



UNIVERSITY  
OF LONDON

# Financial Statements 2016–17

ONE  
CARTWRIGHT  
GARDENS

# “The most open and cosmopolitan institution on earth” – Mayor of London, Sadiq Khan, at the University of London International Programmes Graduation Ceremony 2017

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 global 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.

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# The University In Numbers



**51,000**  
students



**Moodle**  
VLE users



**392k+**  
square metres of  
buildings owned



**33,000**  
students housed  
(halls and private)



University of London Institute in Paris  
incorporated into the University of London

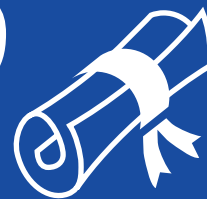


**1868**

The first women in  
the UK admitted to  
special examinations at  
the University of London

**29**

students  
received  
the first  
University of London  
degrees in 1839



**152**  
years



since the first University of London  
overseas examinations in Mauritius



**UNIVERSITY  
OF LONDON**

# Strategic Report

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## Overview / Financial Highlights

As has been the case throughout its 181-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, we are creating innovative solutions and making a series of key investments to respond to the changing needs of students, to support our academic mission and to manage our extensive property portfolio.

The results for the 2016-17 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 15.0% to £174.0 million.
- Total expenditure increased by 12.5% to 174.5 million.
- The deficit before other gains and losses reduced to £0.5 million from £3.7 million in the prior year.
- The retained surplus for the year has increased to £15.9 million, up from £9.1 million in 2015-16.
- Net cash inflow from operating activities was £28.8 million, compared to a cash inflow of £2.5 million in 2015-16, in the main as a result of the receipt of the Eleanor Rosa House premium increasing deferred income by £32 million (as set out in note 21).
- Net funds (which comprises cash, cash equivalents, deposits of the University, its subsidiaries and endowment with terms over 3 months, offset by long term borrowings) has decreased by £4.1 million over the course of the year to £1.8 million.
- Capital investment in the year totalled £30.6 million.

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## University Strategy

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.**

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 to 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 member institutions and the education sector, with the aim to be the provider of choice for 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 of London and its member institutions 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.

A key component of the University Strategy 2014-19 is 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 delivers the University Strategy continues to be evident in the current financial position of the University and is a deliberate decision to meet the ambition inherent in the University Strategy. This investment is across all areas of the University in all of the strategic aims and is in people and operational projects as well on the estate and other capital projects.

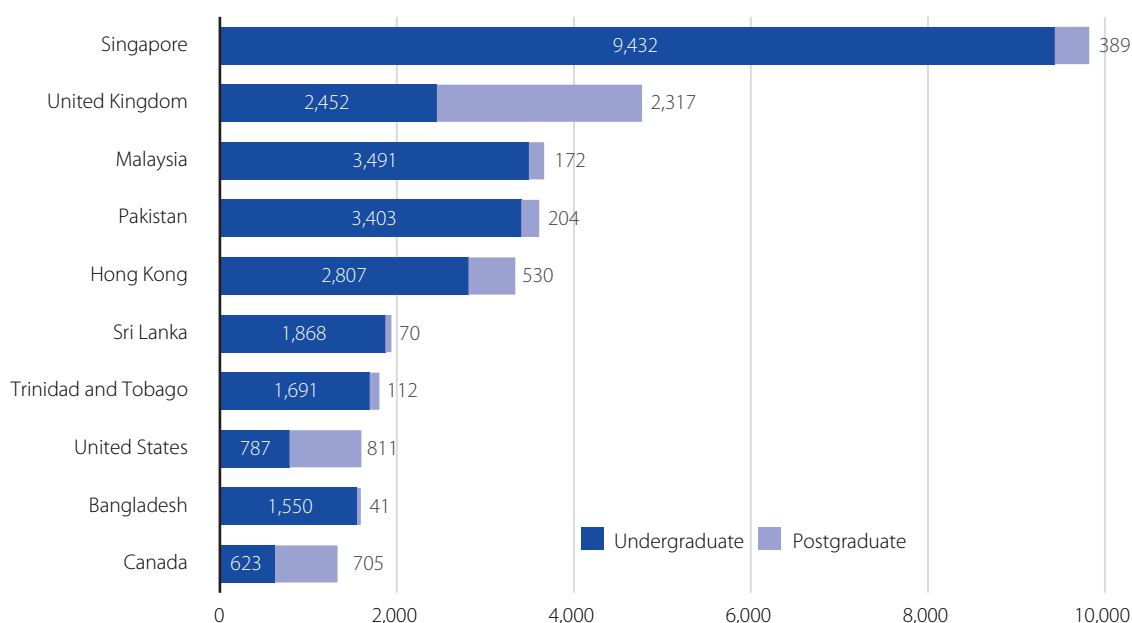
## Our Activities

The University of London is unlike many other universities. It is a federation of 18 independent 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 51,000 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 (ULIP). 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.

### Aim 1: deliver academic excellence

The University of London International Programmes reaches and connects over 51,000 students in over 180 countries through its study programmes, and a further 1.2 million learners through its free open access virtual learning programmes (MOOCs).

#### International Programmes students by domicile (top ten 2016–17)



The University launched the world's first integrated MSc in Professional Accountancy under the academic direction of UCL in January 2016, delivered in partnership with the Association of Chartered Certified Accountants (ACCA), which resulted in the registration of over 2,000 new students. It was followed by the launch of the new Global MBA in conjunction with Queen Mary University of London and with professional accreditations from major international bodies including the Chartered Management Institute (CMI) and the Chartered Institute of Management Accountants (CIMA). The new programme allows students to present themselves for professional recognition upon the successful completion of their degree, providing a competitive edge in today's job market.

A number of postgraduate programmes were also added to the portfolio of 84 degree courses on offer. These include SOAS's new pathways in Global Diplomacy, and the MSc in Global Energy and Climate Policy.

In supporting these new programmes, 2016-17 also saw the newly constituted Global Engagement directorate take the lead in delivering sustained growth through business development, and the newly formed Student Experience team, which takes responsibility for supporting student progression. Enhancing the student experience has been a theme that cuts across all strands of the International Programmes' operational work, with new teams being created to provide a first-class service, including intervention, live-chats and case management.

In April 2017, more than 200 alumni and friends in Singapore attended a panel event focused on the role of the expert in a post-truth world. The panellists, which included University of London chair of the Board of Trustees Sir Richard Dearlove, Pro Vice-Chancellor (International) Dr Mary Stiasny, Royal Holloway's Professor Bob O'Keefe and alumnus Emmanuel Daniel, discussed how experts from higher education and business could counter the rise of post-truth ideas. During the same week, the University hosted a professional development event in Singapore for new graduates. Working in collaboration with the global body for professional accountants, ACCA, the event gave over 30 alumni the chance to take part in a series of workshops focused on different skills, including leadership, strategic thinking, communication and persuasion.

Through the activity of its nine institutes, the School of Advanced Study champions the cause of humanities research both nationally and internationally; supports individuals, organisations and networks conducting humanities research; leads debates that stimulate new agendas and innovative thinking; and develops new resources and training. The School's portfolio is wide-ranging and varied, ranging from research and research collaborations, its own academic offering, through to conferences, workshops and seminars that promote dialogue on a national and international scale.

In an important initiative that crosses the boundaries between conventional academic research and public engagement, the Institute of Modern Languages Research is leading the four-year Arts and Humanities Research Council (AHRC)-funded project 'Cross-Language Dynamics: Reshaping Community', which is exploring the ways in which foreign language teaching and learning have an impact on a range of pressing contemporary issues. Researchers in the School's Refugee Law Initiative are core partners in a £7.5 million Global Challenges Research Fund project that will support preparedness and response to humanitarian crises and epidemics.

A key aspect of the School's work is the creation and support of digital research resources. The School took a bold step into the field of digital humanities with the launch of an open access scholarly books platform. The Humanities Digital Library combines new open access publications with digital versions of existing print titles that will for the first time be freely available.

2,300

SAS events

33,000

visitors to the annual SAS 'Being Human' festival

164,000

visits in person to Senate House Library

2 million

books and items in the Senate House Library collections

180

countries represented among student body

Annual figures



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The School is also expanding its academic offerings. It now offers research degrees by distance learning and in the coming year will offer an MA in Human Rights in collaboration with University of London International Programmes and a new Master's-level module in digital humanities.

The School's conferences, workshops and seminars promote dialogue on a national and international scale. The national Being Human festival is the School's flagship public engagement initiative. The 2016 festival, themed 'Hope and Fear', featured more than 250 events organised by 71 universities and research organisations in partnership with 221 cultural and community groups in 45 cities and towns across the country. Nearly 1,000 academics took part in the festival as organisers, and around 33,000 people attended events.

Alongside the School's high-profile festivals and events it also offers year-round training and support to researchers undertaking public engagement activity, both from the University and further afield. It allocates funding via the 'Public Engagement Innovator's Scheme', and fosters collaborations and partnerships with a global reach. In this light it is particularly exciting that 2017 was the first truly international year of the Being Human festival, with events in Singapore, Melbourne, Paris and Rome.

More than ever, in the light of the UK's decision to leave the European Union, the University of London Institute in Paris (ULIP) plays an important role not only as the University's sole campus on the European mainland but also as a Europe based partner in research studies for UK higher education institutions. It runs a series of Brexit higher education policy discussions with London and Paris institutions such as UCL, King's College London, Goldsmiths and Queen Mary University of London, Sciences Po, Université Paris-Seine and Paris Sciences et Lettres Research University and a vibrant series of public engagement events under the themes of 'Politics of Translation' and 'Challenging Europe'.

Senate House Library is the central library of the University of London and the School of Advanced Study. It provides expert advice and access to thousands of printed books, journals, newspapers, databases and e-resources, and is home to world-class collections.

In 2016, Senate House Library embarked on an ambitious new engagement programme with a major exhibition commemorating the 400<sup>th</sup> anniversary of Shakespeare's death. Over 1,000 new visitors came to Senate House Library to view the exhibition and a dedicated microsite attracted nearly 30,000 users from 77 countries. Reaching new audiences and presenting its rich collections in innovative ways were also in evidence with the celebration of the 500<sup>th</sup> anniversary of the publication of Thomas More's novel *Utopia* over the winter of 2016-17. 'Utopia / Dystopia' explored past and future visions of the perfect society and engaged new audiences in innovative ways; a collaboration with street artists and local schools resulted in graffiti canvas displays which visualised children's 'hopes and fears' for urban society. A symposium entitled 'Radical Walking: Protest, dissent, and crossing urban boundaries' was one of the highlights of the 'Radical Voices' exhibition, featuring the Ron Heisler collection of political pamphlets as well as protest posters and examples of radicalism in literary works.

