

LONDON'S GLOBAL UNIVERSITY



**Annual Report and Financial Statements  
for the year ended 31 July 2014**

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## COMMITTEE MEMBERSHIP

### Council (Trustees)

Lay Members:	Mr Ven Balakrishnan Lord (Tim) Clement-Jones <sup>◆</sup> Ms Philippa Foster-Back* Dame DeAnne Julius <sup>◆*</sup> (Chair from 01/10/2014) Ms Carol Lake (from 01/10/2013) Mr Mark Knight <sup>◆</sup> (to 30/09/2013) Mr Simon Melliss <sup>◆</sup>	Ms Vivienne Parry <sup>◆*</sup> (Vice-Chair) Ms Katharine Roseveare* Dr Gill Samuels Professor Chris Thompson <sup>◆</sup> Sir Stephen Wall <sup>◆*</sup> (Chair to 30/09/14) Baroness (Diana) Warwick
Academic Members:	Professor Michael Arthur <sup>◆*</sup> (from 01/10/2013) (Provost) Professor David Attwell Dr Robert Barber (to 30/09/2013) Dr Martin Fry (from 01/10/2013) Dr Saladin Meckled-Garcia (from 01/10/2013)	Professor Sir Malcolm Grant <sup>◆*</sup> (to 30/09/2013) (Provost) Dr Stephanie Schorge* Dr Sarah Snyder (to 30/09/2013) Professor Nick Tyler* Professor Maria Wyke
UCL Union:	Mr Keir Gallagher Mr Mohammed Zayyan Butt	

### Finance Committee

Lay Members:	Mr Ven Balakrishnan Dr Ben Booth Mr Mark Clarke Mr Simon Melliss (Chair)	Mr John Morgan Dr Gill Samuels Sir Stephen Wall
Academic Members:	Professor Michael Arthur (from 01/10/2013) (Provost) Dr Robert Barber (to 30/09/2013) Dr Stephanie Bird (from 01/10/2013) Dr Liam Graham (from 01/10/2013) Professor Sir Malcolm Grant (to 30/09/2013) (Provost) Professor Sue Hamilton	Professor Alan Smith (from 01/10/2013) Professor Alan Thompson Dr Andrea Townsend-Nicholson (to 30/09/2013) Professor Jonathan Wolff (to 30/09/2013)

### Audit Committee

Lay Members:	Lord (Tim) Clement-Jones (Chair from 01/10/2013) Mr Mark Knight (Chair to 30/09/2013)	Mr Nigel Smith Mr Patrick Reeve Baroness (Diana) Warwick (from 01/10/2013)
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### Investments Committee

Lay Members:	Mr Simon Melliss (Chair) Mr Mark Clarke (to 31/07/2014)	Ms Susannah Lloyd (to 10/06/2014) Mr Nigel Thomas Ms Sarah Whitney (from 10/06/2014)
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<sup>◆</sup> denotes also member of Remuneration Committee

\* denotes also member of Nominations Committee

## FINANCIAL SUMMARY

	2014 £m	Restated* 2013 £m
<b>CONSOLIDATED INCOME &amp; EXPENDITURE ACCOUNT</b>		
Funding Council grants	182.4	191.2
Academic fees and support grants	292.8	240.9
Research grants and contracts	374.5	325.6
Other operating income	167.6	167.9
Endowment income and interest receivable	5.1	5.3
Total income	1,022.4	930.9
Less: Share of income from joint ventures	(2.8)	(2.8)
<b>NET INCOME</b>	<b>1,019.6</b>	<b>928.1</b>
<b>TOTAL EXPENDITURE</b>	<b>1,008.2</b>	<b>908.3</b>
Share of operating loss in joint ventures and associates	(0.9)	(1.1)
Profit on disposal of tangible fixed assets	20.6	-
Profit on disposal of fixed asset investments	0.4	-
Minority interest	-	-
Transfer to accumulated income within specific endowments	(0.6)	(0.5)
<b>SURPLUS FOR THE YEAR</b>	<b>30.9</b>	<b>18.2</b>
Fixed assets	848.2	753.3
Endowment asset investments	90.5	85.9
Net current assets	23.5	45.6
Total assets less current liabilities	962.2	884.8
Non-current liabilities	(69.9)	(72.6)
Provision for liabilities and charges	(1.8)	(0.4)
Net pension liability	(0.3)	(0.1)
<b>TOTAL NET ASSETS</b>	<b>890.2</b>	<b>811.7</b>
Represented by:		
Deferred grants	456.3	417.1
Endowments	90.5	86.0
Reserves	343.5	308.7
Minority interest	(0.1)	(0.1)
<b>OTHER KEY STATISTICS</b>		
Consolidated recognised gains	39.3	38.7
(Decrease)/increase in cash in the year	(3.0)	12.7
	<b>2014 No.</b>	<b>2013 No.</b>
Student numbers	28,859	26,698
Average payroll numbers	11,972	11,024

\* See notes 3 and 7 of the Financial Statements.

