
FINANCIAL

2014-15

STATEMENTS



UNIVERSITY
OF LONDON

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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 17 autonomous member institutions of outstanding reputation together with a number of prestigious academic bodies based at Senate House. Together with the central professional services, the central University strives to deliver highly effective, value-added services to the Colleges and to enhance academic excellence, while at the same time ensuring the financial sustainability of all its operations. These serve and support both the interests of the member institutions and the broader achievements of UK higher education.

Overview

As has been the case throughout the 179 years of our existence, the University of London is undergoing significant change. To ensure that we realise our ambitions and meet the needs of our stakeholders across the world, we are creating innovative solutions and making a series of key investments to respond to the changing needs of students, support our academic mission and manage our extensive property portfolio.

The University Strategy 2014-19 is one of investment and growth, and so the 2014/15 financial year, as the first year of that strategy, sees the start of the series of investments implicit to its delivery. The investments are across all areas of the University: in our academic mission, growing the future of our services, development of our estate and provision of leading student accommodation. Thus, the University surplus is consequently reduced from that seen in the recent years, and at £1.12 million represents 0.8 per cent of turnover.

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

University Strategy 2014–19

The University Strategy is 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.

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

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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 members and the education sector, with the aim to be the “go to” provider of student and academic support services

- **Aim 3: property that is valued and relevant**
Create a vibrant academic hub, through a property portfolio which balances the needs of the University’s members with maximising income opportunities
- **Aim 4: manage a high-performing organisation**
Increase our investment in staff development, encourage a common purpose across our diverse activities and enhance our capacity where gaps exist, in order to deliver our plans

In order to measure progress against the Strategy, the University produces an annual Operating Plan. The Operating Plan, which is updated each year, reviews performance and progress against the strategic objectives over a shorter, one or two year, time horizon. There has been progress in all areas of the University across each aim against the delivery of the strategy.

Our Activities

It has been an exciting year for the University. City University’s accession to become a member institution of the University was agreed by the Board of Trustees in July 2015, and will take effect in August 2016. City’s distinctive academic profile, its commitment to practice-based research and its deep interconnectedness with the City of London will bring a new element to the University.

2014/15 was the first year in office for the new Chair of the Board of Trustees, Sir Richard Dearlove. Sir Richard was the Master of Pembroke College, Cambridge until summer 2015. There have been a number of other changes with two long-serving Trustees stepping down this year, Edward Hartill (a member of the Board since it was created in 2008) and David Beever (Trustee and Chair of the Investments Committee since 2010). Edward will remain a member of the Estates Sub-Group, now chaired by one of this year’s new appointments, Philip Clark. The other new member of the Board is Malcolm Roberts, who has taken on chairing the University’s Investments Committee.

Aim 1: deliver academic excellence

School of Advanced Study

The School of Advanced Study (SAS) made significant progress in 2014/15 in solidifying its position as the UK's only national centre for the support and facilitation of research in the humanities. SAS began a large and complex recruitment campaign during the year, welcoming a number of new Directors to the Institutes: Professors Greg Woolf (Classical Studies), Catherine Davies (Modern Languages Research), Lawrence Goldman (Historical Research), Rick Rylance (English Studies) and David Freedberg (Warburg).

The School of Advanced Study made significant progress in solidifying its position as the UK's only national centre for the support and facilitation of research in the humanities.

SAS continued to build and emphasise inter-disciplinarity and during the year established a centre for Postcolonial Studies under the directorship of Professor Andrew Hussey. Additionally it hosted the Human Mind Project, the Human Rights Consortium and ran a successful Being Human festival with more than 300 separate events held in partnership with about 70 other universities in more than 30 cities and towns across the UK. A second Being Human festival was held in November 2015.

In 2014/15 tuition fee income decreased from £54.4 million to £54.1 million in 2013/14 but research grants and contracts increased from £1.8 million in 2013/14 to £1.9 million in 2014/15. In conjunction with the University of London International Academy, the School ran the first distance learning programme on Refugee Law. The first year has been an enormous success with plans for future courses in the pipeline.

The long-running organisational and legal disputes between the University and a group acting for the Warburg Institute came to an end this year with an amicable arrangement. This agreement resolved the future funding and standing of the Warburg as a member of the School of Advanced Study, confirmed its physical location within the University and set in place a management agreement within which its work can flourish. New Director of the Institute, Professor David Freedberg brings fresh leadership and a vision for the future.

There were also challenges as SAS operates in a challenging funding environment with an uncertain outlook for HEFCE funding going forward. SAS is actively engaged in trying to diversify its income streams and make the most of the University's investment in academic staff. SAS has maintained its student numbers.

Senate House Library

During the course of 2014/15, the newly appointed Librarian, Jackie Marfleet, undertook a review of operations within the Library and recruited a new management team which is now in place. The University has implemented an amended funding model with its member institutions, which better reflects library usage. However, as part of the financial strategy of the Library, the University will look to further evolve the funding model.

During the year Senate House Library received 165,000 visits from 40,000 registered users, as well as nearly four million visits to its online catalogue and website.

Senate House Library's engagement numbers remain exceptionally strong.

During the year, the Senate House Library's engagement numbers remain exceptionally strong as staff continue with their exemplary work in supporting those who use the Library's resources. We received 165,000 visits from 40,000 registered users, as well as nearly four million visits to the online Library catalogue and website.

Research usage of Senate House Library has increased and a highlight was the extremely successful LIBER (European Research Libraries) conference, which the Library jointly organised and hosted in partnership with the libraries of Imperial College, University College London and the London School of Economics.

International Academy

International Programmes is the University's largest academic activity in terms of student numbers, operating as a collaboration between the Colleges of the University and the University of London International Academy. International Programmes provides distance and flexible learning programmes at undergraduate and postgraduate level. It currently has 52,000 continuing students in total across approximately 180 countries. During the year, the number of students declined from 54,000 in 2013/14 though revenues were broadly similar at £54.1 million (2013/14: £54.4 million). The University is continuing to invest in developing new and existing programmes and infrastructure, working with Colleges to ensure the International Academy maintains its position as a world-leading institution in this area.

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During 2014/15, the University has been working with Colleges on a number of significant new programme projects and opportunities. These are intended to ensure the International Academy continues to respond to competitive demands, meeting its academic mission and maintaining its financial performance for the future.

The University is continuing to invest in developing new and existing programmes and infrastructure, working with Colleges to ensure the International Academy maintains its position as a world-leading institution in this area.

To support and develop the student experience through the International Programmes, further improvements have been made to student administration systems and processes during the year. The organisation structure has been optimised to enable staff to work more effectively together to help deliver the strategic plan and develop both existing and new programmes and markets. Currently most International Programmes students continue to be concentrated in Asia Pacific, the Indian subcontinent and in West Europe, many of whom study with independent teaching institutions at undergraduate level. The MOOCs programme, delivered through the Coursera online platform, continues to grow from four courses in 2012/13 to eleven in 2014/15.

International Programmes will continue to take forward innovative development opportunities working with the Colleges of the University and partnerships with organisations such as professional bodies with global reach. Future success for the International Academy will continue to be achieved by enabling students to work flexibly towards degree programmes which create opportunities for both themselves and their communities.

University of London Institute in Paris

There were also changes at the University of London Institute in Paris (ULIP). On the academic side, a popular history minor for the French Studies major has been introduced and a renewed educational partnership with Queen Mary University of London is working on future programmes and the research strategy. ULIP also continues to develop a research environment with a specialisation in expression in migrant communities.

Despite a shrinking pool of students as interest in modern languages wanes, applications and student numbers have remained steady.

ULIP also continues to develop a research environment with a specialisation in expression in migrant communities.

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

Shared Services

During 2014/15 the University has amalgamated its three shared service departments together in one new department. As one of the key aims within the University Strategy we will continue to develop and invest in our Shared Services in the coming years.

Housing Services

In only the second full year of operating a student homes portfolio, the Housing services department let out 158 bed-spaces in student homes during the 2014/15 year, and grew the portfolio to 221 student homes by September 2015. For private housing, four new external customer institutions were recruited.

Throughout 2014/15 there have been 11,500 student registrations for our private accommodation database and circa 750 student advice cases. 59 housing events have been staged, the highest ever number, with circa 2,000 students attending the May Housing Fair.

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A number of new potential products and services have been identified for 2015/16 and beyond that can enhance our offer to HE partners whilst providing additional revenue streams to support the development of our existing services and ensure there is scope for innovation.

The Careers Group

It has been a busy year for The Careers Group (TCG). TCG Events welcomed an increase in traffic with 9,000 visitors and 400 exhibitors to the six events which span graduate recruitment, postgraduate study and undergraduate study. JobOnline, UK's largest student and graduate job board which is run by TCG, advertised 30,412 jobs which all met national minimum wage requirements. It was the largest ever year for TCG's University Taster Courses with over 200 courses being offered and over 10,000 students attended those courses.