Resonating with current political events, 'Reformation: Shattered World, New Beginnings' focuses on the impact of the Reformation on London's society and culture. Driven by the communications revolution in print technology this 'divorce' of England from the rest of Europe ultimately created a new world dynamic. Historian and broadcaster Dr Suzannah Lipscomb stars in the Library's latest film and Senate House was host to a bespoke recital of Reformation era music by renowned vocal group I Fagiolini and bestselling author Philippa Gregory in conversation.

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

The University provides a range of academic support and professional services that are a vital part of both its academic strategies and its mission to support the work of its member institutions. It delivers these services through a number of channels. The University has made a clear divide between the Careers Group (a membership-based 'not-for-profit' model) and CoSector, which primarily focuses on providing digital services, housing and employer recruitment services.

The Careers Group is the largest provider of careers-related services in Europe, delivering a range of high-quality services at a value that individual institutions would find it difficult to replicate individually. These services are primarily based within the member institutions and are managed in close partnership with them. The Careers Group continues to be recognised nationally as a practice and thought leader, and this is reflected both in awards and in that it is the lead on national projects such as 'Learning Gain'. In 2016-17 the Group achieved its Matrix quality standard re-accreditation, confirming its focus on and delivery of high-quality services for its members and users.

CoSector was formed in 2015 as the home of the University's professional and student support services. It comprises a number of activities, including virtual learning, IT & digital services, recruitment, career development and housing.

Housing services staff work collaboratively across the member institutions of the University of London as well as external universities and colleges. The team offers a range of services that assist students and staff in their search for accommodation including intercollegiate halls of residence and self-catered accommodation, registration schemes for private landlords and letting agents, a private housing database, a legal advice service and a range of events and training. CoSector's recruitment services match talented students, graduates, and professionals with innovative employers.

The CoSector IT and Digital team (formally ULCC) offers a range of business systems, IT infrastructure support services and virtual learning environments for students at over 300 UK institutions. It provides support to over three million HE and further education (FE) students whilst the specialised Digital Archives and Research Technologies (DART) team provides publication repositories and archiving services for over 30 institutions. Major investment has taken place in the last 12 months to develop and convert training courses to an online provision, particularly in digital preservation. The aim is to further develop high-quality products and services that meet and exceed customer needs and deliver on CoSector's vision to become the provider of choice for student services.

### **Aim 3: property that is valued and relevant**

The University estate has over 140 properties, with a total floor area of approximately 390,000sqm in London, Surrey and Paris. The University's estate, with the iconic Senate House at its heart, is not just an asset for the University but also for London and the wider community. It is at the centre of the estates strategy to safeguard its heritage, to encourage public access to the buildings and gardens and to enhance academic activity, with the overall aim to provide the physical environment required by a world-class university in a changing educational environment.

To meet this objective, over 250 University of London professional staff members moved from various floors in Senate House into a transformed space on the lower ground floor. Space vacated on other floors of Senate House

24,000

visitors to careers events

26,000

jobs posted on JobOnline

Annual figures

is now used for central London academic activity by member institutions, another step towards Senate House becoming an academic hub at the heart of the federal University of London. This is especially fitting as we celebrated the 80th anniversary of Senate House in 2017.

In September 2016, the Chancellor Her Royal Highness The Princess Royal opened the University's new student accommodation Garden Halls, realised in partnership with University Partnerships Programme (UPP). The aim is to deliver high-quality, good value student accommodation in the heart of Bloomsbury and the Halls are now home to 1,200 students from many University of London member institutions. The new design reflects the local architecture and was shortlisted for numerous architecture and student housing awards.

In December 2016, the University completed a second agreement with UPP for the development of a new £105 million 32-storey 511-bed halls of residence in Stratford, scheduled to open in September 2019. Eleanor Rosa House, named after two prominent women in the history of the University, will strengthen the diversity of the University's current provision and is ideally located near excellent transport links and the planned UCL development on the Queen Elizabeth Olympic Park.

Sustainability has been and will be a key consideration for all major developments, refurbishments, strategic decisions and major tenders. In January 2017, the University launched the world's first tweet-based sustainability report using the #UoLCarbonCut hashtag to announce its success in reducing its carbon emissions by 40% against a 2010 baseline. Moving away from the more traditional reporting and aiming at to reach the widest possible audience, readers could view the full report via an interactive online presentation. The success of the report was recognised by winning an International CSR Excellence Award.

Opening up the University estate to the general public has been and continues to be a central endeavour of the University and over the last year a number of initiatives with community groups and organisations in the Bloomsbury area and Camden Council have been launched. Senate House opened its doors once again for the ever popular annual Open House event, hosting around 800 visitors over one day. It was also the venue for BBC's 'Antiques Roadshow' with over 1,200 visitors. The University also continues to support the annual Bloomsbury Festival, which draws together over 100 participating organisations promoting the arts and culture throughout Bloomsbury and beyond.

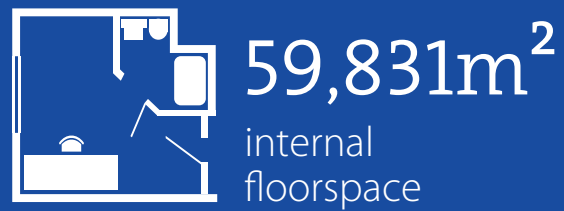
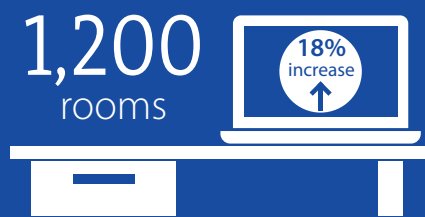
#### **Aim 4: manage a high performing organisation**

The University's new ICT (Information and Communications Technology) department have successfully delivered a number of key strategic projects. These include a new Identity and Access Management (IAM) solution to ensure students have a seamless experience of authentication when crossing from one system to another; and an effective Cyber Security staff awareness campaign and online training.

Most significantly, the University has embarked on a major Enterprise Resource Planning (ERP) project, which will not only completely replace the existing HR and payroll system but also provide a number of improvements to the University's finance system and the way academic research grants are managed. Other major initiatives for the coming year include the implementation of a University-wide Customer Relationship Management (CRM) programme and the establishment of a new ICT Project Management Office to manage the ICT project portfolio from pipeline to delivery.

The Development Office continues to grow its activities. Over the last year staff have directly engaged with over 3,000 constituents and hosted over 60 events for alumni, stakeholders and prospective donors. All activities support the University's strategic vision to make a unique contribution to learning and research-led scholarship and underpin the mission to build a global community of professionals with a lifelong relationship with the University.

# Garden Halls in numbers



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Philanthropy continues to grow at the University; in the past year more than £1 million in cash has been raised in support of our Access to Education mission. This includes support from the Andrew W. Mellon Foundation to establish a Chair in the History of Art, Science and Folk Practice at the Warburg Institute; two significant legacy gifts, one of which will support the Institute of Classical Studies Library; and a donation from Google Ireland to support the Tactile Communication Project in the Institute of Philosophy. The University is also fortunate to have received continued funding from the Sir John Cass's Foundation, the Peltz Trust and Ede & Ravenscroft, to provide a range of scholarships to students at both undergraduate and postgraduate level.

Social Media plays an integral part in our engagement. In March 2017 the University was proud to win the Edurank 'Social Media Performance of the Year' award for its international profile.

### **Principal risks and uncertainties**

The University of London is a unique institution. Our operations focus on our four strategic aims: our academic mission and the delivery of academic excellence, the provision of high-quality academic support and professional services and property that is valued and relevant and the management of a high-performing organisation.

Whilst the University's Collegiate Council determines and advises the Board of Trustees on the collective view of member institutions, it is the Board of Trustees that 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.

The UK higher education 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. The University's dependency on public funding is less than most other UK universities, with funding from the Higher Education Funding Council for England (HEFCE) accounting for 5.5% of total income in the year.

However, the University does receive specific HEFCE funding for the SAS's national role in promoting and facilitating 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 its own strategic objectives which underpin the University Strategy. However, this investment could not replace any future loss of funding for SAS's national role.

A related risk is that of the future financial sustainability of Senate House Library. The University has agreed a modernisation plan that will see investment in the coming financial years which will support additional spaces for study. This along with other operational changes will support the Library's ambition to be a nationally recognised arts and humanities research library supporting the needs of the University's member institutions. The business plan that underpins this investment will ease the historical risk to the financial sustainability of the Library.

The International Programmes are a major source of income for the University. There are both opportunities and threats as the market for distance education is increasingly competitive with new institutions, new learning technologies and private capital 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.

The development of the estate is a key theme in the University strategy and the University recruited a new leadership team for its Property and Facilities Management team during the year. The University Estates Masterplan sets out the core estates strategy that will guide decisions and growth in the coming years. The University is approaching the Bloomsbury estate as a whole, looking at the short, medium and long term space and growth requirements to ensure that the future needs of the University, its member institutions and

students are properly planned for. The ongoing challenge with such a large and historically prestigious estate remains to balance all the requirements needed to deliver the Masterplan and the objectives that are covered by the University Strategic Plan aim to deliver property that is valued and relevant.

There are several external perturbations and risks currently facing the higher education sector as a whole: the uncertainty that Brexit brings and the impact that this uncertainty has on exchange rates as well as student and staff recruitment; the introduction of the Teaching Excellence Framework (TEF) and other changes included in the 2017 Higher Education and Research Act 2017 (HE&R Act); increasing public concern over the current fee regime and the balance between private and societal good from higher education; and an emerging public concern over the number of people entering higher education compared with the need for more vocational qualifications and skills.

The full implications of these risks are still emerging but it is already known that the University will be subject to increased regulatory compliance and reporting from the HE&R Act, especially from TEF and HESA reporting. Demand for student places at our member institutions is strong and the lifting of the recruitment cap presented opportunities and led to an increase in demand for our services as well as increased demand for accommodation and teaching space. In turn a reintroduction of a recruitment cap could have a negative impact. While the weakness of the pound compared to other currencies has benefited student recruitment it has increased the operating costs at the University of London Institute in Paris and concerns remain over EU staff recruitment and retention.