## **OPERATING AND FINANCIAL REVIEW**

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### **Operating and financial review 2013-14**

The financial statements of UCL are prepared in accordance with the “Statement of Recommended Practice: Accounting for Further and Higher Education” and with reference to the Financial Memorandum which regulates the formal relationship between the Higher Education Funding Council for England (HEFCE) and UCL. HEFCE also acts on behalf of the Charity Commission as the principal regulator of UCL as an exempt charity, in accordance with the Charities Act 2006.

The financial statements include the consolidated results of UCL’s subsidiary companies, details of which are shown at Note 40. These accounts have been prepared on a going concern basis as described in Note 1 of the Accounting Policies.

The Operating and Financial Review is organised into five sections covering: UCL’s strategy and long-term objectives; performance in 2013-14 in pursuit of those objectives in the core areas of research, education and enterprise; the financial review and outlook; our approach to risk management; and how we deliver public benefit.

### **Strategy and long term objectives**

The Provost, Professor Michael Arthur, has led a review of UCL’s strategy that seeks to build on our success and plot a course for UCL for the next 20 years. Titled UCL 2034, the strategy seeks to ensure that our distinctive approach to research, education and innovation will further inspire our community of staff, students and partners to transform how the world is understood, how knowledge is created and shared and the way that global problems are solved. In pursuit of this vision, 6 principal themes are articulated:

1. Academic leadership grounded in intellectual excellence
2. A global leader in the integration of research and education, underpinning an inspirational student experience
3. Addressing global challenges through our disciplinary excellence and distinctive cross-disciplinary approach
4. An accessible, publicly-engaged organisation that fosters a lifelong community
5. London’s Global University: in London, of London and for London
6. Delivering global impact through a network of innovative international activities, collaborations and partnerships.

In support of these themes it is recognised that strategically significant enabling activities must occur. These are defined as follows:

- A. Giving our students the best support, facilities and opportunities
- B. Valuing our staff and delivering on equality and diversity
- C. Financing our ambitions
- D. Delivering excellent systems and processes in support of UCL’s vision
- E. Maintaining a sustainable estate to meet our aspirations
- F. Communicating and engaging effectively with the world

An action plan that supports each of the principal themes and key enablers has been developed and is being implemented. Each is led by a member of the senior team and performance measures have been identified and will be monitored by the executive and by Council.

The governing bodies of both UCL and the Institute of Education have formally resolved to proceed with a merger of the two organisations from December 2014. This will offer exciting opportunities to build upon the respective strengths of these organisations, both of which have a record of academic excellence in their respective fields.

## **OPERATING AND FINANCIAL REVIEW**

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### **Performance in 2013-14**

#### **Research**

The UCL Research Strategy, *Delivering a Culture of Wisdom*, sets out an innovative cross-disciplinary research agenda, designed to deliver immediate, medium- and long-term benefits to humanity. UCL is marshalling the breadth of its expert perspectives, in order to address issues in their full complexity and contribute to the resolution of the world's major problems. This is being achieved not just through the generation of knowledge, but also through the delivery of a culture of wisdom: an environment committed to the judicious application of knowledge for the good of humanity.

The UCL 2034 institutional strategy builds upon the same values and ambitions set out in *Delivering a Culture of Wisdom*, and incorporates goals closely related to the leadership, cross-disciplinarity and impact aims set out in the latter. During 2014-15 we will update the UCL Research Strategy to ensure its resonance with UCL 2034, and to reflect certain key changes to the environment, particularly the outcome of the Research Excellence Framework (REF) 2014 and the ongoing shift in how government funds research.

The UCL Research Strategy sets out three aims contributing to or enabling the 'culture of wisdom'. We are pleased to confirm that we see better progress than expected on most of those goals.

#### *1st Research Aim: Leadership founded in excellence*

In addition to being consistently judged a world-leading university, all our indicators suggest that UCL continues to remain excellent across its full broad research spectrum and indeed is strengthening in many areas. Examples include:

- the most credible subject-level university rankings place us within the top 40 of all broad research fields. Our long-term target is to achieve top 20 rankings. The group of universities that achieve this is a plausible aspirational peer group for UCL, namely: Berkeley, Cambridge, Michigan, Oxford, Stanford and UCLA.
- UCL has won 85 highly prestigious European Research Council Investigator Awards – third among all European universities. Including awards transferred into UCL when new staff were recruited, we had held 110. In particular, UCL had won 33 awards in the Social Sciences & Humanities category (more than any other university), including 17 in Economics.
- UCL's research grant spend was £375m in 2013-14 excluding payments to third parties and £395.5m including all payments to third parties. The former is a 15.1% increase on 2012-13, and an average 7.6% a year increase since 2008-09, which contrasts with recent HESA data for the sector as a whole, showing 2.8% per year on average since 2008-09. Our increase for 2013-14 was significantly boosted by the acquisition of three MRC units, with an associated income of circa £21m per year.
- The value of new awards granted per annum has been above £400m for most of the last 30 months, so we expect further expansion in reported levels of income. Although funders' policies have been to reduce their contribution to overheads, our total has continued to grow to £60.5m in 2013-14, up from £53.6m in 2012-13 and £47m in 2011-12. Our level of applications is over £1.1bn per year, with a success rate steady between 38% and 40%. We have had particular success recently with UK Research Councils and the EU government.