TCG events welcomed an increased traffic with 9,000 visitors and 400 exhibitors to its events.

The Careers Group won the Association of Graduate Careers Advisory Services Award for Technology for the "Enhance Your Career and Employability" MOOC on Coursera, a huge collaborative achievement across Colleges and Central Services. TCG's Destinations of Leavers from Higher Education (DLHE) collection team had a huge opportunity and a challenge when being awarded the framework to deliver DLHE collection for 126 FE institutions across England and Wales by HESA.

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University of London Computer Centre (ULCC)

The year has seen a number of developments as ULCC have moved the University's email to the cloud using Microsoft's Office 365 service, and substantially completed the implementation of a new network for the data centre; the nerve centre of all of the IT operations. The upgrade of the wi-fi network in the University Halls has been completed.

In 2014/15 ULCC started to provide a range of new services such as the establishment of a partnership to develop a learning analytics service, which will identify students that are struggling or at risk of dropping out.

The year has seen a number of developments to future-proof the University's IT systems.

Initially set up for the International Academy, the service will be rolled out in due course to other institutions. Additionally ULCC have started to provide a managed service for the finance system for a major global partnership (CGIAR), addressing agricultural research for development. Besides these new services, the current research services provided grew further, providing a publication repository for over 30 institutions, and a number of data repositories and archiving services.

Aim 3: property that is valued and relevant

Property and Facility Management

The University is a significant provider of student residential services with its main focus on meeting the needs of the students of its Colleges. 2014/15 saw a 99 per cent average term time occupancy level (aside from Lillian Penson Hall, where repairs haven't been financially viable given the building's lifespan).

A student survey showed that there has been a significant improvement in overall satisfaction levels, moving from 68 per cent in 2014 to 76 per cent in 2015. The department is also assisting certain smaller Colleges, such as the Courtauld Institute of Art, by marketing and managing bookings of their accommodation.

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The redevelopment of the Garden Halls at Cartwright Gardens started in July 2014 and is on schedule to be completed on time by September 2016. With the Cartwright Gardens halls providing approximately one third of our total halls of residence capacity this redevelopment represents a sizable project for the University and will give a significant modernisation to our residence provision. We regard the expansion of our halls as offering an important growth opportunity, because residential accommodation is of such importance to present and future students.

The Cartwright Gardens halls redevelopment will give a significant modernisation to the University's residence provision.

The conference operation remained busy. During 2014/15, 2,204 external room bookings and 2,275 internal room bookings were hosted. In the course of the year the University gardens have made a significant contribution to University and local life by hosting events such as the Whole Earth Project exhibition, which helped to raise £250,000 for the National Literacy Book Bench project. Other events included the SOAS Ramadan Tent event and UCL's public archaeology day, as well as many more college and student organised events.

Throughout the year we have provided a more efficient service to our tenants by improving how cleaning and support services have been provided. Enhanced security systems have created a safer environment in the Institute of Advanced Legal Studies, the Warburg Institute and in Senate House. This has been supported by the collaboration with the Metropolitan Police Safer Neighbourhood Team, through which cycle thefts have been reduced and personal safety across the University precinct has increased.

Sustainability continues to be a large focus of the University. Carbon emissions have been cut by 31 per cent against the 2010 base-line. The biggest reduction in emissions was a result from the closure of the Garden Halls (approx. 1,700 tonnes CO₂) but even excluding this effect, there would still be a Carbon emission cut of 24 per cent compared to 2010, 4 per cent ahead of our target for the year.

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Student Central

Student Central, on Malet Street, commenced trading in August 2014 after taking over many of the activities formerly of the University of London Union (ULU). It provides student services, the University of London clubs and societies, fitness opportunities and social outlets. In this first year, record numbers joining clubs and societies have been recorded and there was an ever increasing demand for the variety of courses we provide to members. The Venue revamp has been well received by customers and representatives from the wider entertainment industry.

Record numbers joining clubs and societies have been recorded and there was an ever increasing demand for courses Student Central provides to members.

Aim 4: manage a high-performing organisation

The University continues to undertake development of our support services and of our staff. An all staff survey ran by the Human Resources department in October 2014 had a response rate of 76 per cent and an overall engagement score of 62 per cent, which compares well with the sector as a whole. HR also established an in-house centre of expertise on equality and diversity.

A new Department of Information Communications Technology was established in July 2015 with a remit to provide University wide ICT governance and strategy. With the replacement of the ageing network core infrastructure the ICT and ULCC teams have begun to future-proof UoL's Data Centre network for years to come.

Financial Strategy

The University Strategy 2014-19 is founded on the sustainability of its financial position underpinned by robust financial management. As with any organisation, it is vital to refresh the University in order to make it fit for the future. Investment will be in people and operational projects as well as on the estate and other capital projects. In order to meet the ambitions of the Strategy, the University will need to deliver an operating surplus of circa 5 per cent of turnover on an ongoing basis in order to generate the investment funds required.

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

For many years the University's business model did not generate this level of surplus. Although reflecting the recent development of the University, the financial performance had by 2013/14 improved to generate a surplus of £7.4 million. This importantly enabled the University to embark on the current strategy from a solid financial position and to undertake the required investment programme with confidence.

The first phase of this investment commenced in the 2014/15 financial year. In particular there is an increase in financial investment; in the academic capacity in the School of Advanced Study (SAS), in the development of our academic and professional services, the redevelopment of the Cartwright Gardens halls of residence, and the addition of Student Central on Malet Street. These investments are the primary reason for the reduction in the operating surplus this year compared to the 2013/14 year. Further, the University plans to increase the level of investment in the coming financial year with the benefits and associated financial returns expected to be seen towards the end of the planning period so that the University then moves back towards the target surplus level.

Scope of the Financial Statements

The Financial Statements comprise the consolidated results of the University and its trading subsidiary, Senate House Services Limited, which undertakes activities that, for legal or commercial reasons, are

more appropriately channelled through a limited company. The subsidiary donates all its profits to the University.

Financial Highlights

	£M 2014/15	£M 2013/14	£M 2012/13	£M 2011/12	£M 2010/11
Income	144.3	151.0	145.5	141.5	145.8
Expenditure	(142.6)	(143.6)	(140.6)	(137.0)	(141.7)
Operating surplus for the year	1.6*	7.4	4.9	4.6*	4.1
(Loss)/Surplus on disposal of assets	(0.1)	(0.1)	1.9	2.3	0.2
Surplus after disposal of assets	1.6	7.3	6.9	6.9	4.3
Additional key financial figures					
Operating surplus as percentage of income	1.13%	4.90%	3.40%	3.20%	2.80%
Cash generated from operating activities	1.9	12.6	7.5	16.3	9.0
Capital expenditure	7.6	32.9	5.5	6.0	6.7
Cash balance (including endowment cash and near cash equivalents)	55.3	59.7	50.1	44.4	29.9
Net Funds/(Debt) balance	5.0	9.4	(10.1)	(10.1)	(30.5)

*Figures do not cast due to rounding differences. All figures agree to the primary statements.

The results for the 2014/15 year reflect the increased investment undertaken by the University as part of the first phase of the University Strategy 2014-19.

The key highlights for the 2014/15 financial year are:

- Income reduced by 4.5 per cent to £144.3 million.
- Expenditure decreased by 0.6 per cent to £142.6 million
- Operating surplus was £1.6 million, reducing from £7.4 million in 2013/14.
- The retained surplus, after asset disposals and transfers to/from accumulated income within endowments was £1.1 million, compared to £8.0 million last year
- Cash (and Cash and current asset investments) reduced by £5.0 million in the year to £51.5 million
- Net cash reduced by £4.5 million to a net cash position of £5.0 million over the course of the year
- Capital investment in the year totalled £7.6 million

The improved financial performance of recent years has allowed the University to undertake the investment programme with confidence. The investment is across most areas of the University and underpins the four strategic aims. Within SAS, there has been a large and complex recruitment campaign of new Institute Directors and senior academic staff. In the International Academy there has been investment in new programmes with the new Masters in Professional Accounting, launched in conjunction with the Association of Chartered Certified Accountants (ACCA), accepting its first students in January 2016. There has been investment in our Services businesses, particularly in their capability and capacity as we look to grow in future years. There has been a number of projects within Estates, but the most significant are the redevelopment of the Cartwright Gardens halls of residence and taking on Student Central. Having closed the Cartwright Gardens halls in July 2014, the University is now undertaking a two-year rebuild programme in partnership with the University Partnership Programme (UPP). The University expects the halls to be reopened in September 2016.