### Scope of the financial statements

The financial statements comprise the consolidated results of the University and its trading subsidiaries.

	Year ended 31 July 2017 Consolidated £'000	Year ended 31 July 2016 Consolidated £'000	Year ended 31 July 2015 Consolidated £'000
<b>Total income</b>	<b>174,032</b>	151,368	144,098
<b>Total expenditure</b>	<b>174,505</b>	155,054	148,913
<b>Deficit before other gains and losses</b>	<b>(473)</b>	(3,686)	(4,815)
Loss on disposal of fixed assets	-	(671)	(77)
Gain on investments	<b>16,708</b>	13,029	18,995
<b>Surplus before tax</b>	<b>16,235</b>	8,672	14,103
Taxation	<b>(385)</b>	475	(72)
<b>Total comprehensive income for the year</b>	<b>15,850</b>	9,147	14,031

The decision to run a deficit before other gains or losses in 2016-17 continues the investment of the previous two years and underpins the four strategic aims of the University. The sound financial performance in earlier years enables the University to undertake this investment with confidence.

The surplus before tax is driven by the unrealised gain due to the increased market value of our assets that are held for investment purposes. These assets are primarily our investment properties, which are held for the long term.

The University's confidence in investment needs to be considered against ongoing uncertainty surrounding the higher education sector in the UK. Direct HEFCE funding represents a smaller proportion of revenue for the

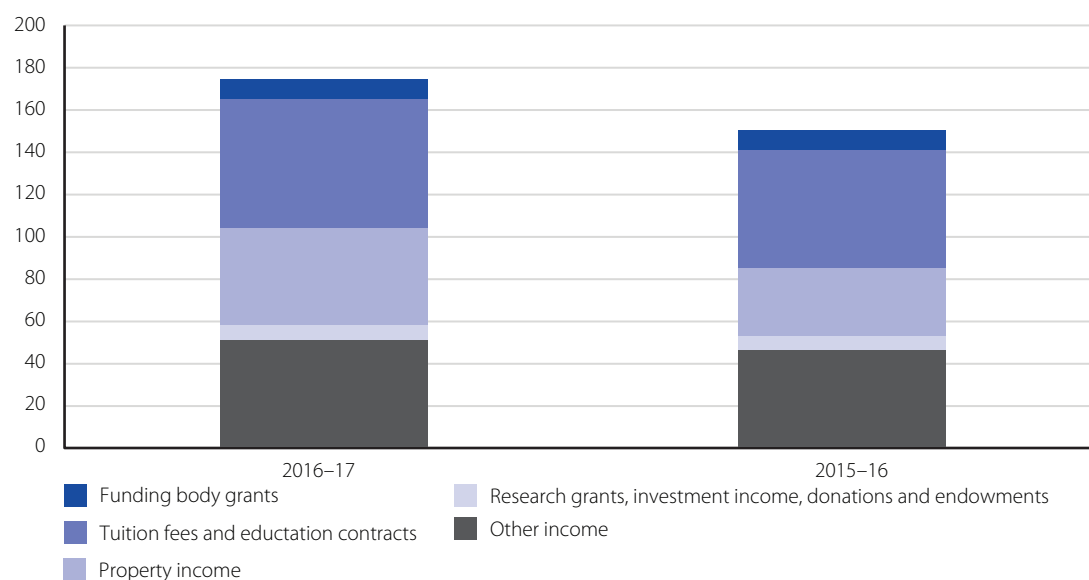
University compared to most other UK higher education institutions. However, it still represents a crucial source of revenue, particularly in relation to the School of Advanced Study. As the implications of Brexit continue to emerge, the University will closely monitor and take appropriate actions accordingly. We expect there to be opportunities due to the nature of our organisation as well as threats.

The financial strategy remains to use our assets and operations to generate income, to diversify our income sources where we are able, and to use this to support the ongoing investment in our academic operations and our services provided to the member institutions. The University is committed to maintaining and improving its financial sustainability and will take the required actions to do so in the coming years.

### Income

Total income for the year increased by 15.0% from £151.4 million in 2015-16 to £174.0 million in 2016-17.

#### Analysis of income



Funding body grants, primarily from the Higher Education Funding Council for England (HEFCE), remain broadly flat on the prior year at £9.5 million.

Tuition fees and education contracts remain the University's largest source of income, and increased by 8.8% to £61.2 million. The largest element relates to the University's International Programmes where income grew in the year. The International Programmes currently have 51,000 students (2015-16: 51,000) across approximately 180 countries and a portfolio of over 80 academic programmes and awards.

Research grants and contracts income increased from £1.6 million in 2015-16 to £2.1 million in 2016-17.

Property income has increased by 40.6% to £45.7 million in 2016-17. Included in this is estates income, which has risen to £4.9 million from £4.8 million, reflecting the growth in rental income secured from our estate.

The income generated from the University's residences, catering and conferences operations, which includes the intercollegiate student halls of residence, has grown by £13.0 million to £40.8 million mainly as a result of Garden Halls being opened.

Other income has increased to £50.6 million from £46.3 million in the prior year. There are a number of components:

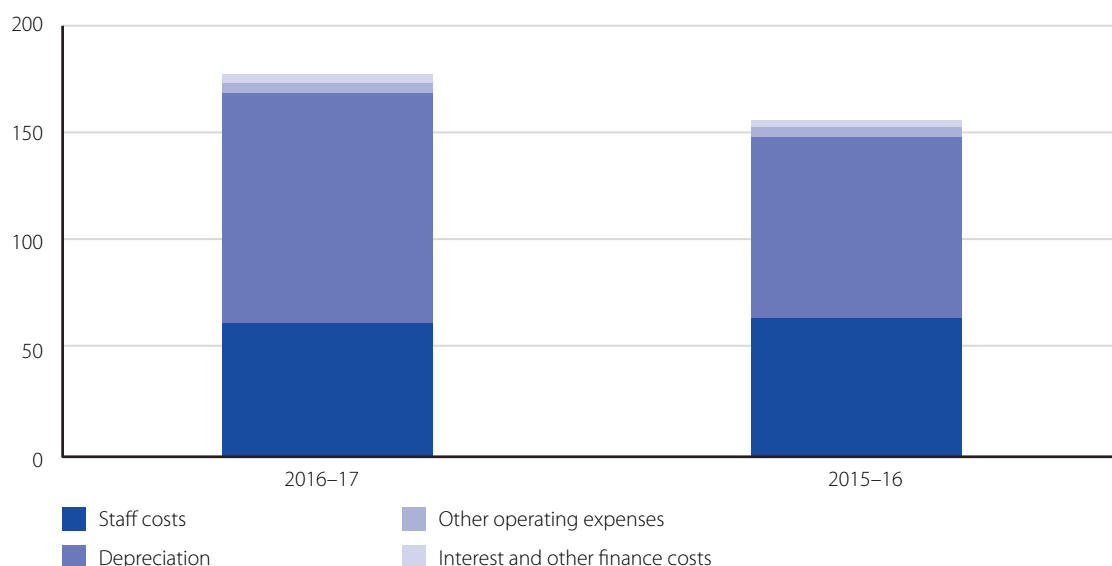
- Income from subscriptions from member institutions has increased by £2.1 million from the prior year, to £11.6 million. These payments are primarily for services provided to our member institutions and reflect the accession of City University to the Federation and an increase in the volume of services provided by the University.
- Other general income, which includes income generated from services provided to education establishments outside of the member institutions of the University, has increased to £20.9 million from £19.0 million last year.
- Income in relation to arrangements with Health Education England (HEE) increased by £0.4 million to £17.6 million.

Investment income, which relates to income generated from our endowments, our other investments, and in the University is a reflection of the distributions from subsidiaries, remained at £4.0 million in the current year.

Donation and endowment income totalled £1.1 million, slightly down from £1.3 million received in the previous year.

## Expenditure

### Analysis of expenditure



Total expenditure increased by 12.5% from £155.1 million in 2015-16 to £174.5 million in 2016-17.

Staff costs remain the largest individual component of expenditure (as other operating costs include a number of separate elements) but have decreased by £2.3 million since the prior year, to £60.7 million, due to part of the provisions in respect of the University's commitment to its pension schemes' deficit recovery programmes being released. A nationally agreed pay increase from August 2016 of 1.1% was paid to all University staff (not including Health Education England staff). Average full time equivalent staff numbers for the University (including subsidiaries) increased to 870 this year (1,086 if Health Education England staff are included, 2016: 801 and 1,078 respectively).



Other operating expenditure has increased to £106.0 million from £84.2 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.

Depreciation costs remained static at £5.0 million.

Interest costs remain static at £2.9 million.

### **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 December 2016 the University reached agreement with the University Partnership Programme (UPP) to develop a new 511-bed student halls of residence in Stratford. As part of this transaction the University has acquired the freehold of the site in Stratford. The redevelopment of Garden Halls by UPP for the University was completed for the 2016-17 autumn student intake.

In addition, the University is investing in the development of new International Academy programmes and the modernisation of its IT systems.

### **Balance Sheet**

Net assets at 31 July 2017 totalled £646.4 million, rising from £630.6 million at 31 July 2016.

Intangible assets have increased to £4.0 million during the year, reflecting the investment in the development of new programmes by the International Academy. Following the completion of the Stratford purchase, fixed assets increased during the year by £19.0 million to £528.8 million. Heritage assets have remained at their brought forward value of £13.0 million. Investments have increased by £23.1 million to £199.7 million, due primarily to the increase in market value of the University's investment properties, the reclassification of a property previously held as operating property to investment property and the market value of the underlying asset portfolio within the University endowment.

The provision for the University's share of the pension deficits decreased from £16.1 million to £13.1 million. This is due to changes in the discount rate, assumptions about increases to staff costs and headcount, and pension payments made.