Our expectations of individual academic staff are being met across the institution. In particular, while the definitions of the Research Excellence Framework are not unproblematic, we do see almost all UCL academics operating at a level where their outputs are

## **OPERATING AND FINANCIAL REVIEW**

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'internationally excellent'. Our submission rate to REF2014 of eligible staff was relatively high, approximately 93% and in particular, our rate for eligible early career researchers is extremely high, more than 95%. This confirms that our academic recruitment standards across UCL match these challenging expectations. Overall, we submitted 2,491 staff at a Full Time Equivalent (FTE) of 2,347.1, an increase in headcount of 32.9% since RAE2008. UCL contributed 4.5% of all FTE submitted to REF2014.

Our number of research students continues to rise – our entry is now more than 1,600 per year, up from 1,000 in 2007-08. Our number of doctorates awarded has risen to more than 920 per year, up from 650 in 2007-08, and will continue to rise as the growing intake comes through the system. 2013-14 has been particularly notable for successes in funding new doctoral training schemes.

### *2nd Research Aim: Cross-disciplinarity grounded in expertise*

UCL Grand Challenges continues to go from strength to strength. Highlights during the last year include:

- Global Health: 'Engineering' Global Health Solutions: How the fields of engineering and global health can combine to generate smart interventions to global health problems; The 'Non-Communicable Disease' Season; and the follow-up to the UCL–Lancet Commission on the Health Effects of Climate Change, a joint activity with China
- Sustainable Cities: the launch of *Imagining the Future City: London 2062* and the Sustainable Resources for Sustainable Cities symposium, run as part of the BHP Billiton Sustainable Communities/UCL Grand Challenge Symposium Series through the agency of the UCL Institute of Sustainable Resources
- Intercultural Interaction: the workshop *Negotiating Religion in the Contemporary Research University*; the conference *Post War Cosmopolitanism: Ideas of World Order from the Seven Years' War to the Cold War*; and *Between the Lines: Conversations in Translation*, recording conversations about the lives of books in different languages
- Human Wellbeing: the UCL Festival of Ageing and £10,000 research prize workshop; the launch of the UCL Centre for Behaviour Change; and preparation for the launch of the report of the UCL Science, Medicine & Society Network's UCL–Lancet Commission on Culture & Health, examining ways in which health and health systems are entwined with domains of culture and reviewing the systematic neglect of culture in health
- the inaugural UCL Grand Challenges Summer School for research students.

UCL continues to have particular success in cross-disciplinary funding calls. Especially notable examples include:

- Prof Mandayam Srinivasan (UCL Computer Science) led a UCL consortium that won £2.5m EPSRC Capital Grant for 'Robotic Tele-Operation for Multiple Scales'
- Prof Alan Thompson (UCL Faculty of Brain Sciences) led a UCL consortium that won an Alzheimer's Research UK Drug Discovery Institute. The investment will be for a total of £10m over five years
- Prof Paul Boyle (UCL Geography) led a UCL–Oxford–Liverpool consortium awarded a £6.1m ESRC award for the Retail Business Datasafe.

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### *3rd Research Aim: Realising the impact of a global university*

Thomson Reuters Essential Science Indicators report by citation volume identified UCL as the 27th ranked entity and 12th ranked university (up from 15th last year). By highly cited papers we are the 12th-ranked university.

UCL's Nature Publishing Index (NPI), which tracks the number and affiliations of primary research articles published in 18 Nature-branded journals, improved in 2013-14. UCL was ranked 14th overall and 9th among universities.

Two major UCL Public Policy Commissions reports – on the Green Economy and on Communicating Climate Science – were published, along with 18 policy briefings. 14 policy placements in Government departments were arranged for UCL researchers. Five public events, and a number of roundtable policy discussion meetings between UCL academics and policy stakeholders, were held.

### **Education**

#### *National Student Survey*

A major priority has been to co-ordinate work to improve the university's performance in the National Student Survey. In 2013-14 we implemented a programme of incentives for high response rates, and a process of requesting and monitoring action plans for improvements from departments with poor satisfaction scores. This resulted in significantly improved results for the 2013-14 academic year, with a 2% increase in overall satisfaction amongst students. This activity will continue in 2014-15.

#### *Other student surveys*

In 2013-14, the Student Experience Forum was established, with a remit to bring together senior members of the university to consider issues relating to the quality of the student experience. From 2014-15, that forum will monitor the results of the Student Barometer survey, which asks students in all years and at all levels of study to provide feedback on key aspects of their experience of UCL. Those results will be used to identify where action is required, and to monitor progress against those action points. A working group is being established to look at student surveys in the round, to understand how we can encourage students to participate, and how we can use this information most effectively.

#### *Global Citizenship Programme*

450 undergraduate students took part in this year's programme, a significant increase on the pilot year of 2012-13. An academic lead has now been identified to spearhead the expansion of the programme towards a steady-state target of 1,000 students per year across the four academic strands for first-year students and the careers, enterprise and volunteering programmes for students in Years 2 and 3.

#### *Teaching and the Estate*

Much effort has been focused this year on diagnosing the problems with our current approach to timetabling, and the impact that our current use of the estate has on the quality of the student experience and on the taught curriculum. We have invested in research by timetabling specialists, resulting in proposals for a new approach to the timetable. We have also surveyed staff to understand the impact of current facilities and usage patterns on the taught curriculum. We anticipate that estates projects will be a major focus of work in 2014-15.