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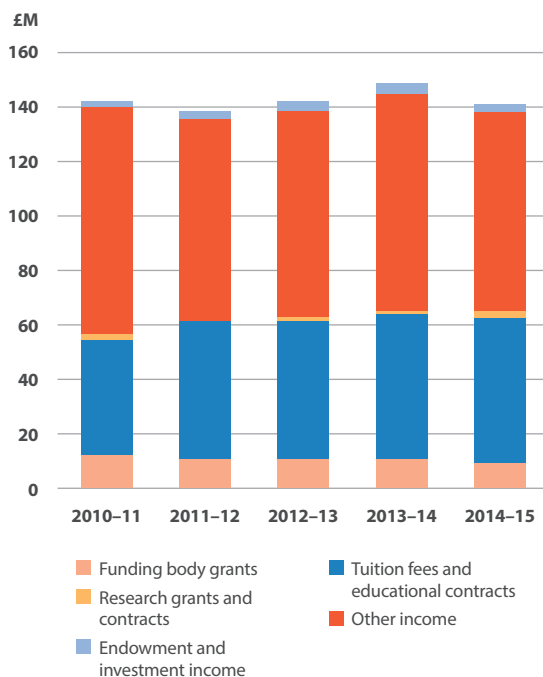
However, the confidence within the University to undertake these planned investments needs to be viewed against the uncertainty surrounding the future funding background for the Higher Education sector in the UK and the likelihood of potential funding cuts. Whilst direct HEFCE funding represents a smaller proportion of revenue for the University compared most other UK HE institutions, it still represents a crucial source of revenue particularly in relation to the School of Advanced Study.

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

Income

Total income for the year fell by 4.5 per cent compared to the prior year to £144.3 million.

Analysis of Income



The main highlights are:

- Funding body grants, primarily from the Higher Education Funding Council for England (HEFCE) were £9.4 million, down from £10.5 million in the prior year.
- Tuition fees and education contracts, which represent the University’s largest source of income, are broadly unchanged from the prior year at £54.1 million. The largest element relates to the University’s International Programmes where income grew despite a small reduction in student numbers from circa 54,000 in 2013/14 to circa 52,000 in 2014/15.
- Research grants and contracts income increased by £0.1 million to £1.9 million.
- Other income has decreased from £80.8 million in the prior year to £74.9 million. There are a number of components:
 - Income from College subscriptions and charges (for services provided to the Colleges by the University) increased by £0.6 million from the prior year to £9.0 million. This represents the increase in the volume of services provided by the University.

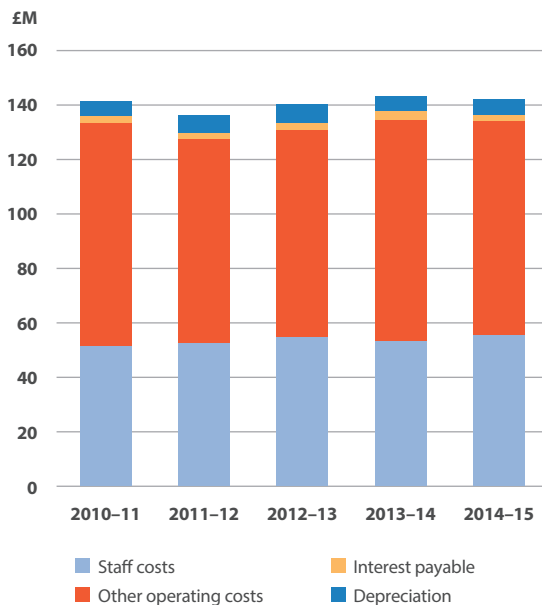
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- The income generated from the University's Residences and Catering operation which includes the intercollegiate student halls of residence has fallen from £31.2 million to £25.4 million. The reduction is wholly due to the closure for redevelopment of the Cartwright Gardens halls of residence in July 2014.
- Estates income has risen to £3.9 million from £3.8 million in the prior year.
- Other General Income, which includes income generated from services provided to education establishments outside of the Colleges of the University has increased to £19.4 million from £17.5 million last year, principally due to the new income from Student Central.
- Income in relation to the secondment of staff and provision of accommodation and other services to the Deanery has reduced by 10.6 per cent to £16.8 million.
- Donations totalling £0.3 million were received in the year, compared to £1.2 million in the prior year
- Endowment and investment income totalled £3.8 million up from £3.5 million received in the previous year.

Expenditure

Analysis of Expenditure



Total expenditure decreased by 0.6 per cent compared to the prior year.

Due to the nature and mix of activities of the University of London compared to the more typical university, staff costs are not the largest component of expenditure and comprise 38.6 per cent of the total costs. Staff costs have increased over the year by £1.9 million to £55.1 million. Average staff numbers increased to 746 by the end of the year (1,077 if the NHS England Deanery is included).

Other operating expenditure has decreased by 3.6 per cent to £78.7 million. This comprises the costs, other than staff costs, in relation to the academic activities, residences and catering, services and other activities across the University.

Capital Expenditure

The University has continued to invest in improving and upgrading its teaching and research infrastructure, its student facilities, halls of residences and its estate generally. During the

2014/15 year, the refurbishment of the east wing of the north block of Senate House was completed and the Institute of Historical Research moved back into this space in August 2014.

Balance Sheet

At the year-end net assets totalled £277 million rising from £254 million at July 2014.

Tangible assets reduced slightly during the year by £3.0 million to £168.7 million as the annual depreciation charge was larger than new additions in the year. Investments have increased by £19.4 million to £82.3 million due primarily to the increase in market value of the University's investment properties along with the acquisition of the leasehold interest remaining in the Dilke House property in Malet Street. The University already holds the freehold interest in Dilke House. Endowment assets have increased by £7.2 million to £79.2 million due primarily to increases in the market value of the underlying investment portfolio.

Cash and current asset investments have reduced by £5.0 million over the year. The decrease in creditors falling due within one year is principally due to the timing difference of the payments from Endowments to external beneficiaries, and changes to the contractual terms of payments to Colleges relating to courses run by the International Academy. Creditors falling due after more than one year have reduced by £0.7 million to reflect the release of the deferred income generated from the Cartwright Gardens redevelopment over the 52 year life of the transaction with UPP.

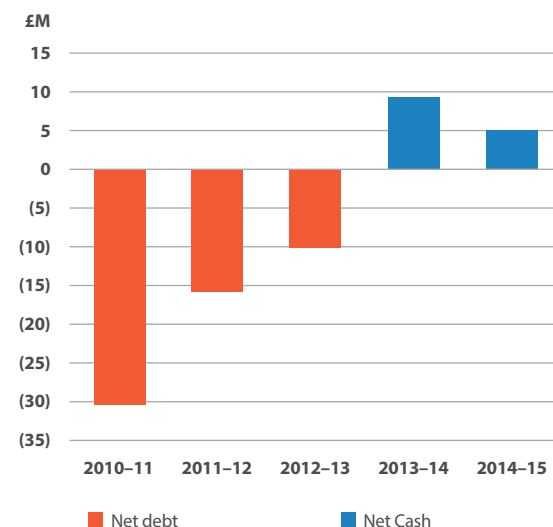
Cash Flow

The University's total cash position (comprising cash, current asset investments and endowment asset cash) reduced by £4.4 million across the year to £55.3 million at 31 July 2015. This reflects the lower net cash inflow from operations due to the reduced surplus and levels of creditors, along with the net cash outflow on capital expenditure and the acquisition of the leasehold interest in Dilke House. This represents 152 days of expenditure.

The long term borrowings, at £50.3 million, are unchanged over the year. Hence the University continues in a net cash position, now at £5.0 million at 31 July 2015, which is reduced by £4.4 million from 31 July 2014.

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Net Cash/(Net Debt)



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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.

Investment Performance

The endowment funds are mainly invested in the Unified Trust Fund (UTF). Following a review the University implemented a new Investment Strategy and asset allocation for the UTF during the first half of the 2013/14 financial year. The Investment Strategy provides for a balance between income and capital growth with a medium level of risk over the longer term. The primary objective is to achieve a total return, including dividends, interest, rent or other income, and capital appreciation, of inflation +4 per cent per annum, gross of fees, over a rolling 5 year period. The new Strategy has split the Fund into three distinct portfolios; equity, which represents the largest of the three portfolios at approx 70 per cent of the Fund and is managed by Newton Investment Management Limited; 12.5 per cent in absolute return funds; and 17.5 per cent in property and which is invested in a property fund rather than direct specific property investments.

On a total return basis the performance of the Fund for 2014/15 saw a return of 12.8 per cent, compared to the Fund's benchmark return of 9.9 per cent. The benchmarks for the Fund represent the asset holdings within the Strategy and the associated market conditions.