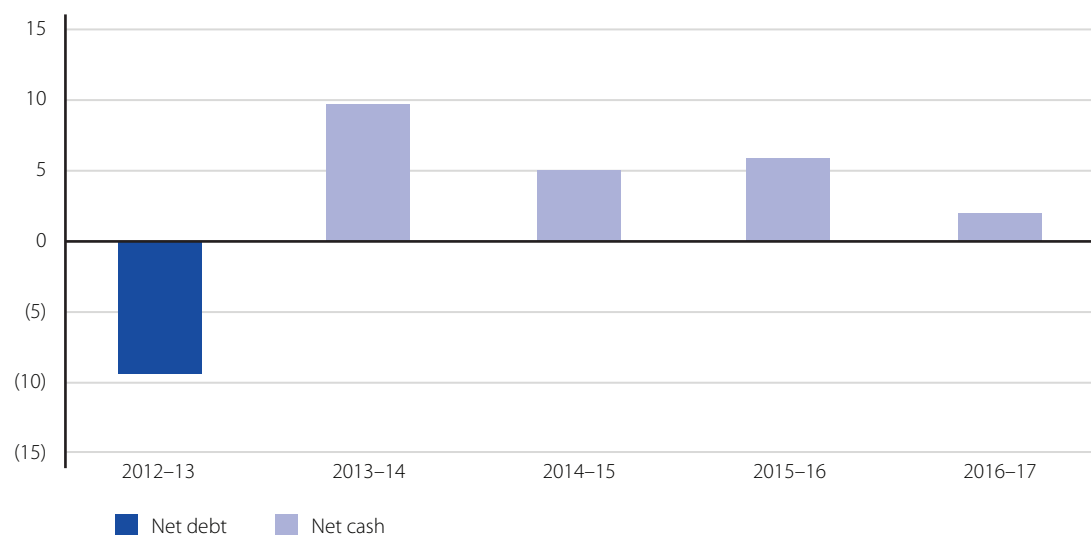
There are relatively small movements across other balance sheet items. Long term borrowing, included in creditors falling due after more than one year, remain unchanged over the year.

### **Cash flow, liquidity and treasury management**

Cash, cash equivalents (including those held in endowments and investments) and current asset investments have reduced by £4.4 million over the year to £51.8 million. While the University generated £28.8 million from operating activities and further inflow from investment income, there was a net cash outflow to significant capital expenditure during the year. The cash, cash equivalents and current asset investments at year end represent 63 days of expenditure.

Long term borrowings have decreased from £50.3 million to £50.0 million, due to the reclassification of the first portion of the loan repayment due in 2018, but the total loan value repayable remains unchanged over the year. Hence the University continues in a net funds position, £1.8 million at 31 July 2017, although this is a decrease of £4.1 million from the position at 31 July 2016.

**Net cash / (Net debt)**



As in prior years, the University has continued to pursue a conservative treasury management policy with appropriate counter party 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. During the year, the Investments Committee reviewed the treasury management policy and added money market funds to the type of instruments that the University could use to manage its operational cash while reducing counterparty risk through wider diversification. Following a selection process, Goldman Sachs Asset Management and Insight Investments were chosen as the University’s Money Market Fund Managers. £45 million of operational cash was invested in Money Market Funds at year end.

**Investment**

The endowment funds are invested in the Unified Trust Fund (UTF). The funds within the UTF are invested in line with the approved investment strategy, which provides 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 investment strategy splits the fund into three distinct portfolios: Equity, which represents the largest of the three portfolios at approx. 72.4% of the fund and was managed during the financial year by Newton Investment Management Limited; 10.9% in Absolute Return fund managed by Ruffer AIFM Limited; and 16.7% in Property, which is invested in a property fund managed by Mayfair Capital Investment Management Limited rather than direct specific property investments. 1.4% of the fund was held as cash at year end due to timing of trades.

On a total return basis the performance of the Unified Trust Fund for 2016-17 saw a return of 9.4% compared to the Fund’s benchmark target return of 7.6%. The benchmarks for the Fund reflect the asset holdings and the associated market conditions.

The Investments Committee asked Mercer Limited in June 2016 to undertake a triennial review of the investment strategy of the UTF. Following this review, the Investments Committee decided that equities, absolute return and property remain the appropriate asset classes to invest in at the current time and to continue with the current asset class split. The Investments Committee decided to alter the target objective of the investment strategy to achieve a total return, including dividends, interest, rent or other income, and capital appreciation, of inflation +3.5% to 4% per annum, gross of fees, over a rolling 5-year period.

The Investments Committee have reviewed the manager of the Equities asset class and decided to change appointments. The management of the Equity portfolio will be transferred from Newton to Longview Partners LLP and Schroder Investment Management Limited in equal shares during the course of 2017-18.

The University investment properties have been subject to a professional valuation as at 31 July 2017 undertaken by Knight Frank LLP, Chartered Surveyors. The valuation has resulted in their carrying value being increased by £12.4 million to £98.0 million, an increase of 14.4%, reflecting the continuing buoyant state of the London property market.

### Looking forward

The outlook for the University remains positive, despite the presence of risk and uncertainty. The unique nature of the University means that many of the challenges we face are different to those of other UK universities and we are less immediately impacted by the changing UK higher education regulatory environment.

Financial sustainability is a key component of the University Strategy. The University will continue to review all activities to ensure they are sustainable, affordable and fit for purpose. If the situation requires, the University will take appropriate action as it has done in the past.

The financial strategy will see the University take a number of actions in support of its strategy to grow and deliver financial sustainability:

### Academic

- Widen the offering in the International Programmes and ULIP.
- Raising additional income for our academic work, including through fundraising activities and extra research income arising from our academic investment.

### Services

- Additional income from new customers and new markets, and possibly from investment from new partners.

### Property

- Greater financial return from our 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.
- Investment in our IT to ensure we deliver improved customer service and enhanced efficiency.
- Grow the operation of the Development Office, with its focus on fundraising from alumni, trusts, foundations and other sources in the future.

### Summary

2016-17 has been another year of strong growth and achievements. The University is in a sound financial position, committed to its core vision as outlined in its Strategy and underpinned by the need to maintain financial sustainability. We continue to build upon the work undertaken in recent years to grow and diversify to deliver the ambitions of the University.

## Public Benefit Statement

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

The objects of the University of London, carried out through the member institutions 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 member institutions of the University, which are all themselves exempt charities, have included within their respective financial statements for 2016-17 Public Benefit statements in conformity with the reporting requirements of the HEFCE Accounts Direction for 2016-17 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 member institutions.

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 member institutions.

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 £3,750 to £6,500 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 2017 were carried at their market value, which was £83.6 million, and the sums expended during the year from these funds amounted to £3.9 million (see Note 24). 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 member institutions and central academic bodies, thereby providing opportunities to those whose means may otherwise inhibit them from participating in teaching and research activities. A number of trust funds support the development of collections held by Senate House Library and others 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 2016-17 approximately 2,200 events were organised attracting over 79,000 audience members drawn from the London area, from the rest of the UK and internationally. 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 member institutions and central activities are entitled to free membership. In addition to its other activities, Student Central also organises University-wide student sports competitions. During 2016-17 Student Central attracted a membership of over 18,700.

## Corporate Governance Statement

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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, and subsequently amended in 2015, which set out its objectives, powers and framework of governance.<sup>1</sup> 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 18 member institutions each of which is a Higher Education Institution (HEI) and a self-governing incorporated body with its own legal identity. Each 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 persons – all of whom are non-executive; the Vice-Chancellor, the Deputy Vice-Chancellor and four Heads of member institutions, 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 and accountable officer, the Vice-Chancellor. The obligations 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 it funds. 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 companies.

The Board of Trustees is supported by the **Collegiate Council**, which comprises the Heads of the member institutions of the University, the Deputy Vice-Chancellor, the Dean and Chief Executive of the School of Advanced Study, the Chief Executive of the University of London International Programmes 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 member institutions 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 member institutions, and on the funding of those services.

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<sup>1</sup>A bill to create a new University of London Act is currently under consideration by Parliament. Subject to Royal Assent being obtained, the proposed new Act will enable the member institutions to apply for university status in their own right while remaining within the University of London federation. Revised University Statutes, amended to align with the new Act, were approved by the Privy Council in October 2017, following resolutions made by the Board of Trustees in May and July 2017. The revised Statutes will take effect on the date upon which the University of London Bill is passed and receives Royal Assent.

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, are: Nominations, Remuneration, Investments, Safety, Estates, Equality and Diversity, and Trust Funds. Additionally, the Board has recently established, with effect from 1 August 2017, an Ethical Acceptance of Donations 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 periodically 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 member institutions and member institution 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 member institutions. 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, students and trustees. 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 **Ethical Acceptance of Donations Committee** will review potential donations referred to it, in accordance with section 5.14 of the University's Ethical Acceptance of Donations Policy. The Committee meets on an *ad hoc* basis.

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 funded by it, 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

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## Membership

Period 1 August 2016 to 27 November 2017 (unless otherwise stated):

<b>Independent Members</b>	<b>Period of office</b>
Jane Andrewartha	
Stella Beaumont	
Abdul Bhanji	Until 31 July 2017
Emma Burns	
Philip Clark	
Sir Richard Dearlove (Chair)	
Andrew Halper	
Kieran Murphy	
Andrew Ratcliffe	From 1 August 2017
Malcolm Roberts	
Mark Storey	
Rosalyn Wilton	

## Vice-Chancellor

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Professor Sir Adrian Smith

## Deputy Vice-Chancellor

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Professor Edward Byrne From 10 October 2016

## Representative Head of member institution

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Professor Michael Arthur, President and Provost of UCL	From 1 August 2017
Professor Simon Gaskell, Principal of Queen Mary University of London	Until 31 July 2017
Professor David Latchman, Master of Birkbeck, University of London	Until 31 July 2017
Professor Paul Layzell, Principal of Royal Holloway, University of London	
Patrick Loughrey, Warden of Goldsmiths, University of London	From 1 August 2017
Professor Stuart Reid, Principal of the Royal Veterinary College	



### 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.

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 funded by it, the Board, through its Head of Institution and Accountable Officer (the Vice-Chancellor), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University, and of the surplus or deficit and cash flows for the year.

In 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 Memorandum of Assurance and Accountability 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

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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 funded by it.

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 2017 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, a shared internal audit and assurance service for universities. They operate to the standards defined in the HEFCE 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 to the Board of Trustees of the University of London

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## Report on the audit of the financial statements

### Opinion

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 2017 and of the group's and the University's income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 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.