## **OPERATING AND FINANCIAL REVIEW**

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### *HEFCE Postgraduate Support Scheme*

UCL was awarded £2.3m by HEFCE in 2013-14 to run a two-year programme to evaluate the impact of a range of interventions (including fees and subsistence bursaries, childcare support and mentoring) on the take-up of postgraduate study by students from under-represented groups. This work is ongoing and a researcher will be appointed in October 2014 to evaluate the scheme and make recommendations for future action by UCL.

### *Education Partnerships*

UCL continues to develop its partnership with the UCL Academy, with the establishment in 2013-14 of a lecture series and a mentoring scheme which involved around 85 UCL undergraduates working with sixth formers and students in Level 1. In 2013-14, UCL also agreed to enter into a formal partnership with Newham Collegiate Sixth Form College, a college for high-achieving students from Newham, and will put together a full programme of activities for delivery in 2014-15.

### *Student numbers*

There was a sizeable increase in student recruitment in 2013-14 with overall numbers up 8% on 2012-13 to give a total student population of 28,859. The largest increase was in postgraduate taught numbers (+13.5%) with smaller, but still significant, increases in undergraduate and research postgraduate student numbers of approximately 6% for each.

2013-14 was the second year of UK/EU undergraduate recruitment under the £9k tuition fee regime but there was increased competition for students with high A level grades following the Government's further relaxation of the cap on recruitment. In 2012-13 there was no restriction on the recruitment of UK/EU undergraduate students with grades of AAB or higher and for 2013-14 this was extended to include all students with grades of ABB or higher. Undergraduate applications to UCL were buoyant and our intake of UK/EU undergraduate students rose to 3,380 from 2,822 in the previous year, an increase of nearly 20% and slightly higher than our target. For those places still subject to number control, UCL was comfortably within its quota having recruited 416 students with qualifications falling outside of the classification used by HEFCE against a quota of 430. A small increase in new international undergraduates meant that total undergraduate numbers across all years of study increased from 14,785 in 2012-13 to 15,640.

The recruitment of full-time postgraduate taught students represented sizeable increases on the numbers recruited in 2012-13 for both UK/EU (+16.1%) and international (+21.9%) students. Research postgraduate numbers were also up on the previous year with a much larger increase in international students (+16.6%) compared with UK/EU (+3.5%).

The overall profile of students shows a small shift in the Undergraduate:Postgraduate ratio from 55:45 in 2012-13 to 54:46, with the shift towards postgraduates in recent years more noticeable when compared to the ratio of 60:40 of five years ago. This ratio will shift further in favour of postgraduates when the merger with the Institute of Education takes place. International students now account for 31% of the total student population, having increased from 23% of the total student population five years ago, with a similar pattern existing at undergraduate and postgraduate level

## **OPERATING AND FINANCIAL REVIEW**

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### ***Enterprise***

This is the third year of implementation of UCL's Enterprise Strategy Transforming Enterprise at UCL 2011-2015 and good progress continues to be made towards delivering that plan. Our original estimates of income derived from these activities were around £40m-£50m per annum and our plan was to double that number. Income from enterprise related activities as measured through the Higher Education Business and Community Interaction survey (HEBCI) now confirms that £107m of UCL's operating income is critically or solely dependent on

enterprise activities. It is likely to be a substantial underestimate of the eligible income and further work is required to more accurately reflect the value of these activities to UCL. For comparison the leading University (Oxford) reports more than £200m in the HEBCI survey. Nonetheless UCL is in the top six of universities and by many other measures is in the top four universities.

### ***Income and funding***

This is the last year of the current period of the Higher Education Innovation Fund (HEIF), which is a £3.4m per annum allocation to support knowledge exchange. We await notification of the arrangements for HEIF from 2015 onwards.

UCL is the recipient of the UK's second largest Impact Acceleration Account from the Engineering and Physical Sciences Research Council, valued at £4.5m over 3 years. We have had indication of the likelihood of an 18-month extension to this award.

UCL continues to be one of the largest recipients of translational funding in the UK from both the Medical Research Council and Wellcome Trust, with total translational funding from those sources at greater than £27m. UCL's total industry contract portfolio increased to £94m during 2014 up by 13% from last year. Whilst this increase is welcome there is still considerable room for improvement.

UCL has a total of 162 collaborative UK Research Council awards with a value of £243m which is 33% of the current active (started) total value of UK Research Council grants of £732m. This is the highest value of collaborative research grants with industry held by any University in the UK and represents an important area of value and opportunity.

UCL continues to see a dramatic increase in industry funded PhD students, with more than 350 students now funded in conjunction with industry. This represents a doubling of numbers over the last 3 years.

UCL Consultants (UCLC) continues to implement the strategy agreed in 2013. Consultancy managers are now in place for the four consultancy pilot areas and are developing and implementing plans focused on the four UCLC service offerings (academic consultancy, testing and analysis, expert witness, and training and short courses). Overall progress on the strategy is reflected in the positive indicators in relation to both volume and value of consultancy activity, with growth across all four service areas. Turnover for the year ended 31 July 2014 is £8.6m compared to £6.9m last year – an increase of 25%; the number of registered consultants is 952 (compared to 854 last year, an increase of 12%).