The University's investment properties have been subject to a professional valuation as at 31 July 2015 undertaken by Knight Frank LLP, Chartered Surveyors. The valuation has resulted in their carrying value being increased by £18.9 million to £73.4 million, an increase of 35 per cent reflecting the current buoyant state of the London property market.

Risks and Opportunities

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

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

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The UK university sector continues to experience a period of unprecedented change with the backdrop of the uncertain level of public sector finances and funding for higher education. This has led to reductions in the level of central funding and increasing competition as universities vie for the best students and new providers enter the market. Initial inspection of our financial statements reveal that the University's dependency on public funding is less than most other UK universities; these financial statements show that funding from HEFCE accounted for 6.5 per cent of total income.

However the University does receive specific HEFCE funding for the national role that SAS has to promote and facilitate research in the Arts and Humanities. The funding is on the basis of a rolling grant with an annual contestable percentage which is subject to the School meeting the objectives set by its Strategic Advisory Board. Due to sector wide cuts to teaching funding, the level of grant reduced by 2.4 per cent from April 2015 having already been reduced by 3 per cent in August 2014. This has necessarily required SAS to consider the breadth and scale of its operations in relation to its national role. Aside from this, the University continues to increase its investment in SAS to realise our own strategic objectives which underpin the University strategy. It is not the University's intention that this ongoing investment should be used as a substitute for the loss of funding for SAS's national role.

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

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

The University is a significant provider of student residential services with its main focus on meeting the needs of the students of our member Institutions. The University's halls of residence accommodate approximately 2,000 students at present whilst the redevelopment the Cartwright Gardens halls is ongoing. The Cartwright Gardens halls redevelopment, with 1,200 rooms, represents a sizable project for the University and will give a significant modernisation to our residence provision. The University has provided support to a number of the Colleges to find alternative accommodation during the redevelopment. We regard the expansion of our halls as offering an important growth opportunity, because residential accommodation is of such importance to present and future students. In addition to our halls of residence, the University, through its Housing Services team, provides students with the opportunity to access 20,000 beds in the private rental sector. The provision of first class student services, including residential services, is of critical importance to the University.

As a key component of the University Strategy the University is seeking to develop and grow our Shared Services activities in the coming years. There will be a period of investment to grow our capability and capacity across these activities. However the impact of potential government funding cuts across the sector could also serve as an opportunity as institutions seek to share the delivery of services.

Having taken over the activities of Student Central, the University will look to ensure that the activities and services provided are undertaken in a long term sustainable manner.

As part of the strategy the University will seek to use its estate, where feasible and practical, to provide additional income sources. During the second half of 2015 the University has undertaken a master planning exercise across the main part of the Bloomsbury estate. There are many interested stakeholders, with whom the University is planning to engage as part of this exercise.

Looking Forward

The University conducts regular reviews of its prospective medium-term financial position by way of using various planning scenarios. This enables us to respond, should the need arise, to changes in our operations and to ensure that financial sustainability is unimpaired. The University Strategy has set out the plans through to 2019.

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

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

Academic

- Increasing student numbers in International Programmes via a range of business models offering different levels of collaboration and involvement.

- Raising additional income for our academic work through fundraising activities and extra research income arising from our academic investment.

Services

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

Property

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

Organisation

- Savings through better procurement, space utilisation and operational efficiencies.
- Establishment of a Development office where fundraising is a priority with the expectation of increased donations from alumni, trusts and foundations and other sources in the future.

Summary

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

Corporate Governance Statement

The following statement is given to assist readers of the financial statements to obtain an understanding of the governance procedures of the University.

The University endeavours to conduct its business:

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

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

The University is an independent corporation which was incorporated originally by Royal Charter in 1836 and is, at present, incorporated by Royal Charter granted in 1863. It is now governed by the University of London Act 1994 and by the Statutes made in 2008 under that Act, which set out its objectives, powers and framework of governance. Following extensive consultation, amendments to the Statutes to widen representation on the governing body were approved by the Privy Council on 9 October 2015¹. The University of London is a federal university and, as well as the Central Academic Bodies and activities included in these financial statements, comprises a further 17 autonomous Colleges each of which is an HEI and a self-governing incorporated body with its own legal identity and which receives its funding from the Higher Education Funding Council for England (HEFCE) independently from the University itself.

The University’s **Board of Trustees**, the governing and executive body of the University, comprises eleven appointed independent persons² – all of whom are non-executive – the Vice-Chancellor, the Deputy Vice-Chancellor³ and four Heads of Colleges, appointed by the **Collegiate Council**. The role of the Chair of Board of Trustees is separated from the role of the University’s chief executive, the Vice-Chancellor. The powers of the Board of Trustees are set out in the Statutes of the University and under the Memorandum of Assurance and Accountability between HEFCE and Institutions. The Board of Trustees, which normally meets six times a year, holds to itself, inter alia, responsibility for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from its committees on the day-to-day operations of its business and of its subsidiary company.

The Board of Trustees is supported by the **Collegiate Council**, which comprises the Heads of the Colleges 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 Colleges in respect of all matters concerning the University of London as an incorporated body, including its strategic direction. It is also responsible for ensuring the proper discharge of the University’s academic affairs.

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

² The number of independent persons on the Board of Trustees were increased from nine to eleven on 9 October 2015.

³ The Deputy Vice-Chancellor was added to the Membership of the Board of Trustees on 9 October 2015.

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

⁵ The Chief Executive of the University of London International Programmes was added to the Membership of the Collegiate Council on 9 October 2015.

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

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

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

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

The **Nominations Committee** considers nominations for independent vacancies on the Board of Trustees. In line with the University's commitment to access and equal opportunities, the Committee seeks to achieve a balance of membership on the Board of Trustees in terms of gender, age, ethnicity and disability, and this is an important consideration for the Committee in selecting members of the Board of Trustees. Vacancies are advertised openly and appropriately. Additionally, details of vacancies are circulated to Heads of Colleges and College Secretaries.

The **Remuneration Committee** determines the remuneration of the Vice-Chancellor and other senior staff and the **Investments Committee** is responsible for matters relating to the investments of the University, including recommending to the Board of Trustees the appointment of investment managers. The **Safety Committee** is responsible for reviewing and taking action as appropriate on the University's safety policies which ensure the health and safety of employees, students, visitors and others who may be affected by the University's activities. The **Trust Funds Committee** makes allocations from the University's endowment funds to support educational activities at the University and at the Colleges. It also acts as an oversight Committee ensuring that allocated monies are spent in accordance with the terms of each trust fund. The **Estates Sub-Group** advises the Board of Trustees on matters relating to the University's estate, including specific projects and wider estates strategy.

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

Public Benefit Statement

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

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

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

The Colleges of the University, which are all themselves exempt charities, have included within their respective financial statements for 2014/15 Public Benefit statements in conformity with the reporting requirements of the HEFCE Accounts Direction for 2014/15 and reference thereto should be made in considering the public benefits delivered by the University, given that its primary purpose is to serve and further the interests of its Colleges.

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

To provide an example, the University of London International Academy (UoLIA), through its associated International Programmes deliver programmes in a wide range of disciplines and subject areas. These include MScs in Poverty Reduction; Applied Educational Leadership and Management; Environmental Management; Livestock Health and Production; Clinical Trials, Epidemiology, Infectious Diseases and Public Health; and Citizenship Education. 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 £3,000 – £4,000 whilst postgraduate programmes are available from £8,000 – £13,000.

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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 2015 were carried at their market value which was £79,995,000 and the sums expended during the year from these funds amounted to £2,529,000. This expenditure represents payments in respect of fellowships and scholarships, prizes, and chairs and lectureship funds as well as a range of other awards to assist students and researchers within the Colleges and UoLIA thereby providing opportunities to those whose means may otherwise inhibit them from participating in teaching and research activities. The University's trust funds are also utilised to fund an ongoing series of prestigious public lectures, recitals and readings generally in areas connected with the arts and humanities.

The School of Advanced Study is unique as the only institution in the UK nationally funded to promote and facilitate research in the humanities and social sciences. The School's events programme which comprises a wide range of seminars, workshops, lectures and conferences is unrivalled in scale, focus and quality. During 2014/15 approximately 2,000 events were organised attracting almost 65,000 audience members drawn from the UK, internationally and the London area. The majority of the events are free and open to the public and all are welcomed and encouraged to take advantage of the access to the current research and interdisciplinary cross-fertilisation that these events afford.

Effective from 1 August 2014, the University established Student Central in the building which was formerly the home of the University of London Union (ULU). 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 recently refurbished venue for live music events. Students of the University of London Colleges and Central Activities are entitled to free membership and, in addition to its other activities, Student Central organises University-wide student sports competitions. In its first year of operation Student Central attracted a membership of 13,500.