We have audited the financial statements of the University of London (the 'University') and its subsidiaries (the 'group') which comprise:

- the Consolidated Statement of Comprehensive Income;
- the Consolidated and University Statement of Changes in Reserves;
- the Consolidated and University Balance Sheets;
- the Consolidated Cash Flow Statement;
- the Statement of Accounting Policies; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the governing body's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or

- the governing body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### **Other information**

The governing body is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of the governing body**

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, and for such internal control as the governing body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the governing body is responsible for assessing the group's and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the governing body either intends to liquidate the group or the University or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the governing body in accordance with the charter and statutes of the University and the Memorandum of Assurance and Accountability effective July 2016. 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.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice (HEFCE)**

In our opinion, in all material respects:

- funds from HEFCE, grants and income for specific purposes administered by the University for specific purposes during the year ended 31 July 2017 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the memorandum of assurance and accountability and any other terms and conditions attached to them during the year ended 31 July 2017; and
- the requirements of HEFCE's accounts direction have been met.

Deloitte LLP  
Statutory Auditor  
St Albans, United Kingdom  
27 November 2017

# Statement of the University's Principal Accounting Policies

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## **Nature and location of University**

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

## **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 3–17. 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 companies. Intra-group sales and profits are eliminated fully on consolidation.

## **Related party transactions**

The University is partly funded by subscriptions from the member institutions within the federation and by charges for specific services supplied by the University to member institutions. Heads of member institutions within the federation are ex officio members of the Collegiate Council. The member institutions 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 has 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 the resulting gains and losses are dealt with in the Statement of Comprehensive Income.

### Intangible assets

Course, website and software 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 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 asset, 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 intangible asset is five years. Once the original intangible asset has started being amortised, if there is subsequent development work capitalised on that asset, 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.

### 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 (i.e. fair value at 1 August 2014) and not depreciated due to its infinite useful economic life (UEL)
- Freehold buildings & refurbishment: Buildings, including any refurbishment prior to 1 August 2014, are recognised at fair value as deemed cost (i.e. 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 (i.e. that the risks and rewards of the lease may belong to the University), 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 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 (i.e. that the risks and rewards of the lease may belong to the lessee), 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 of cost and net realisable value, and money market funds which are shown at market value in the Balance Sheet.

### **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 other 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 Universities 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) part of Health Education England (HEE), 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 102: 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.

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 Statement 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 spending 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.

Revenue related to services rendered is recognised based on the stage or proportion of services completed.

### **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.

# Consolidated Statement of Comprehensive Income

For the year ended 31 July 2017

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Income</b>					
Tuition fees and education contracts	1	61,177	61,177	56,220	56,220
Funding body grants	2	9,515	9,515	9,385	9,377
Research grants and contracts	3	2,095	2,095	1,619	1,619
Property income	4	45,672	42,531	32,481	30,428
Other income	5	50,561	44,567	46,306	38,066
Investment income	6	3,952	5,213	4,031	7,519
Donations and endowments	7	1,060	1,060	1,326	1,326
<b>Total income</b>		<b>174,032</b>	<b>166,158</b>	151,368	144,555
<b>Expenditure</b>					
Staff costs	8	60,687	59,958	62,967	60,079
Other operating expenses	10	106,000	98,895	84,185	81,037
Depreciation	13	4,950	4,795	4,998	4,204
Interest and other finance costs	9	2,868	2,868	2,904	2,900
<b>Total expenditure</b>	10	<b>174,505</b>	<b>166,516</b>	155,054	148,220
<b>Deficit before other gains and losses</b>		<b>(473)</b>	<b>(358)</b>	(3,686)	(3,665)
Loss on disposal of fixed assets		-	-	(671)	(671)
Gain on investments	16	16,708	16,208	13,029	13,483
<b>Surplus before tax</b>		<b>16,235</b>	<b>15,850</b>	8,672	9,147
Taxation	11	(385)	-	475	-
<b>Total comprehensive income for the year</b>		<b>15,850</b>	<b>15,850</b>	9,147	9,147
Represented by					
Endowment comprehensive income for the year		3,689	3,689	5,431	5,431
Restricted comprehensive income for the year		70	70	32	32
Unrestricted comprehensive income for the year		12,091	12,091	3,684	3,684
		<b>15,850</b>	<b>15,850</b>	9,147	9,147

All surplus for the year 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 2017

Consolidated	Income and expenditure account			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
<b>Balance at 1 August 2015</b>	<b>74,474</b>	<b>191</b>	<b>546,765</b>	<b>621,430</b>
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	-
<b>Total comprehensive income for the year</b>	<b>5,431</b>	<b>32</b>	<b>3,684</b>	<b>9,147</b>
<b>Balance at 1 August 2016</b>	<b>79,905</b>	<b>223</b>	<b>550,449</b>	<b>630,577</b>
Surplus/(deficit) from the income and expenditure statement	7,541	463	7,846	15,850
Release of restricted funds spent in year	(3,852)	(393)	4,245	-
<b>Total comprehensive income for the year</b>	<b>3,689</b>	<b>70</b>	<b>12,091</b>	<b>15,850</b>
<b>Balance at 31 July 2017</b>	<b>83,594</b>	<b>293</b>	<b>562,540</b>	<b>646,427</b>

University	Income and expenditure account			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
<b>Balance at 1 August 2015</b>	<b>74,474</b>	<b>191</b>	<b>546,765</b>	<b>621,430</b>
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	-
<b>Total comprehensive income for the year</b>	<b>5,431</b>	<b>32</b>	<b>3,684</b>	<b>9,147</b>
<b>Balance at 1 August 2016</b>	<b>79,905</b>	<b>223</b>	<b>550,449</b>	<b>630,577</b>
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<b>Total comprehensive income for the year</b>	<b>3,689</b>	<b>70</b>	<b>12,091</b>	<b>15,850</b>
<b>Balance at 31 July 2017</b>	<b>83,594</b>	<b>293</b>	<b>562,540</b>	<b>646,427</b>

# Consolidated and University Balance Sheet

For the year ended 31 July 2017

	Notes	At 31 July 2017		At 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Intangible assets	12	4,041	4,041	1,817	1,817
Fixed assets	13	528,820	528,616	509,823	509,479
Heritage assets	13, 14	12,961	12,961	12,961	12,961
Non-current investments	16	199,715	200,104	176,625	177,514
		<b>745,537</b>	<b>745,722</b>	701,226	701,771
<b>Current assets</b>					
Stock	17	631	631	1,133	1,133
Trade and other receivables	18	18,571	21,053	14,428	14,147
Current investments	19	-	-	39,792	39,792
Cash and cash equivalents	26	48,667	46,105	12,259	10,077
		<b>67,869</b>	<b>67,789</b>	67,612	65,149
Less: Creditors: amounts falling due within one year	20	(36,863)	(36,968)	(35,300)	(33,382)
<b>Net current assets</b>		<b>31,006</b>	<b>30,821</b>	<b>32,312</b>	<b>31,767</b>
<b>Total assets less current liabilities</b>					
		<b>776,543</b>	<b>776,543</b>	733,538	733,538
Creditors: amounts falling due after more than one year	21	(116,990)	(116,990)	(86,897)	(86,897)
<b>Provisions</b>					
Pension provisions	22	(13,126)	(13,126)	(16,064)	(16,064)
<b>Total net assets</b>		<b>646,427</b>	<b>646,427</b>	630,577	630,577
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	24	83,594	83,594	79,905	79,905
Income and expenditure reserve - restricted reserve	25	293	293	223	223
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		562,540	562,540	550,449	550,449
<b>Total Reserves</b>		<b>646,427</b>	<b>646,427</b>	630,577	630,577

The financial statements were approved by the Board of Trustees on 27 November 2017 and were signed on its behalf on that date by:

Sir Richard Dearlove,  
Chair, Board of Trustees

Andrew Murphy,  
Chief Financial Officer

Professor Sir Adrian Smith,  
Vice-Chancellor



# Consolidated Cash Flow Statement

For the year ended 31 July 2017

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		15,850	9,147
<b>Adjustment for non-cash items</b>			
Depreciation	13	4,950	4,998
Amortisation of intangibles	12	306	115
(Gain) on investments	16	(15,733)	(13,328)
Decrease in stock	17	502	370
(Increase) in debtors	18	(4,143)	(669)
Increase in creditors	20, 21	31,656	750
(Decrease)/increase in pension provision	22	(2,938)	2,174
Decrease in other provisions	22	-	(90)
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(3,952)	(4,031)
Interest payable	9	2,537	2,573
Loss on the sale of fixed assets		-	671
Capital grant income	2	(221)	(178)
<b>Net cash inflow from operating activities</b>		<b>28,814</b>	<b>2,502</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		-	300
Capital grants receipts	2	221	178
Withdrawal of deposits (at commencement of use of money market funds)	26	39,792	-
Investment income	6	3,952	4,031
Payments made to acquire fixed assets	13	(28,066)	(2,402)
Payments made to acquire intangible assets	12	(2,530)	(1,441)
New non-current asset investments	16	(3,238)	(43)
New deposits		-	(5,065)
		<b>10,131</b>	<b>(4,442)</b>
<b>Cash flows from financing activities</b>			
Interest paid	9	(2,537)	(2,573)
		<b>(2,537)</b>	<b>(2,573)</b>
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>		<b>36,408</b>	<b>(4,513)</b>
Cash and cash equivalents at beginning of the year	26	12,259	16,772
Cash and cash equivalents at end of the year	26	48,667	12,259