UCL Business (UCLB) continues to be one of the leaders in research commercialisation in the UK. UCLB is also critically involved in a number of other activities, which generate a significant amount of translational and other grant income for UCL. This financial year a number of new translational awards approaching £8m were assisted by UCLB. It should also be noted that the UCLB balance sheet does not include a market valuation of the assets.

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### *Supporting UCL's entrepreneurs*

UCLB has negotiated a license agreement and an equity interest in Catapult Therapy TCR Limited a new company based on technology developed by Prof Hans Stauss (UCL Division of Infection). The company will invest £6m million into the technology to take it to clinical trial phase 2b proof of concept. Drug discovery spin-out Domainex Limited announced it had successfully completed studies which provide prospects for new oral treatments for a number of inflammatory diseases including psoriasis and rheumatoid arthritis. The company will be expecting to seek investment (possibly up to £5m) to take its therapeutics to clinic. A number of other spin outs are currently looking to raise finance including Therakind, Abcodia Limited, Helicon Health Limited, Asio Ltd and Amalyst Limited.

UCL continues to play a lead role in supporting student entrepreneurs and in 2014 supported some 87 new student businesses and delivered over 60,000 student learner hours. A further round of 17 Bright Ideas awards were funded, providing £160k of support for budding student entrepreneurs.

UCL Advances managed one hundred and twenty seven student internships this summer with one hundred and eighteen companies. This included ten students working with small companies in Kenya, fifteen working in Europe through the Institute of Archaeology and one hundred and two eight or twelve week placements with small businesses. UCL's core funding has been supplemented by a grant from Santander, who originally awarded us part-funding for thirty five places but agreed to an additional thirty places in May when we showed them the demand at UCL. This has led to Santander agreeing to fund sixty places for 2014/15.

### *Translational research and industry collaboration*

The Translational Research Office (TRO) continues to develop at a very impressive rate and has now established a portfolio of 26 projects with a total value of £36m (at the end of 2013-14), up from £25m in 2013. The cumulative total of translational funding secured through the TRO since its 2010 inception now exceeds £51m.

The newly formed Industrial Partnership Group in the TRO has initiated the development of a portfolio of industrial collaborations and strategic partnerships. During the 2013-14 year, the income derived from these activities exceeded £7m.

In December 2012, the Prime Minister launched IDEALondon, an innovation 'hot-house' established by UCL, Cisco and DC Thomson as the Innovation and Digital Enterprise Alliance (IDEA). IDEALondon – based in the heart of Tech City – is now open and hosts 18 digital and media companies.

### *UCL Enterprise, Impact and the Research Excellence Framework (REF)*

Once of UCL's core income streams is the Quality Related (QR) Funding which will be calculated on the basis of performance in the REF. The 'impact' element of submissions contributes 20% to the evaluation. UCL's enterprise teams have played a key role in assisting the REF process and REF2014 has raised the profile of enterprise activities across the organisation. Of the 272 case studies submitted, 57 involved central enterprise delivery units and 23 had received institutional enterprise funding.

## OPERATING AND FINANCIAL REVIEW

### Financial review

UCL's summary consolidated Income and Expenditure results for the year ended 31 July 2014 are shown in the table below.

<b>Results for the year ended 31 July 2014</b>	<b>2014 £m</b>	<b>2013 £m</b>
<b>Total income</b>	<b>1,019.6</b>	<b>928.1</b>
Operating expenditure	(964.5)	(865.4)
Depreciation	(43.7)	(42.9)
<b>Total expenditure</b>	<b>(1,008.2)</b>	<b>(908.3)</b>
<b>Surplus after depreciation and before tax</b>	<b>11.4</b>	<b>19.8</b>
Share in joint ventures, associates, minority interests and tax	(0.9)	(1.1)
Exceptional items	21.0	-
<b>Surplus on continuing operations</b>	<b>31.5</b>	<b>18.7</b>
Transfer to accumulated income within specific endowments	(0.6)	(0.5)
<b>Surplus retained within general reserves</b>	<b>30.9</b>	<b>18.2</b>

The surplus for the year on continuing operations at £31.5m is ahead of plan and equivalent to 3.1% of total income. The surplus was significantly boosted by profits made on the disposal of two properties during the year. The surplus after depreciation of tangible fixed assets at cost and before tax (ie excluding exceptional items) was £11.4m representing 1.1% of total income and lower than in 2012-13. UCL seeks to generate a surplus on its income and expenditure account in order to generate the cash necessary for investment in people, buildings and in technology, as well as to maintain a reserve that is sufficient to withstand the financial impact of operating in a higher risk environment than was the case in the past. The investment that is necessary to continue to sustain and expand our world-class academic output requires a higher level of surplus than we have generated in recent years and plans are being implemented to increase this over a period of time towards a sustainable level.