Membership

Period 1 August 2014 to 25 November 2015 (unless otherwise stated):

Independent Members	Period of Office	Vice-Chancellor	Period of Office
Ms Stella Beaumont		Professor Sir Adrian Smith	
Mr David Beever	Until 31 July 2015		
Mr Abdul Bhanji		Deputy Vice-Chancellor	
Ms Emma Burns		Professor Paul Webley	From 9 October 2015
Mr Philip Clark	From 1 August 2015		
<i>Sir Richard Dearlove (Chair)</i>		Representative Head of Colleges	
Mr Steven Fogel		Professor Simon Gaskell, <i>Principal of Queen Mary University of London</i>	
Mr Edward Hartill	Until 31 July 2015	Professor David Latchman, <i>Master of Birkbeck, University of London</i>	
Mr Gerard Lemos		Professor Paul Layzell, <i>Principal of Royal Holloway, University of London</i>	
Mrs Suzanne McCarthy		Professor Stuart Reid, <i>Principal of the Royal Veterinary College</i>	
Mr Malcolm Roberts	From 1 August 2015		

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

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

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

The Board has taken reasonable steps to:

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

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

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

Statement of Internal Control by the Board of Trustees

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

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives. It can, therefore, provide only reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2015 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

As the governing body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- We meet regularly (usually on six occasions a year) to consider the plans and strategic direction of the University.
- We receive periodic reports concerning internal control from the Chair of the Audit and Risk Assurance Committee, and we require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- The Audit and Risk Assurance Committee receives regular reports from the internal audit service, including its independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
- A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis has been established.
- An organisation-wide risk register is maintained.
- Reports are received from budget holders, department heads and project managers on internal control activities.

The review by the Board of the effectiveness of the system of internal control is informed by the work of the internal auditors, Uniac. They operate to the standards defined in the HEFCE Accountability and Audit: Code of Practice. Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Independent auditor's report to the Board of Trustees of the University of London

We have audited the financial statements of University of London for the year ended 31 July 2015 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body in accordance with the charter and statutes of the university and the memorandum of assurance and accountability effective August 2014. 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 governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governing body and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and University's affairs as at 31 July 2015 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

- income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2015 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2015 has been applied in accordance with the University's statutes and, where appropriate, with the memorandum of assurance and accountability, with the funding council; and
- the requirements of HEFCE's accounts direction have been met.

Deloitte LLP

Chartered Accountants and Statutory Auditor
Cambridge, UK

26 November 2015

Statement of the University's principal accounting policies

Basis of preparation

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

The activities of the University, together with the factors likely to affect their future performance and position are as set out in the Financial Report on pages 4 to 20. 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 investments.

Basis of consolidation

The consolidated financial statements include the University and its principal subsidiary undertaking Senate House Services Limited. Intra-group sales and profits are eliminated fully on consolidation.

Related party transactions

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

Taxation

The University is an exempt charity under section 22 and Schedule 3 to the Charities Act 2011 and as such is a charitable company within the meaning of Part 11 of the Corporation Tax Act 2010 (CTA). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 of Part 11 of the CTA 1990 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied only to charitable purposes.

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

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

Foreign currencies

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

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

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Recognition of income and expenditure

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

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

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

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

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

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

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

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand and deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours or one working day without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include sums on short-term deposits with recognised banks and building societies and government securities.

Endowment funds

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these are accounted for as endowments. The University distinguishes two types:

1. Restricted permanent endowments – where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective; and
2. Restricted expendable endowments – where the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income.

Land and buildings

Land and buildings are stated at cost less amounts written off to reflect any permanent impairment in value. Depreciation is charged on the capital cost or valuation of the buildings. Non-residential freehold properties and subsequent refurbishments are depreciated over 50 years and residential properties and subsequent refurbishments are depreciated over 30 years. For leasehold properties, the depreciation term is the period of the lease, if lower than the freehold rates. Where buildings are acquired with the aid of specific grants the related grants are credited to a deferred capital grants account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Assets in the course of construction are not depreciated. Developmental interest incurred directly as a consequence of major capital developments is capitalised as part of the capital costs of the related asset.

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Heritage assets

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

Other tangible assets – equipment

Equipment, other than motor vehicles, but including computers and software costing less than £20,000 per individual item or group of related items, is written off in the year of acquisition. All other equipment is capitalised and written off over its estimated useful economic life, namely:

— Motor vehicles	3 years
— Computing equipment	4–7 years
— Other plant and machinery	5–20 years
— Boats and boat equipment	10–25 years

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

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grants account and released to income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements, which transfer to the University substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding.

Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Intangible assets

Course development expenditure within the University of London International Academy is charged to the income and expenditure account in the year incurred unless it meets the recognition criteria for capitalisation as set out in SSAP 13 – Accounting for research and development. When the recognition criteria has been met then such expenditure on course development is capitalised and the resultant intangible asset written down and charged to the income and expenditure account, when it becomes available for use, on a straight line basis over a period of five years, the expected economic life of the course. An impairment test is carried out annually and where it is judged that the carrying value of the intangible asset exceeds the likely future economic benefit, then it is written down appropriately.

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Investments

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

Current asset investments

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

Investment properties

In accordance with SSAP 19 Accounting for Investment properties, investment properties are revalued annually at a valuation determined by the Board of Trustees with the assistance of qualified external valuers.

Changes in the market value of investment properties are taken to the statement of total recognised gains and losses. No depreciation is provided in respect of investment properties.

Stocks

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

Provisions and contingent liabilities

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

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

Pension schemes

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

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

The University contributes to the French State Social Security System, an unfunded defined contribution scheme for the academic and non-academic staff at the University of London Institute in Paris.

The University complies with FRS17 Retirement Benefits. Its defined benefit schemes (USS, SAUL and NHSS) are all multi-employer schemes and, accordingly, given that it is not possible to identify the University's underlying share of their assets and liabilities, are accounted for as if they were defined contribution schemes.

Consolidated Income and Expenditure Account for the year end 31 July 2015

Note	2015 £'000	2014 £'000
Income		
1	9,440	10,500
2	54,137	54,395
3	1,937	1,830
4	74,930	80,848
5	3,820	3,457
	144,264	151,030
Expenditure		
6	(55,123)	(53,206)
7	(78,716)	(81,686)
8	(2,541)	(2,693)
9	(6,252)	(5,964)
	(142,632)	(143,549)
	Surplus on continuing operations after depreciation of assets at cost and before tax	7,481
	(Loss) on disposal of fixed assets	(67)
	Surplus after depreciation and disposal of assets and tax	7,414
	Transfer (to)/from accumulated income within endowments	577
	Surplus for the year transferred to reserves	7,991

The consolidated income and expenditure relates wholly to continuing activities.
There is no difference between the surplus stated above and the historical cost equivalent.

Statement of Consolidated Total Recognised Gains and Losses for the year ended 31 July 2015

Note	2015 £'000	2014 £'000
Surplus after depreciation and disposal of assets and tax	1,555	7,414
11 Appreciation of endowment asset investments	5,792	281
11 Appreciation of other investments	359	18
11 Appreciation of investment properties	15,004	6,958
16 New endowments	-	608
19 New student societies' reserves	88	-
Total recognised gains and losses relating to the year	22,798	15,279
Reconciliation		
Opening reserves and endowments	244,620	229,341
Total recognised gains and losses relating to the year	22,798	15,279
Closing reserves and endowments	267,418	244,620

Balance Sheets

as at 31 July 2015

Note	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
	Fixed assets:			
9	168,738	171,671	166,000	169,299
10	491	34	491	34
11	82,291	62,908	82,217	62,419
11	79,188	72,962	79,188	72,962
	330,708	307,575	327,896	304,714
	Current assets:			
	1,503	1,352	1,503	1,352
12	13,951	14,771	16,130	16,906
	34,727	37,510	34,727	37,510
	16,772	18,991	14,629	16,306
	66,953	72,624	66,989	72,074
13	(33,383)	(37,674)	(30,607)	(34,263)
	Net current assets	33,570	36,382	37,811
	Total assets less current liabilities	364,278	364,278	342,525
14	(87,646)	(88,394)	(87,646)	(88,394)
	Total net assets	276,632	276,632	254,131
	Represented by:			
15	9,214	9,512	9,214	9,512
	Reserves:			
16	70,096	64,549	70,096	64,549
16	9,092	8,412	9,092	8,412
17	71,525	56,162	71,525	56,162
18	116,620	115,496	116,620	115,496
19	85	-	85	-
	Total funds	276,632	276,632	254,131

Approved by the Board of Trustees on 25 November 2015 and signed on its behalf by:

Sir Richard Dearlove
Chairman, Board of Trustees

Andrew Murphy
Chief Financial Officer

Professor Sir Adrian Smith
Vice-Chancellor

The notes on pages 37 to 54 form part of these financial statements

Consolidated Cash Flow Statement for the year ended 31 July 2015

Note	2015 £'000	2014 £'000
22	1,932	12,595
23	1,279	765
24	(7,615)	6,133
	(4,404)	19,493
25	2,349	(488)
26	-	(10,000)
Decrease in cash	(2,055)	9,005
Reconciliation of net cash flow to movement in net funds		
25	(2,055)	9,005
25	434	129
25	(2,783)	359
25	-	10,000
	(4,404)	19,493
	9,425	(10,068)
Net funds at 31 July	5,021	9,425

Notes to the Financial Statements

for the year ended 31 July 2015

1. Funding Body Grants

	Note	2015 £'000	2014 £'000
Higher Education Funding Council for England – recurrent		9,267	10,199
Release of deferred capital grants:	15		
Buildings		146	173
Equipment		27	128
		9,440	10,500

2. Tuition Fees and Education Contracts

	2015 £'000	2014 £'000
University of London International Academy and overseas student fees	53,427	53,738
Home full time postgraduate fees	489	385
Part time fees	221	272
	54,137	54,395

3. Research Grants and Contracts

	2015 £'000	2014 £'000
Research councils	1,359	1,077
UK-based charities	187	195
EU Government and other bodies	391	534
Other	-	24
	1,937	1,830

Notes to the Financial Statements

for the year ended 31 July 2015 continued

4. Other Operating Income

	Note	2015 £'000	2014 £'000
Colleges: subscriptions and charges		8,956	8,342
Residences and catering		25,439	31,237
Estates revenue		3,934	3,804
Other general income		19,400	17,530
Services rendered by the Deaneries		16,755	18,736
Donations		337	1,181
Deferred capital grants	15	109	18
		74,930	80,848

5. Endowment and Investment Income

	Note	2015 £'000	2014 £'000
Transferred from permanent endowments	16	2,494	2,350
Transferred from expendable endowments	16	469	427
Other interest receivable		857	680
		3,820	3,457

Notes to the Financial Statements

for the year ended 31 July 2015 continued

6. Staff Costs

	2015 £'000	2014 £'000
Salaries	42,858	41,218
Social security costs	3,719	3,563
Other pension costs	8,546	8,425
	55,123	53,206
The above is analysed as follows:		
University	39,264	35,482
Deaneries	15,859	17,724
	55,123	53,206
Emoluments of the Vice-Chancellor		
Professor Sir Adrian Smith		
Salary	172	168

	2015 Number of staff	2014 Number of staff
Average staff numbers by category expressed as full time equivalents		
University	746	724
Deaneries	331	301
	1,077	1,025

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

	University		Deaneries	
	2015 Number of staff	2014 Number of staff	2015 Number of staff	2014 Number of staff
£100,000 – £109,999	5	4	1	2
£110,000 – £119,999	2	-	-	-
£120,000 – £129,999	1	-	1	1
£130,000 – £139,999	-	1	1	1
£140,000 – £149,999	1	1	1	1
£150,000 – £159,999	1	1	-	-
£160,000 – £169,999	1	1	-	-
£170,000 – £179,999	1	-	-	-

Notes to the Financial Statements

for the year ended 31 July 2015 continued

7. Expenditure by Activity

	Staff Costs	Other operating expenses	Depreciation	Interest payable	2015	2014
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	6,950	3,722	84	-	10,756	11,516
Academic services	6,320	4,275	789	-	11,384	12,677
University of London International Academy	9,656	36,803	899	-	47,358	48,646
Central services	7,113	8,129	48	144	15,434	13,894
General education expenses	198	2,058	-	-	2,256	445
Staff and students	5,713	4,127	-	-	9,840	6,854
Maintenance	988	11,570	2,304	-	14,862	12,112
Residences and catering	1,539	6,219	2,128	2,397	12,283	17,018
Research grants	787	917	-	-	1,704	1,651
Services rendered by the Deaneries	15,859	896	-	-	16,755	18,736
	55,123	78,716	6,252	2,541	142,632	143,549

	2015	2014
	£'000	£'000
External auditor's remuneration		
Fees payable for the audit of the University's Financial Statements	68	67
Fees payable for the audit of the University's subsidiary	6	6
Non audit services	139	55
Internal auditor's remuneration	72	86
Hire of plant, machinery and equipment – operating leases	129	108
Hire of other assets – operating leases	1,204	1,101

8. Interest Payable

	2015	2014
	£'000	£'000
On loan repayable before one year to five years	69	145
On loans not wholly repayable within five years	2,472	2,548
	2,541	2,693

Notes to the Financial Statements

for the year ended 31 July 2015 continued

9. Tangible Fixed Assets

Consolidated	Land and Buildings						Total £'000
	Freehold	Long leasehold	Short leasehold	Under construction	Equipment	Heritage assets	
	£'000	£'000	£'000	£'000	£'000	£'000	
Cost or valuation							
1 August 2014	180,866	20,552	1,452	2,656	14,191	1,940	221,657
Additions during the year	37	-	-	2,448	911	-	3,396
Completed during the year	1,899	-	-	(3,476)	1,577	-	-
Disposals during the year	-	-	-	-	(354)	-	(354)
31 July 2015	182,802	20,552	1,452	1,628	16,325	1,940	224,699
Depreciation							
1 August 2014	(38,208)	(230)	(1,073)	-	(10,475)	-	(49,986)
Charge for the year	(4,161)	(197)	(32)	-	(1,862)	-	(6,252)
Disposals during year	-	-	-	-	277	-	277
31 July 2015	(42,369)	(427)	(1,105)	-	(12,060)	-	(55,961)
Net book value 31 July 2015	140,433	20,125	347	1,628	4,265	1,940	168,738
Net book value 1 August 2014	142,658	20,322	379	2,656	3,716	1,940	171,671

University	Land and Buildings						Total £'000
	Freehold	Long leasehold	Short leasehold	Under construction	Equipment	Heritage assets	
	£'000	£'000	£'000	£'000	£'000	£'000	
Cost or valuation							
1 August 2014	180,766	20,552	1,452	2,656	8,334	1,940	215,700
Additions during the year	37	-	-	2,083	-	-	2,120
Completed during the year	1,899	-	-	(3,476)	1,577	-	-
Disposals during the year	-	-	-	-	(8)	-	(8)
31 July 2015	182,702	20,552	1,452	1,263	9,903	1,940	217,812
Depreciation							
1 August 2014	(38,116)	(230)	(1,073)	-	(6,982)	-	(46,401)
Charge for the year	(4,156)	(197)	(32)	-	(1,034)	-	(5,419)
Disposals during year	-	-	-	-	8	-	8
31 July 2015	(42,272)	(427)	(1,105)	-	(8,008)	-	(51,812)
Net book value 31 July 2015	140,430	20,125	347	1,263	1,895	1,940	166,000
Net book value 1 August 2014	142,650	20,322	379	2,656	1,352	1,940	169,299

Notes to the Financial Statements

for the year ended 31 July 2015 continued

9. Tangible Fixed Assets continued

Heritage assets

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

The University's external valuer, Bonhams, valued the major part of this collection in 2004 and the remainder in 2010 on the basis of the price of each item if purchased on appropriate retail premises. There is no change in the value of the collection.

10. Intangible Assets

Consolidated and University	2015 £'000	2014 £'000
Cost		
1 August	628	628
Assets in the course of development	491	-
31 July	1,119	628
Amortisation		
1 August	594	502
Charge for the year	34	92
31 July	628	594
Net book value 31 July	491	34

Intangible assets represent course development expenditure within the University of London International Academy.

Notes to the Financial Statements

for the year ended 31 July 2015 continued

11. Investments

At market value	Investment properties	Other investments	2015		Investment properties	Other investments	2014	
			Total	Endowment asset investments			Total	Endowment asset investments
			£'000	£'000			£'000	£'000
1 August	54,550	8,358	62,908	69,788	47,592	4,307	51,899	69,605
Additions	3,856	-	3,856	-	-	4,033	4,033	-
Disposals	-	-	-	-	-	-	-	(98)
Revaluation	15,004	359	15,363	5,792	6,958	18	6,976	281
	73,410	8,717	82,127	75,580	54,550	8,358	62,908	69,788
Short term deposits and cash	-	164	164	3,608	-	-	-	3,174
31 July	73,410	8,881	82,291	79,188	54,550	8,358	62,908	72,962
Investments held are analysed as follows:								
Unified Trust Fund holdings	-	4,684	4,684	75,580	-	4,325	4,325	69,788
Minority Interests	-	4,033	4,033	-	-	4,033	4,033	-
Properties	73,410	-	73,410	-	54,550	-	54,550	-
	73,410	8,717	82,127	75,580	54,550	8,358	62,908	69,788
At cost								
Unified Trust Fund holdings	-	2,211	2,211	33,211	-	2,211	2,211	33,211
Minority Interests	-	4,033	4,033	-	-	4,033	4,033	-
Properties	502	-	502	-	502	-	502	-
	502	6,244	6,746	33,211	502	6,244	6,746	33,211

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 principal activity of the company is the provision of operational services to the University of London and its Colleges. At 31 July 2015 Senate House Services Limited had net liabilities of £74,000 and accordingly, in the balance sheet of the University at this date, the value of Investments, including the subsidiary, is decreased by this amount to £82,217,000.