# Notes to the Financial Statements

For the year ended 31 July 2017

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>1 Tuition fees and education contracts</b>					
Distance learning students		<b>59,435</b>	<b>59,435</b>	54,199	54,199
Full-time home and EU students		<b>332</b>	<b>332</b>	319	319
Full-time overseas students		<b>251</b>	<b>251</b>	363	363
Part-time students		<b>1,159</b>	<b>1,159</b>	1,339	1,339
		<b>61,177</b>	<b>61,177</b>	56,220	56,220
<b>2 Funding body grants</b>					
<b>Recurrent grant</b>					
Higher Education Funding Council		<b>9,294</b>	<b>9,294</b>	9,207	9,199
Capital grant		<b>221</b>	<b>221</b>	178	178
		<b>9,515</b>	<b>9,515</b>	9,385	9,377
<b>3 Research grants and contracts</b>					
Research councils		<b>1,094</b>	<b>1,094</b>	1,027	1,027
Research charities		<b>475</b>	<b>475</b>	266	266
Government (UK and overseas)		<b>464</b>	<b>464</b>	325	325
Other		<b>62</b>	<b>62</b>	1	1
		<b>2,095</b>	<b>2,095</b>	1,619	1,619
<b>4 Property income</b>					
Residences, catering and conferences		<b>40,766</b>	<b>37,625</b>	27,719	25,666
Estates revenue		<b>4,906</b>	<b>4,906</b>	4,762	4,762
		<b>45,672</b>	<b>42,531</b>	32,481	30,428
<b>5 Other income</b>					
Member institutions: Subscriptions and charges		<b>11,550</b>	<b>11,550</b>	9,541	9,541
Other revenue grants		<b>505</b>	<b>505</b>	533	533
Other income		<b>20,870</b>	<b>14,876</b>	18,989	10,749
Arrangements with HEE		<b>17,636</b>	<b>17,636</b>	17,243	17,243
		<b>50,561</b>	<b>44,567</b>	46,306	38,066
<b>6 Investment income</b>					
Investment income on endowments	24	<b>2,649</b>	<b>2,649</b>	2,644	2,644
Other investment income		<b>1,303</b>	<b>2,564</b>	1,387	4,875
		<b>3,952</b>	<b>5,213</b>	4,031	7,519
<b>7 Donations and endowments</b>					
Donations with restrictions	24, 25	<b>643</b>	<b>643</b>	999	999
Unrestricted donations		<b>417</b>	<b>417</b>	327	327
		<b>1,060</b>	<b>1,060</b>	1,326	1,326

# Notes to the Financial Statements

For the year ended 31 July 2017

## 8 Staff costs

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Staff costs :				
Salaries	<b>48,052</b>	<b>47,474</b>	46,809	44,039
Other staff costs	<b>96</b>	<b>51</b>	685	660
Social security costs	<b>5,126</b>	<b>5,061</b>	4,145	4,097
Movement on USS provision	<b>(2,791)</b>	<b>(2,791)</b>	554	554
Movement on SAUL provision	<b>(419)</b>	<b>(419)</b>	1,196	1,196
Other pension costs	<b>10,623</b>	<b>10,582</b>	9,578	9,533
<b>Total</b>	<b>60,687</b>	<b>59,958</b>	62,967	60,079

The above is analysed as follows:

University and Subsidiaries	<b>44,107</b>	<b>43,378</b>	46,809	43,921
HEE	<b>16,580</b>	<b>16,580</b>	16,158	16,158
<b>Total</b>	<b>60,687</b>	<b>59,958</b>	62,967	60,079

2017  
£

2016  
£

Emoluments of the Vice-Chancellor:

Salary	<b>175,307</b>	173,400
<b>Total</b>	<b>175,307</b>	173,400

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

	2017 No.	2016 No.
£100,000 to £109,999	<b>1</b>	4
£110,000 to £119,999	<b>4</b>	3
£120,000 to £129,999	<b>3</b>	4
£130,000 to £139,999	<b>2</b>	3
£140,000 to £149,999	<b>3</b>	3
£150,000 to £159,999	-	2
£160,000 to £169,999	-	-
£170,000 to £179,999	<b>1</b>	1
£180,000 to £189,999	-	-
£190,000 to £199,999	-	-
£200,000 to £209,999	<b>1</b>	1
£210,000 to £219,999	-	-
£220,000 to £229,999	<b>1</b>	-
<b>Total</b>	<b>16</b>	21

# Notes to the Financial Statements

For the year ended 31 July 2017

## 8 Staff costs continued

	2017 No.	2016 No.
Average full time equivalent staff numbers:		
University and Subsidiary	<b>870</b>	801
HEE	<b>216</b>	277
	<b>1,086</b>	1,078

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 2017 £'000	Year ended 31 July 2016 £'000
Key management personnel compensation	<b>986</b>	966

## 9 Interest and other finance costs

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Loan interest	<b>2,537</b>	<b>2,537</b>	2,573	2,573
Exchange differences	<b>58</b>	<b>58</b>	(93)	(97)
Net charge on pension scheme	23	<b>273</b>	424	424
	<b>2,868</b>	<b>2,868</b>	2,904	2,900

# Notes to the Financial Statements

For the year ended 31 July 2017

## 10 Analysis of total expenditure by activity

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Academic and related expenditure	<b>24,079</b>	<b>24,079</b>	21,509	21,509
University of London International Academy	<b>53,965</b>	<b>53,965</b>	48,666	48,666
Administration and central services	<b>9,172</b>	<b>9,095</b>	12,412	14,809
Premises	<b>15,643</b>	<b>15,643</b>	17,736	17,736
Residences, catering and conferences	<b>29,396</b>	<b>27,838</b>	16,925	15,587
Research grants and contracts	<b>2,013</b>	<b>2,013</b>	1,474	1,474
Other expenses	<b>22,601</b>	<b>16,247</b>	19,089	11,196
Arrangements with HEE	<b>17,636</b>	<b>17,636</b>	17,243	17,243
	<b>174,505</b>	<b>166,516</b>	155,054	148,220

Other operating expenses include:

External auditor's remuneration for auditing the consolidated financial statements	<b>110</b>	59
External auditor's remuneration for other assurance services	<b>24</b>	18
External auditor's remuneration for tax-related services	<b>6</b>	10
External auditor's remuneration for other services	<b>19</b>	60
Operating lease rentals		
Land and buildings	<b>1,773</b>	1,447
Other	<b>132</b>	182
Stock recognised as an expense	<b>396</b>	476

## Analysis of total consolidated expenditure by activity and by nature

	Staff costs 2017 £'000	Other operating expenses 2017 £'000	Depreciation 2017 £'000	Finance costs 2017 £'000	Total expenditure 2017 £'000	Total expenditure 2016 £'000
Academic and related expenditure	<b>13,832</b>	<b>10,007</b>	<b>240</b>	-	<b>24,079</b>	21,509
University of London International Academy	<b>12,787</b>	<b>41,178</b>	-	-	<b>53,965</b>	48,666
Administration and central services	<b>4,039</b>	<b>4,629</b>	<b>51</b>	<b>453</b>	<b>9,172</b>	12,412
Premises	<b>1,242</b>	<b>11,523</b>	<b>2,878</b>	-	<b>15,643</b>	17,736
Residences, catering and conferences	<b>751</b>	<b>24,924</b>	<b>1,306</b>	<b>2,415</b>	<b>29,396</b>	16,925
Research grants and contracts	<b>1,078</b>	<b>935</b>	-	-	<b>2,013</b>	1,474
Other expenses	<b>10,378</b>	<b>11,748</b>	<b>475</b>	-	<b>22,601</b>	19,089
Arrangements with HEE	<b>16,580</b>	<b>1,056</b>	-	-	<b>17,636</b>	17,243
	<b>60,687</b>	<b>106,000</b>	<b>4,950</b>	<b>2,868</b>	<b>174,505</b>	155,054

# Notes to the Financial Statements

For the year ended 31 July 2017

## 11 Taxation

	2017 Consolidated £'000	2016 Consolidated £'000
<b>Recognised in the Statement of Comprehensive Income</b>		
<b>Current tax</b>		
Current tax expense	-	-
Adjustment in respect of previous years	-	-
Research and Development Tax Credits	-	-
<b>Current tax expense</b>	<b>-</b>	<b>-</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>385</b>	(475)
Reduction in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
<b>Deferred tax expense</b>	<b>385</b>	(475)
<b>Total tax expense</b>	<b>385</b>	(475)

## 12 Intangible assets

	Course development £'000	Assets in the course of construction £'000	Website development £'000	Software £'000	Total £'000
<b>University and Consolidated</b>					
Opening balance at 1 August 2016	1,817	-	-	-	<b>1,817</b>
Additions in the year	200	2,057	215	58	<b>2,530</b>
Amortisation charge for the year	(306)	-	-	-	<b>(306)</b>
Closing balance at 31 July 2017	<b>1,711</b>	<b>2,057</b>	<b>215</b>	<b>58</b>	<b>4,041</b>

The amortisation period is five years. Amortisation is included with Other operating expenses in the Consolidated Statement of Comprehensive Income.

# Notes to the Financial Statements

For the year ended 31 July 2017

## 13 Fixed assets

	Freehold land £'000	Freehold buildings £'000	Long leasehold land and buildings £'000	Assets in the course of construction £'000	Plant and equipment £'000	Heritage assets £'000	Total £'000
<b>Consolidated</b>							
<b>Cost or valuation</b>							
At 1 August 2016	143,691	344,426	24,821	2,598	8,652	12,961	537,149
Additions	20,049	-	143	7,642	232	-	28,066
Transfers	-	6,389	1,813	(9,093)	891	-	-
Disposals	-	-	(575)	-	-	-	(575)
Reclassification of property (850)	-	(3,370)	-	-	-	-	(4,220)
<b>At 31 July 2017</b>	<b>162,890</b>	<b>347,445</b>	<b>26,202</b>	<b>1,147</b>	<b>9,775</b>	<b>12,961</b>	<b>560,420</b>
<b>Depreciation</b>							
At 1 August 2016	-	(6,952)	(2,336)	-	(5,077)	-	(14,365)
Charge for the year	-	(3,567)	(474)	-	(909)	-	(4,950)
Disposals	-	-	575	-	-	-	575
Reclassification of property	-	101	-	-	-	-	101
<b>At 31 July 2017</b>	<b>-</b>	<b>(10,418)</b>	<b>(2,235)</b>	<b>-</b>	<b>(5,986)</b>	<b>-</b>	<b>(18,639)</b>
<b>Net book value</b>							
<b>At 31 July 2017</b>	<b>162,890</b>	<b>337,027</b>	<b>23,967</b>	<b>1,147</b>	<b>3,789</b>	<b>12,961</b>	<b>541,781</b>
At 31 July 2016	143,691	337,474	22,485	2,598	3,575	12,961	522,784
<b>University</b>							
<b>Cost and valuation</b>							
At 1 August 2016	143,691	344,426	24,821	2,598	8,309	12,961	536,806
Additions	20,049	-	143	7,642	217	-	28,051
Transfers	-	6,389	1,813	(9,093)	891	-	-
Disposals	-	-	(575)	-	-	-	(575)
Reclassification of property (850)	-	(3,370)	-	-	-	-	(4,220)
<b>At 31 July 2017</b>	<b>162,890</b>	<b>347,445</b>	<b>26,202</b>	<b>1,147</b>	<b>9,417</b>	<b>12,961</b>	<b>560,062</b>
<b>Depreciation</b>							
At 1 August 2016	-	(6,955)	(2,336)	-	(5,075)	-	(14,366)
Charge for the year	-	(3,564)	(474)	-	(757)	-	(4,795)
Disposals	-	-	575	-	-	-	575
Reclassification of property	-	101	-	-	-	-	101
<b>At 31 July 2017</b>	<b>-</b>	<b>(10,418)</b>	<b>(2,235)</b>	<b>-</b>	<b>(5,832)</b>	<b>-</b>	<b>(18,485)</b>
<b>Net book value</b>							
<b>At 31 July 2017</b>	<b>162,890</b>	<b>337,027</b>	<b>23,967</b>	<b>1,147</b>	<b>3,585</b>	<b>12,961</b>	<b>541,577</b>
At 31 July 2016	143,691	337,471	22,485	2,598	3,234	12,961	522,440