Our total income can be analysed as follows:

<b>Source of income</b>	<b>2013-14</b>		<b>2012-13</b>	
	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>
Funding Council	182.4	18	191.2	21
Academic fees	292.8	29	240.9	26
Research grants and contracts	374.5	37	325.6	35
Other operating income	167.6	16	167.9	18
Endowment income and interest receivable	5.1	-	5.3	-
Share of income in Joint Ventures	(2.8)	-	(2.8)	-
<b>Total</b>	<b>1,019.6</b>		<b>928.1</b>	

## **OPERATING AND FINANCIAL REVIEW**

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Academic fee income was up £52m (22%) to £293m, following similar rates of increase in the two previous years. The largest contributor was the fee income from full-time UK and EU students which increased by £26m and includes the further impact of new undergraduates paying £9,000. This compensates for the loss of government grant funding for teaching. Fee income from international students was also up by 19% to £150m with the majority of this accounted for by increased numbers of students.

Income from the Funding Council fell again, as expected, by £9m in the year (5%) to £182m and now accounts for less than 20% of our total income. The most significant factor was the reduced level of grant funding for teaching which reflects the government's shift of funding towards tuition fees. Research grant income from the Funding Council was broadly maintained at the previous year's level of £116m.

Income from research contracts was up £49m (15%) over the previous year to reach £375m. Although £21m of this was as a result of the transfer to UCL of 3 former MRC research units, this is nevertheless a remarkable achievement in an era of 'flat cash' funding from research councils and other government bodies. The contribution to overhead costs within this figure increased more modestly from £54m (19.7% of direct costs) to £60m (19.2%), reflecting particularly strong growth in funding from EU government bodies which grew by 28% and now accounts for £43m or 11% of our total research contract income.

Staff expenditure rose by 12% in the year to £576m and is at 56% of total income (2012-13: 55%); the sector average for the previous year was 53%. This reflects a 9% increase in the number of staff, including around 200 joining UCL from the MRC.

Other operating expenses increased by £40m (12%). This includes elements of expenditure that reflect the increase in research and teaching activity, such as academic consumables and laboratory expenditure. The largest increases were recorded against research grants and contracts (£28m, 22%) reflecting our success in that area, in scholarships and educational support (£9m, 14%) and in premises (£7m, 11%) which includes maintenance of the estate, refurbishment and the revenue costs of new premises acquired.

Other operating expenses also include audit fees and other fees paid to UCL's auditors. The non-audit fees have reduced from £1.6m to £1.0m, and reflect the property advice provided by Deloitte LLP. Drivers Jonas were UCL's property advisers prior to their merger with Deloitte and have continued in this capacity. The University's management and the Audit Committee continue to review this situation and are satisfied that robust arrangements are in place to secure the auditor's independence.

Net assets increased in the year from £812m to £890m, with cash and short-term deposits down 1% at £216m. This represents 81 days' expenditure (excluding depreciation), compared to 92 at the previous year end. The value of UCL's endowment assets increased from £86m to £91m, primarily as a result of the rising market value of our investments. Total reserves increased from £309 million to £343 million.

### *Capital expenditure*

The estate plays a vital role in the creation of a UCL sense of identity and place, contributes to UCL's world-class educational and research experience and is key to supporting the student experience. Inherent with UCL's central London location, it is also the institution's most valuable financial asset and one of its biggest costs.

With such an important role, the estate must be fit for purpose, efficient and effective in support of the academic mission of the institution, while being sustainable, financially, environmentally and socially. In the coming years over £1bn will be invested into UCL's infrastructure, mostly the estate.

## **OPERATING AND FINANCIAL REVIEW**

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The Bloomsbury Masterplan, adopted in 2012, has been further developed alongside the estate and funding strategy to establish a 10 year programme of capital improvements across the whole UCL estate. While the longer term programme planning has been underway, much progress has been made on delivery of early projects.

Planning permission has been gained for two major projects within the central area of the Bloomsbury Campus: a fine new terrace to the rear of the Wilkins building over the unsightly Physics Yard, also providing a new entrance into a completely refurbished and reconfigured Lower Refectory; and the refurbishment and extension of Wates House for the Bartlett School of Architecture. A third major project is also well advanced, the refurbishment and reconfiguration of the Kathleen Lonsdale Building for the Faculty of Maths and Physical Sciences. All these projects commence construction during 2014-15.

The Sainsbury Wellcome Centre for Neural Circuits and Behaviour, a large new building on Howland Street, is due for completion by the end of 2014.

A number of Capital Projects reported on last year, have completed, including:

- Leonard Wolfson Experimental Neurology Centre at the National Hospital in Queen Square which opened in 2013;
- Major refurbishment of the Bernard Katz building, a new home for Biochemical Engineering;
- Cruciform student hub, a major reconfiguration and refurbishment for Medical Sciences, opened in September 2014;
- 132-140 Hampstead Road temporary decant space to enable major projects opened during the year;
- 222 Euston Road was acquired and fitted out for the Farr Institute in the Faculty of Population Health.

Plans are also advancing for a major new build Student Centre on the last vacant site on the Bloomsbury Campus, expected to open in 2017.

UCL is a partner in the construction of the Francis Crick building, which is due to become the central hub for medical research in the UK when it opens in 2015.

Proposals for a new campus at the Queen Elizabeth Olympic Park in Stratford, East London are advancing with the London Legacy Development Corporation and it is hoped agreement can be reached to secure land to construct large scale facilities to open in 2018 or 2019.

