes arising from the adoption of the 2015 SORP. These are included within the effect of transition to 2015 SORP column.

Notes to the reconciliations

- a Capital grants are now recognised under the performance model
- b A provision for pension scheme deficits brought forward has been made; movement during the year has been recognised
- c An accrual for staff holiday accrued but not taken at the year end has been made
- d Donations which have restrictions, and the expenditure related to these donations, are now accounted for via a restricted reserve
- e Donations are recognised on entitlement to income
- f Land, freehold buildings and heritage assets are now recognised at cost represented by brought forward fair value at 1 August 2014, individual buildings' statuses have been assessed
- g Funds which have been accounted for as Endowments are now accounted for as University Investments
- h Foreign exchange gains or losses are included as other finance costs
- i Student Societies' income and expenditure is not consolidated
- j University investments in the UTF have been remapped to investment income (previously included within other income)
- k Gains and losses on revaluation of investments are now within unrestricted reserves
- l All University and Subsidiary tax charges and credits are included
- m Academic short course fees are included within tuition fees
- n Staff redundancy costs are included within staff costs

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