# Notes to the Financial Statements

For the year ended 31 July 2017

## 14 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 £2,416,300. 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 [www.senatehouselibrary.ac.uk/our-collections/special-collections/university-londonartworks-collection](http://www.senatehouselibrary.ac.uk/our-collections/special-collections/university-londonartworks-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 [www.senatehouselibrary.ac.uk/our-collections/special-collections](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 culturally significant or rarest, were valued by Dominic Winter during the year ended 31 July 2016. The total value of this collection according to Dominic Winter's valuation is £10,545,000.

No new heritage assets have been purchased or donated in the previous four accounting periods. During the year ended 31 July 2017, a legacy donation of 22 works of art valued at a total of £4,695 was received. This value does not meet the minimum value of the University's capitalisation policy so has not been capitalised. No other assets have been purchased or donated during the year.

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.

## 15 Service concession arrangements

The University has two off Balance Sheet arrangements, one where service delivery has commenced, and one where it has not yet commenced.

### Cartwright Gardens

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 2066.

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.

### Eleanor Rosa House

On 20 December 2016 the University entered into a 53-year contract with a third party provider for the provision and maintenance of Eleanor Rosa House providing accommodation to 511 students.

The halls are expected to be brought into use in October 2019 and the contract will finish on 31 August 2069.

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 2017

## 16 Non-current investments

	Subsidiary companies £'000	Freehold investment properties £'000	Other non-current investments £'000	University investment in Unified Trust Fund £'000	Endowments investment in Unified Trust Fund £'000	Total £'000
<b>Consolidated</b>						
<b>At 1 August 2016</b>		81,565	4,348	10,416	76,225	<b>172,554</b>
Additions	-	-	2,790	-	-	<b>2,790</b>
Property reclassification	-	4,119	-	-	-	<b>4,119</b>
Transfers from cash	-	-	-	-	448	<b>448</b>
Revaluation	-	12,363	-	520	3,825	<b>16,708</b>
<b>At 31 July 2017</b>		<b>98,047</b>	<b>7,138</b>	<b>10,936</b>	<b>80,498</b>	<b>196,619</b>
Short term deposits and cash					3,096	3,096
		<b>98,047</b>	<b>7,138</b>	<b>10,936</b>	<b>83,594</b>	<b>199,715</b>
<b>University</b>						
<b>At 1 August 2016</b>	889	81,565	4,348	10,416	76,225	<b>173,443</b>
Additions	-	-	2,790	-	-	<b>2,790</b>
Property reclassification	-	4,119	-	-	-	<b>4,119</b>
Transfers from cash	-	-	-	-	448	<b>448</b>
Revaluation	-	12,363	-	520	3,825	<b>16,708</b>
Subsidiaries' net assets movement	(500)	-	-	-	-	<b>(500)</b>
<b>At 31 July 2017</b>	<b>389</b>	<b>98,047</b>	<b>7,138</b>	<b>10,936</b>	<b>80,498</b>	<b>197,008</b>
Short term deposits and cash				-	3,096	3,096
	<b>389</b>	<b>98,047</b>	<b>7,138</b>	<b>10,936</b>	<b>83,594</b>	<b>200,104</b>

The opening balance at 1 August 2016 was increased by short term deposits and cash of £4,071,000 to a total consolidated balance of £176,625,000 and a total University balance of £177,514,000.

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 loan	4,251
UPP Duncan House (Holdings) Limited share capital and premium	157
UPP Duncan House (Holdings) Limited loan	2,519
	<b>7,138</b>

# Notes to the Financial Statements

For the year ended 31 July 2017

## 16 Non-current investments *continued*

### Investment in subsidiary companies at net asset value

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 company number is 03214601. The principal activity of the company is the provision of operational services to the University of London and third parties. At 31 July 2017 Senate House Services Limited had net liabilities of £287,000 and accordingly, in the Balance Sheet of the University at this date, the value of investments, including the subsidiary, is decreased by this amount.

CoSector Limited is a company registered in England and Wales and has an issued share capital of 6,001 £1 ordinary shares, with the University of London as its sole shareholder. The company number is 09589872. The principal activity of the company during the year was the provision of operational services to the University of London and third parties. At 31 July 2017 CoSector Limited had net assets of £668,000 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 Wales and has an issued share capital of one £1 ordinary share, with the University of London as its sole shareholder. The company number is 10236705. The company was incorporated on 16 June 2016 and was dormant until 1 August 2016. The principal activity of the company is the provision of operational services to third parties. At 31 July 2017 Senate House Services One Limited had net assets of £Nil so has no impact on the value of investments in the Balance Sheet of the University.

Senate House Worldwide Limited is a company registered in England and Wales and has an issued share capital of one £1 ordinary share, with the University of London as its sole shareholder. The company number is 10756718. The company was incorporated on 5 May 2017. The principal activity of the company is the provision of operational services to the University of London. At 31 July 2017 Senate House Worldwide Limited had net assets of £8,000 and accordingly, in the Balance Sheet of the University at this date, the value of investments, including the subsidiary, is increased by this amount.

Prosum Shared Services Limited is a company registered in England and Wales and has an issued share capital of one ordinary £1 share, with the University of London as its sole shareholder. The company number is 07960364. The company has not traded in the year.

### Investment properties

The investment properties (all freehold) were valued at 31 July 2017 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 2017

## 17 Stock

	At 31 July 2017		At 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Finished goods	<b>631</b>	<b>631</b>	1,133	1,133
	<b>631</b>	<b>631</b>	1,133	1,133

## 18 Trade and other receivables

	At 31 July 2017		At 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Research grants receivables	<b>210</b>	<b>210</b>	185	185
Other trade receivables	<b>8,122</b>	<b>6,232</b>	7,082	5,759
Other receivables	<b>1,026</b>	<b>1,026</b>	900	462
Prepayments and accrued income	<b>9,213</b>	<b>8,537</b>	6,261	5,274
Amounts due from subsidiary companies	-	<b>5,048</b>	-	2,467
	<b>18,571</b>	<b>21,053</b>	14,428	14,147

## 19 Current investments

	At 31 July 2017		At 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Short term deposits	-	-	39,792	39,792
	-	-	39,792	39,792

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.

During the year ending 31 July 2017, funds maturing from fixed term deposits were not redeposited. The University now has cash deposited at two different Money Market Funds which, due to their nature as highly liquid investments readily convertible to cash, are classified as cash equivalents.

# Notes to the Financial Statements

For the year ended 31 July 2017

## 20 Creditors: amounts falling due within one year

	At 31 July 2017		At 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Trade payables	<b>1,309</b>	<b>1,292</b>	1,470	1,366
Social security and other taxation payable	<b>885</b>	<b>804</b>	1,918	1,389
Accruals and deferred income	<b>31,747</b>	<b>31,104</b>	28,469	26,663
Other payables	<b>2,659</b>	<b>2,561</b>	3,443	3,350
Bank loans repayable within one year	<b>263</b>	<b>263</b>	-	-
Amounts due to subsidiary companies	-	<b>944</b>	-	614
	<b>36,863</b>	<b>36,968</b>	35,300	33,382

### 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.

	At 31 July 2017		At 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Grant income	<b>686</b>	<b>686</b>	211	211
	<b>686</b>	<b>686</b>	211	211

# Notes to the Financial Statements

For the year ended 31 July 2017

## 21 Creditors: amounts falling due after more than one year

	At 31 July 2017		At 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Deferred income	<b>67,003</b>	<b>67,003</b>	36,647	36,647
Unsecured loans	<b>49,987</b>	<b>49,987</b>	50,250	50,250
	<b>116,990</b>	<b>116,990</b>	86,897	86,897
Analysis of unsecured loans:				
<b>Due within one year or on demand (Note 20)</b>	<b>263</b>	<b>263</b>	-	-
Due between one and two years	533	533	263	263
Due between two and five years	1,948	1,948	1,898	1,898
Due in five years or more	47,506	47,506	48,089	48,089
<b>Due after more than one year</b>	<b>49,987</b>	<b>49,987</b>	50,250	50,250
<b>Total unsecured loans</b>	<b>50,250</b>	<b>50,250</b>	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.

	At 31 July 2017		At 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Analysis of deferred income:				
Service concessions deferred income to be released within one year	1,365	1,365	748	748
Other deferred income to be released within one year	10,564	10,140	9,255	7,984
<b>Included within Accruals and Deferred income in note 20)</b>	<b>11,929</b>	<b>11,505</b>	10,003	8,732
Service concessions deferred income to be released between one and two years	1,365	1,365	748	748
Service concessions deferred income to be released between two and five years	4,095	4,095	2,244	2,244
Service concessions deferred income to be released in five years or more	61,543	61,543	33,655	33,655
<b>To be released after more than one year</b>	<b>67,003</b>	<b>67,003</b>	36,647	36,647
<b>Total deferred income</b>	<b>78,932</b>	<b>78,508</b>	46,650	45,379

Included in service concessions deferred income is the following transaction:

On 20 December 2016 the University entered into a 53-year partnership with University Partnership Programme (UPP) to build a new Halls of Residence in Stratford. The University granted a 53-year head lease to UPP in return for a cash premium received during the year.