Substantial property acquisitions have included the purchase of the freehold of Bidborough House, a substantial office building near St Pancras to be used to house professional services staff releasing space elsewhere on the campus for academic and teaching use; library space in Senate House and a mutual sharing agreement with Birkbeck University providing access to additional teaching space.

### *Fundraising and alumni relations*

In the past twelve months the Development and Alumni Relations Office (DARO) has been coordinating fundraising activity for UCL priorities and supporting academic departments to secure gifts for their research and activities.

In 2013-14 UCL secured a large number of philanthropic gifts and pledges from individual philanthropists, trusts and foundations and corporates and hundreds of gifts from our alumni community. We are in the planning phase of a new fundraising campaign and have already raised over £127m since counting began in August 2011. In the coming year, DARO will be working on identifying the priorities for philanthropic support and on expanding conversations with a wide range of audiences in advance of the global launch of the campaign in 2016.

## **OPERATING AND FINANCIAL REVIEW**

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The majority of our largest campaign contributions so far have been towards capital projects: the Centre for Research into Rare Diseases in Children at the ICH, the Institute of Immunity and Transplantation at the Royal Free, the Sainsbury Wellcome Centre, and the Leonard Wolfson Experimental Neurology Centre.

We raised over £635k through our alumni regular giving programme, including highly successful telephone appeals this year which raised a record £322k. The year closed with £1.8m in new legacy pledges taking the total value to £103.6m.

It is estimated that UCL is in touch with 70% of all alumni. Currently this totals over 170,000 people in over 180 countries. Over 90,000 UCL alumni live in the UK with approximately 30,000 based in London.

### **Financial outlook**

The outlook for UCL remains positive, despite a degree of risk and uncertainty in the UK higher education market. The university has developed an integrated estate and financial strategy that supports the objectives set out in UCL2034. This envisages a heightened and sustained programme of investment in our physical infrastructure over the next 10 years that will provide the capacity and quality of facilities to ensure we remain globally successful. In order to fund that programme, we will improve our financial operating performance over a period of time and raise finance through philanthropy, partnerships and new debt. The implementation of this strategy is underway and is reflected in our plans, targets and performance monitoring.

The changing funding and regulatory environment for higher education in the UK continues to offer both opportunities and challenges for UCL. The increase in tuition fees for new UK/EU undergraduates, which reinstates much of the reduction in HEFCE teaching grant, is a critical driver for investment in the estate, teaching infrastructure and other aspects of the student experience. Government funding for research, particularly science research, remains flat in cash terms and although we have gained admirably in market share, it would be unwise to assume this trend can continue.

There are opportunities for increasing undergraduate student numbers as recruitment controls are progressively removed. UCL has increased its intake of both UK/EU and international undergraduate students in 2014. Again it would be unwise to assume that we can continue to gain market share in this way, especially as the demographic trend suggests there could be up to 12-15% fewer applicants from UK nationals by 2020.

Around 46% of UCL students are postgraduates and this proportion will increase further with the merger with the Institute of Education. HEFCE have preserved some funding to support both taught and research postgraduates, though their access to financial support is extremely limited by comparison to undergraduates. The impact in future of higher levels of indebtedness (as a result of higher undergraduate tuition fees) on the propensity of graduates to return for postgraduate study remains uncertain.

UCL has weathered the initial impact of cuts in government funding, however there is more to come. Capital funding for universities has shrunk dramatically and it is now almost entirely the responsibility of universities to source funding for capital investment. UCL has an ambitious plan to transform the University's estate on an unprecedented scale, with future expenditure of around £120m per annum. This will create the scale and quality of facilities commensurate with a world-leading university.

## **OPERATING AND FINANCIAL REVIEW**

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### **Managing risk**

UCL has a mature process for identifying, reviewing and monitoring those risks that pose the greatest threat to the achievement of its academic objectives. The strategic risk register is reviewed by the full senior management team and each risk is assigned an owner. Controls and actions are identified to mitigate the risk and an assessment is made of impact and likelihood, both inherent and residual (post-mitigation). The outcome of this assessment leads to a grading which, when overlaid with UCL's appetite for risk, results in the categorisation of risks between intolerable, severe and manageable.

Action is being taken in respect of all strategic risks but most urgently in respect of those with the highest severity rating. Those include risks associated with the substantial programme of construction work which is now underway, disruption associated with planned work on the High Speed Two rail terminus at Euston and a failure to achieve sustainable levels of research income. Other risks identified include issues associated with staff diversity, meeting student expectations and data security.

The University participates in a number of pension schemes, the most significant of which are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements for the University of London (SAUL). Both are defined benefit schemes and are substantially in deficit. USS reported a scheme deficit of £2.9bn (92% funding level) at the last valuation in April 2011 and the most recent interim valuation in April 2013 saw this deficit increase to £11.5bn (77% funding). Investment performance has generally been satisfactory but the historically low gilt yields have swollen the value of the liabilities as this is the basis used for discounting future scheme payments. The results of the most recent valuation in April 2014 have not yet been released. UCL is playing an active role along with other employers and the trustees to agree a solution, that will include benefit reform, to ensure USS remains both attractive and sustainable. UCL pays 16% of member employees' salaries into the scheme, as does every participating employer, and in 2013-14 this equated to £48.4m. We are not currently required to disclose our share of the USS deficit on our balance sheet but this will change from 2015-16 with the implementation of a new Financial Reporting Standard (FRS102).