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

London Intercollegiate Student Housing Limited is a charity registered in England and a company limited by guarantee, registered in England, with the University of London as its sole member. The company has not traded in the year.

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

UMBSM Services Limited, which was incorporated in Scotland with an issued share capital of £1 wholly owned by the University of London, has also not traded in the year. The company was dissolved in August 2013.

CoSector Limited is a company registered in England and has an issued share capital of £1, with the University of London as its sole shareholder. The company was dormant during the year.

Notes to the Financial Statements

for the year ended 31 July 2015 continued

11. Investments continued

Investment properties

The investment properties were valued at 31 July 2015 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.

12. Debtors

	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade debtors	8,182	8,625	5,909	6,608
Other debtors	24	335	24	335
Prepayments and accrued income	5,745	5,811	4,789	4,970
Amounts owed by group undertaking	-	-	5,408	4,994
	13,951	14,771	16,130	16,906

Prepayments and accrued income includes £450,000 (2014: £492,000) in respect of tuition fees for periods after more than one year.

13. Creditors: amounts falling due within one year

	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade creditors	1,397	10,461	1,049	9,545
Grants received in advance	-	395	-	395
Other creditors	1,774	-	1,771	-
Other taxation and social security	1,992	2,050	1,690	1,443
Accruals and deferred income	28,220	24,768	26,097	22,880
	33,383	37,674	30,607	34,263

Notes to the Financial Statements

for the year ended 31 July 2015 continued

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

Consolidated and University	2015 £'000	2014 £'000
Bank loans	50,000	50,000
Other loans	250	250
Deferred income	37,396	38,144
	87,646	88,394

Consolidated and University	Bank loans		Other Loans	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Obligations are repayable as follows:				
Between one and two years	-	-	-	-
Between two and five years	1,345	263	250	250
Over five years	48,655	49,737	-	-
Total over one year	50,000	50,000	250	250
Total due	50,000	50,000	250	250

Lender	Date loan obtained	Final repayment due date	Interest rate	Balance outstanding	Balance outstanding
				2015 £'000	2014 £'000
RBS (unsecured)	2007	2047	Fixed 5.1%	50,000	50,000
Barclays (unsecured)	2010	2014	0.95% over LIBOR	-	-
Total over one year				50,000	50,000

The first repayment on the RBS unsecured loan is due in 2018. The Barclays loan was repaid on 31 July 2014.

DEFERRED INCOME

On 4 July 2014, the University entered into a 52 year partnership with University Partnerships Programme (UPP) to redevelop the Garden Hall Residences in Cartwright Gardens. The University granted a 52 year head lease to UPP over Gardens Hall and Gardens Tower in return for the receipt of a premium and proceeds on disposal of £40 million. This transaction is reflected in this year's financial statements in the following places:

Consolidated and University	2015 £'000	2014 £'000
Freehold Disposal	-	(53)
Short Leasehold Disposal	-	(1,451)
Long Leasehold Addition	-	19,879
Work in Progress Addition	-	622
Other Investments Addition	-	4,033
Cash at bank	-	15,392
Loss recognised in the consolidated income and expenditure account	-	470
Deferred Income released to the consolidated income and expenditure account	(748)	-
Deferred Income recognised	(748)	38,892

Notes to the Financial Statements

for the year ended 31 July 2015 continued

14. Creditors: amounts falling due after more than one year continued

DEFERRED INCOME continued

Consolidated and University	2015 £'000	2014 £'000
Maturity as follows:		
Less than a year	748	748
Between one and two years	748	748
Between two and five years	2,244	2,244
Over five years	34,404	35,152
Deferred Income recognised	38,144	38,892

15. Deferred Capital Grants

Consolidated and University	Government agencies and HEFCE	Other grants and benefactions	Total
Land and buildings	5,244	4,079	9,323
Equipment	62	127	189
1 August 2014	5,306	4,206	9,512
Land and buildings	128	-	128
Equipment	-	-	-
Additions	128	-	128
Land and buildings	-	(144)	(144)
Equipment	-	-	-
Released on disposal	-	(144)	(144)
Land and buildings	(146)	(57)	(203)
Equipment	(27)	(52)	(79)
Released to income and expenditure account	(173)	(109)	(282)
Land and buildings	5,226	3,878	9,104
Equipment	35	75	110
31 July 2015	5,261	3,953	9,214

Notes to the Financial Statements

for the year ended 31 July 2015 continued

16. Endowments and Connected Institutions

Consolidated and University		Restricted permanent £'000	Restricted expendable £'000	Total 2015 £'000	Total 2014 £'000
Capital		56,787	7,767	64,554	63,681
Accumulated Income		7,763	645	8,408	8,969
At 1 August		64,550	8,412	72,962	72,650
New endowments		-	-	-	608
Investment income		2,494	469	2,963	2,777
Expenditure		(2,104)	(425)	(2,529)	(3,354)
Increase in market value of investments		5,156	636	5,792	281
At 31 July		5,546	680	6,226	312
Transfers (to)/from accumulated income to/(from) capital in the year		2,378	(140)	2,238	-
Represented by:					
Capital		61,943	8,403	70,346	64,554
Accumulated income		8,153	689	8,842	8,408
At 31 July		70,096	9,092	79,188	72,962

Connected Institutions		Opening Fund Balance £'000	Income £'000	Capital Appreciation £'000	Expenditure £'000	Closing Fund Balance £'000	
Individual Charities	Note						
Studentship Fund	a	5,886	145	429	(265)	6,195	
Research Fund		4,007	224	404	(192)	4,443	
Prize Fund		438	24	45	(16)	491	
Convocation	b	2,516	209	95	(186)	2,634	
Chadburn Lectures	c	8,807	312	662	(100)	9,681	
Teachers of Anatomy	d	181	577	-	(601)	157	
Maplethorpe	e	4,951	188	410	(184)	5,365	
Perren	f	2,973	113	245	(102)	3,229	
Frost Chair	g	2,732	92	200	(120)	2,904	
Summarised Charities							
Research Support:		94	28,390	741	2,450	(577)	31,004
General central University support:		23	5,539	134	242	(17)	5,898
Bursary/Scholarship		22	5,018	165	465	(140)	5,508
Prize funds		9	1,524	39	145	(29)	1,679
		72,962	2,963	5,792	(2,529)	79,188	

Notes to the Financial Statements

for the year ended 31 July 2015 continued

16. Endowments and Connected Institutions continued

a University of London Scholarship Fund

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

b Convocation

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

c Chadburn Lectureship in Medicine

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

d Teachers of Anatomy

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

e Maplethorpe

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

f Perren

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

g Frost Chair

This trust is to support an academic Chair in Ophthalmology.

h Warburg Institute

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

17. Revaluation Reserves

Consolidated and University	2015 £'000	2014 £'000
1 August	56,162	49,336
Appreciation of other investments (note 11)	359	18
Transfer to General Reserve on realisation of current asset investments	-	(150)
Revaluation of investment properties (note 11)	15,004	6,958
31 July	71,525	56,162

18. General Reserves

Consolidated and University	2015 £'000	2014 £'000
1 August	115,496	107,355
Transfer from income and expenditure	1,124	7,991
Transfer from revaluation reserve	-	150
31 July	116,620	115,496

Notes to the Financial Statements

for the year ended 31 July 2015 continued

19. Student societies

STUDENT CENTRAL

On 4 August 2014, the University of London Union (ULU) became part of the University of London, and was thereafter renamed Student Central. The University acquired ULU's assets and liabilities for nil consideration. Part of ULU's reserves consisted of the reserves of various student societies whose funds were kept by ULU. As Student Central still performs this function to the student societies in question, these student societies' reserves have been included in the University balance sheet separately.