This transaction is reflected in this year's financial statements in the following places:

	During the year to 31 July 2017 University and Consolidated £'000
Purchase of freehold land	20,049
Other investments addition	2,676
Cash at bank	9,355
Released to the CSCI	(360)
Deferred income recognised (released over the 53-year life of the arrangement)	<b>31,720</b>

# Notes to the Financial Statements

For the year ended 31 July 2017

## 22 Provisions for liabilities

### Consolidated

	Obligation to fund deficit on USS pension £'000	Obligation to fund deficit on SAUL pension £'000	Total pensions provisions £'0000
At 1 August 2016	14,868	1,196	<b>16,064</b>
Movements in 2016–17	(2,530)	(408)	<b>(2,938)</b>
<b>At 31 July 2017</b>	<b>12,338</b>	<b>788</b>	<b>13,126</b>

### University

	Obligation to fund deficit on USS pension £'000	Obligation to fund deficit on SAUL pension £'000	Total pensions provisions £'000
At 1 August 2016	14,868	1,196	<b>16,064</b>
Movements in 2016–17	(2,530)	(408)	<b>(2,938)</b>
<b>At 31 July 2017</b>	<b>12,338</b>	<b>788</b>	<b>13,126</b>

### USS deficit

The obligation to fund the past deficit on the Universities 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.

### 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.

### Deferred tax

Deferred Taxation arises from the additional capital allowances available in assessing corporation tax liability to the depreciation rates used by the business.

# Notes to the Financial Statements

For the year ended 31 July 2017

## 23 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.

The charge to the Consolidated Statement of Comprehensive Income is analysed as follows:

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
USS	6,966	6,296
SAUL	3,185	2,778
NHSPS	455	459
Other pension schemes	17	45
	<b>10,623</b>	<b>9,578</b>

### (i) The Universities Superannuation Scheme

The total cost charged to the profit and loss account is £6,966,000 (2016: £6,296,000).

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. The valuation as at 31 March 2017 is underway.

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:

	2017	2016
Discount rate	2.57%	3.6%
Pensionable salary growth	N/A	N/A
Pension increases (CPI)	2.41%	2.2%

# Notes to the Financial Statements

For the year ended 31 July 2017

## 23 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:

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29	28.8

	2017	2016
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

### (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 £3,185,000 (2016: £2,778,000).

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.

### Most recent valuations of the Scheme available year ended

	2017	2016
Scheme assets	£2,489m	£2,371m
Total scheme liabilities	£2,692m	£2,562m
FRS 102 total scheme deficit	£203m	£191m
FRS 102 total funding level	92%	93%

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.



# Notes to the Financial Statements

For the year ended 31 July 2017

## 23 Pension schemes *continued*

### 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.

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 (NHSS) is an unfunded defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the University to identify its share of the underlying scheme assets and liabilities. The University therefore accounts for its pension costs in respect of the scheme on a defined contribution basis, as permitted by FRS 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.

# Notes to the Financial Statements

For the year ended 31 July 2017

## 24 Endowment reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Expendable endowments £'000	2017 Total £'000	2016 Total £'000
<b>Balances at 1 August 2016</b>				
Capital	65,349	10,876	<b>76,225</b>	69,024
Accumulated income	2,931	749	<b>3,680</b>	5,450
	68,280	11,625	<b>79,905</b>	74,474
Donations	12	168	<b>180</b>	353
Project income	-	887	<b>887</b>	-
Investment income	2,268	381	<b>2,649</b>	2,644
Expenditure	(2,489)	(1,363)	<b>(3,852)</b>	(3,400)
Increase in market value of investments	3,277	548	<b>3,825</b>	5,834
<b>Total endowment comprehensive income for the year</b>	3,068	621	<b>3,689</b>	5,431
<b>At 31 July 2017</b>	71,348	12,246	<b>83,594</b>	79,905
Transfers from accumulated income to capital in the year	420	28	<b>448</b>	1,367
<b>Represented by:</b>				
Capital	69,046	11,452	80,498	76,225
Accumulated income	2,302	794	3,096	3,680
	71,348	12,246	<b>83,594</b>	79,905

# Notes to the Financial Statements

For the year ended 31 July 2017

## 24 Endowment reserves continued

### Connected Institutions

	Note	Number of Trusts	Opening Fund Balance £'000	Income £'000	Capital Appreciation £'000	Expenditure £'000	Closing Fund Balance £'000
<b>Individual Charities</b>							
Scholarship Studentship Fund	a		7,050	238	343	(216)	7,415
Research Fund			4,929	167	242	(129)	5,209
Prize Fund			545	18	28	(17)	574
Concovation Trust	b		3,102	121	144	(130)	3,237
Chadburn Lectureship	c		11,031	379	542	(104)	11,848
Teachers of Anatomy Trust	d		50	1,033	-	(888)	195
Maplethorpe Trust	e		6,008	202	290	(320)	6,180
Perren Fund	f		3,643	122	174	(119)	3,820
Frost Chair	g		3,281	102	141	(447)	3,077
<b>Summarised Charities</b>							
Research Support		80	32,108	1,058	1,533	(1,169)	33,530
Bursary/Scholarship		18	5,958	200	287	(186)	6,259
General central University support		14	309	11	8	(77)	251
Prize funds		9	1,891	65	93	(50)	1,999
			79,905	3,716	3,825	(3,852)	83,594

	At 31 July 2017 £'000	At 31 July 2016 £'000
Analysis by asset		
Current and non-current asset investments	80,498	76,225
Cash & cash equivalents	3,096	3,680
	<b>83,594</b>	<b>79,905</b>

# Notes to the Financial Statements

For the year ended 31 July 2017

## 24 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 member institutions of the University of London for three purposes: to award prizes, to undertake research, to provide studentships.

### b Convocation Trust

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 Trust

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 Trust

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

### f Perren Fund

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 University income and expenditure. The designated reserves of the Warburg Institute are included within University reserves.

### i ULBC Trust Limited

ULBC Trust Limited is a charitable company limited by guarantee set up in January 2009 to advance education at the University of London by supporting and encouraging the University of London boat club and the rowing clubs of member institutions. The company had been treated as an exempt charity under paragraph 28 of the Charities Act 2011 but, following a review by the University, the charity trustees of ULBC Trust Limited decided to register the charity with the Charity Commission for England and Wales. The registration took effect on 17 September 2017. The financial results, details of which are available via Companies House, have not been consolidated into the University results.

# Notes to the Financial Statements

For the year ended 31 July 2017

## 25 Restricted reserves

Reserves with restrictions are as follows:

	Unspent capital grant £'000	Donations £'000	2017 Total £'000	2016 Total £'000
<b>Balances at 1 August</b>	-	223	<b>223</b>	191
New donations	221	242	<b>463</b>	646
Expenditure	(221)	(172)	<b>(393)</b>	(614)
<b>Total restricted comprehensive income for the year</b>	-	70	<b>70</b>	32
<b>At 31 July</b>	-	293	<b>293</b>	223
			2017 Total £'000	2016 Total £'000

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

Scholarships and bursaries	<b>1</b>	11
Research support	<b>118</b>	92
General	<b>174</b>	120
	<b>293</b>	223

## 26 Cash and cash equivalents

	At 1 August 2016 £'000	Cash flows £'000	At 31 July 2017 £'000
<b>Consolidated</b>			
Cash and cash equivalents	12,259	36,408	48,667
	<b>12,259</b>	<b>36,408</b>	<b>48,667</b>
<b>Analysis of changes in net funds</b>	At 1 August 2016 £'000	Cash flows £'000	At 31 July 2017 £'000
<b>Consolidated</b>			
Cash and cash equivalents	12,259	36,408	48,667
Endowment assets - short term deposits and cash	3,680	(584)	3,096
Other investments - short term deposits and cash	391	(391)	-
	<b>16,330</b>	<b>35,433</b>	<b>51,763</b>
Current asset investments	39,792	(39,792)	-
Debt due after one year	(50,250)	263	(49,987)
	<b>5,872</b>	<b>(4,096)</b>	<b>1,776</b>

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

During the year, the University moved from using time deposits at financial institutions to using money market funds. This has driven the elimination of short term deposits and the significant increase in cash and cash equivalents during the year.

Due to some of the consolidated cash and cash equivalents balance being held by subsidiaries, the University-only figures are lower than the consolidated figures, £2,182,000 lower at 1 August 2016, and £2,562,000 lower at 31 July 2017.

# Notes to the Financial Statements

For the year ended 31 July 2017

## 27 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2017:

	At 31 July 2017		At 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	<b>689</b>	<b>689</b>	1,413	1,413
	<b>689</b>	<b>689</b>	1,413	1,413

## 28 Lease obligations

Total rentals payable and receivable under operating and finance leases:

				Year ended	Year ended
	Land and Buildings finance lease £'000	Land and Buildings operating lease £'000	Other operating leases £'000	31 July 2017 Total £'000	31 July 2016 Total £'000
<b>Payable during the year</b>	<b>1</b>	<b>1,773</b>	<b>132</b>	<b>1,906</b>	1,629
<b>Future minimum lease payments due:</b>					
Not later than 1 year	1	1,825	146	<b>1,972</b>	1,387
Later than 1 year and not later than 5 years	3	152	104	<b>259</b>	220
Later than 5 years	16	-	-	<b>16</b>	16
<b>Total lease payments due</b>	<b>20</b>	<b>1,977</b>	<b>250</b>	<b>2,247</b>	1,623
<b>Future minimum lease receipts due:</b>					
Not later than 1 year	10	1,151	-	<b>1,161</b>	1,355
Later than 1 year and not later than 5 years	40	2,977	-	<b>3,017</b>	3,833
Later than 5 years	832	1,562	-	<b>2,394</b>	2,622
<b>Total lease receipts due</b>	<b>882</b>	<b>5,690</b>	-	<b>6,572</b>	7,810

## 29 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 20-21) sets out in more detail the relationship between the University and the member institutions. 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. Three Trustees received a total of £3,420 (2015-16: 5 Trustees £10,080) representing the reimbursement of travel and subsistence expenses incurred in attending Board of Trustees and Committee meetings and events in their official capacity.

# Notes to the Financial Statements

For the year ended 31 July 2017

## 30 Accounting estimates and judgements

### Estimates

#### 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.

### 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.

#### 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.

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