The transaction has been recognised in this year's financial statements in the following places:

Consolidated and University	Recognition in Balance Sheet		Released to Consolidated I&E	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade debtors	73	-	-	-
Other debtors	19	-	-	-
Other taxation and social security	6	-	-	-
Prepayments and accrued income	21	-	(21)	-
Stock	86	-	-	-
Cash at bank and in hand	546	-	-	-
Trade creditors	(366)	-	-	-
Accruals and deferred income	(277)	-	277	-
Student Societies' reserves	(88)	-	-	-
Negative goodwill on acquisition	(20)	-	20	-
	-	-	276	-

STUDENT SOCIETIES' RESERVES

Consolidated and University	2015 £'000	2014 £'000
1 August	-	-
New student societies' reserves on acquisition of Student Central	88	-
Transfer (to)/from income and expenditure	(3)	-
31 July	85	-

Notes to the Financial Statements

for the year ended 31 July 2015 continued

20. Access Funds

Consolidated and University	2015 £'000	2014 £'000
1 August	3	2
Net received from HEFCE	2	1
Disbursed to students	(2)	-
31 July	3	3

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

21. Operating lease commitments

At 31 July the University of London and the group had the following annual commitments under non-cancellable operating leases:

	Land and Buildings		Equipment	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Expiry date:				
Less than one year	894	675	41	27
Between one and five years	-	209	73	81
More than five years	237	217	-	-

22. Reconciliation of consolidated surplus for the year to net cash inflow from operating activities

Consolidated and University	2015 £'000	2014 £'000
Surplus on continuing operations after depreciation and disposal of assets	1,555	7,414
Items not involving cash movements:		
Depreciation (note 9)	6,252	5,964
Amortisation of intangible assets (note 10)	34	92
Deferred capital grants released (note 15)	(426)	(319)
(Increase) in stocks	(151)	(187)
Decrease/(increase) in debtors (note 12)	821	(1,685)
(Decrease)/increase in creditors	(5,039)	3,485
(Decrease) in provisions	-	(1,472)
Increase in student societies' reserves	88	-
Items which are not operating activities:		
Loss on disposal of fixed assets (note 9)	77	67
Interest payable (note 8)	2,541	2,693
Endowment and investment income (note 5)	(3,820)	(3,457)
Net cash inflow from operating activities	1,932	12,595

Notes to the Financial Statements

for the year ended 31 July 2015 continued

23. Returns from investments and servicing of finance

Consolidated and University	2015 £'000	2014 £'000
Income from endowments	2,963	2,777
Income from short term investments	857	680
Interest payable	(2,541)	(2,693)
Net cash inflow from returns on investments and servicing of finance	1,279	765

24. Capital expenditure and financial investment

Consolidated and University	2015 £'000	2014 £'000
Tangible assets acquired (note 9)	(3,396)	(32,893)
Intangible assets acquired (note 10)	(491)	-
Receipts from sale of tangible assets	-	42,287
Receipts from sale of endowment assets	-	98
Deferred capital grants received (note 15)	128	66
Endowments received (note 16)	-	608
Other investments acquired (note 11)	(3,856)	(4,033)
Net cash inflow from returns on investments and servicing of finance	(7,615)	6,133

The receipts from sale of tangible assets in 2014 include the premium received from the redevelopment of the Garden Hall Residences in Cartwright Gardens (£39 million) and the proceeds on disposal of the current premises (£1.3 million)

25. Analysis of changes in net funds

	1 August 2014 £'000	Cashflows £'000	Non-cash Items £'000	31 July 2015 £'000
Cash at bank and in hand	18,991	(2,219)	-	16,772
Endowment assets - short term deposits and cash	3,174	434	-	3,608
Other investments - short term deposits and cash	-	164	-	164
	22,165	(1,621)	-	20,544
Current asset investments	37,510	(2,783)	-	34,727
Debt due after one year	(50,250)	-	-	(50,250)
Net cash	9,425	(4,404)	-	5,021

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

26. Financing

Consolidated and University	2015 £'000	2014 £'000
1 August	50,250	60,250
Capital repayments	-	(10,000)
31 July	50,250	50,250

Notes to the Financial Statements for the year ended 31 July 2015 continued

27. Pension obligations

Pension Schemes

The University's staff participate in three principal pension schemes: the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) and the National Health Service Scheme (NHSS). Under the definitions set out in FRS 17, these are multi-employer defined benefit pension schemes with the assets of USS and SAUL being held in separate trustee administered funds. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions as if it were a defined contribution scheme with the cost recognised for the year in the income and expenditure account being equal to the contributions.

The schemes, which are defined benefit arrangements, are externally funded and contracted out of the State Second Pension (S2P) and both USS and SAUL are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuary reviews the progress of the schemes.

USS

Contingent Liabilities and Assets

A contingent liability exists in relation to the pension valuation recovery plan, since the company is an employer of members within the scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the company is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the balance sheet. The associated receivable from the scheme in respect of the reimbursement of the company's expenditure is similarly not recognised.

Pension costs

The company participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The company is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the company's employees. In 2015, the percentage was 16% (2014: 16%). The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme.

The total cost charged to the profit and loss account is £8,546,000 (2014: £8,425,000) as shown in note 6. There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions. The disclosures below represent the position from the scheme's financial statements.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016.

The unaudited 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.

FRS 17 liability numbers have been produced for the using the following assumptions:

	2015	2014
Discount rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

Notes to the Financial Statements for the year ended 31 July 2015 continued

27. Pension obligations 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	S1NA ["light"] YoB tables – No age rating
Female members' mortality	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 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2015	2014
Males currently aged 65 (years)	24.2	23.7
Females currently aged 65 (years)	26.3	25.6
Males currently aged 45 (years)	26.2	25.5
Females currently aged 45 (years)	28.6	27.6

Existing benefits	2015	2014
Scheme assets	£49.0bn	£41.6bn
FRS 17 liabilities	£67.6bn	£55.5bn
FRS 17 deficit	£18.6bn	£13.9bn
FRS 17 funding level	72%	75%

SAUL

The most recent actuarial valuation of the scheme was at 31 March 2011 using the projected unit method and the key assumptions and data were as follows:

Investment returns per annum – Pre retirement	6.80%
Investment returns per annum – Post retirement	4.70%
Salary scale increases per annum – until 31 March 2014	3.75%
Salary scale increases per annum – after 1 April 2014	4.50%
Pension increases per annum	2.80%
Market value of assets at date of last valuation	£1,506M
Regular contribution rates –	
employer	13.00%
employee	6.00%
Proportion of members' accrued benefits covered by the actuarial value of assets at 31 March 2011	95%

As at the valuation date, the scheme was still a fully Final Salary Scheme. With effect from 1 July 2012, new entrants are provided on a Career Averaged Revalued Earnings basis. Employer contributions for both Final Salary (FS) section and Career Averaged Revalued Earnings (CARE) section members were 13%. Contributions for employees remained at 6% for FS Section members and CARE Section members.

Notes to the Financial Statements

for the year ended 31 July 2015 continued

27. Pension obligations continued

NHSS

The NHS Pension Scheme (NHSS) is an unfunded defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the University to identify its share of the underlying scheme assets and liabilities. The University therefore accounts for its pension costs in respect of the scheme on a defined contribution basis, as permitted by FRS 17 Retirement Benefits, thereby charging to its accounts the contributions payable to the scheme for the year. The NHS Pension Scheme is funded centrally by the Treasury on a current cost basis.

Members of staff, employed by the University of London Institute in Paris, are contracted into the French State Social Security System for the purposes of accumulating pension benefit. The Schemes are unfunded and are equivalent to a defined contribution scheme in the United Kingdom. Accordingly, the University accounts for its pension costs in respect of these schemes, as permitted by FRS 17 Retirement Benefits, by charging to its accounts the contributions payable for the year.

28. Capital Commitments

Consolidated and University	2015 £'000	2014 £'000
Contracted at 31 July	442	1,880

29. Related Party Transactions

Due to the nature of the University's operations and the composition of the Board of Trustees and the Collegiate Council it is inevitable that transactions will take place with organisations in which a member of the Board or Council may have an interest. The Corporate Governance Statement (pages 21 and 22) sets out in more detail the relationship between the University and its Colleges. All transactions involving organisations in which a member of the Board or Council may have an interest are conducted at arm's length in accordance with the University's financial regulations and normal procurement procedures and none of these transactions fall to being disclosed as being with related parties as defined by FRS 8 Related Party Disclosures. In line with the Committee of University Chairman guidance, all members of the Board and the Collegiate Council are required to complete a register of interests to record any areas of potential conflict with the interests of the University.

Trustees are not entitled to and did not receive any remuneration for their services. Three Trustees received a total of £3,344 (2013-14: Trustees £600) representing the reimbursement of travel and subsistence expenses incurred in attending Board of Trustees and Committee meetings and events in their official capacity.