The SAUL pension scheme was also in deficit at the last formal valuation date (£75m as at 31 March 2011) and the results of the 2014 valuation are awaited. UCL paid contributions of £7.6m into SAUL in 2013-14.

### **Delivering public benefit**

In identifying its aims, UCL's trustees have taken due consideration of the guidance relating to public benefit published by the Charity Commission. UCL's objects, as outlined in its Royal Charter, are "to provide education and courses of study in the fields of Arts, Laws, Pure Sciences, Medicine and Medical Sciences, Social Sciences and Applied Sciences and in such other fields of learning as may from time to time be decided upon by the college and to encourage research in the said branches of knowledge and learning and to organise, encourage and stimulate postgraduate study in such branches."

In addition to its objects, UCL's global vision is informed by four clear principles of intent that form the basis of all it does:

- To enhance UCL's educational and research environment by promoting the global context in which UCL operates;
- To contribute throughout the range of UCL activity (research, teaching, learning, business links, and community engagement) to the resolution of problems of global significance;
- To contribute to UCL's financial stability by maximising income generation from all aspects of global activity where the potential to do so exists;
- To engage with public bodies, including UK Government, in matters of support for British higher education in a global market.



## **OPERATING AND FINANCIAL REVIEW**

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However, a university has a much broader charitable purpose than just advancing education and a wide range of activities undertaken at UCL in the past year support this broader public benefit.

### *The advancement of education*

UCL was founded in 1826 to provide education to all who could benefit by it. UCL was the first university to admit students regardless of their race, class or religion and the first to admit women students on equal terms with men. UCL continues to provide education to over 28,000 students at both undergraduate and postgraduate levels; 31% of UCL students come from outside the UK, attracted from countries around the globe.

UCL's widening participation strategy aims to raise awareness of higher education, to assist in the preparation for higher education by addressing the academic, social and cultural issues underlying historic levels of low participation, to enhance the diversity of UCL's student body by recruiting the brightest students regardless of their background and to improve the retention of students at UCL. In line with our Access Agreement UCL continues to set aside over £10m per annum to provide enhanced bursaries for students from low income families and to support outreach activities.

UCL's outreach activities include organised events and activities at UCL for school and college staff and students and outreach work by UCL staff and students in schools and colleges. UCL staff visit schools to make presentations on higher education and the university applications procedure, and UCL student ambassadors visit schools and colleges to advise, mentor or tutor their students. UCL outreach activities also make the best possible use of community links and working with our museums and collections, provide an interactive teaching programme for schools and colleges

### *The advancement of the arts, culture, heritage and science*

As well as providing education in these areas, for example through the UCL Centre for Museums, Heritage and Material Cultural Studies, UCL's outstanding collections cover a wide variety of disciplines, reflecting the range of the university's academic work. Three collections

- the Petrie Museum, the Grant Museum and UCL Art Museum – are open to the public. Other collections are primarily for teaching and research but can be seen and studied by appointment.

### *Improving public policy*

UCL is committed to ensuring that the insights generated from our research are widely disseminated and communicated to policymakers. The institution-wide UCL Public Policy Strategy draws on the full breadth of our disciplines to ensure a multifaceted approach to the development of solutions to aspects of complex real-world policy challenges, of both immediate and long-term concern.

Highlights over the past year have included:

- publishing 18 policy briefings which have covered diverse topics including non-communicable diseases, Britain's relationship with the European Union, and planning and decision-making in disasters
- arranging 14 policy placements for UCL researchers in Government departments. UCL Public Policy has built a particularly strong link with the Foresight team in the Government Office for Science and has made a significant contribution via policy secondments to the current Future Cities project (the expert advisory group of which is chaired by Professor Alan Wilson of UCL)
- holding five public events on topics related to the science and research funding, big data and research cultures, as well as the launch of the first two UCL Policy Commissions

## **OPERATING AND FINANCIAL REVIEW**

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- arranging a number of roundtable policy discussion meetings between UCL academics and policy stakeholders, including with the Government Office for Science, the Independent Review of Metrics and the Speaker's Commission on Digital Democracy.

### *Student Volunteering*

UCL has a well-established culture of student volunteering. Annually, around 1,400 students participate in activities through the Volunteering Services Unit (VSU), such as organising football tournaments for homeless people, getting involved with campaigning organisations, teaching computer skills to local elderly people, or coordinating fundraising events for disability charities. The VSU also runs the Innovations Programme which supports students to develop their own proposals for new community programmes. The VSU also promotes one-off volunteering, involving students in fundraising activities, community festivals, conservation projects and other events across London.

### *The advancement of health and the saving of lives*

UCL Medical School is one of the largest in the country with a yearly intake of 330 undergraduate students. Our biomedical research ranges across pure and translational areas and from age and wellbeing, through cancer, cardiovascular and neuroscience to experimental and systems medicine. The UCL Medical School has a strong reputation for teaching informed by cutting-edge research. The School has a distinguished cadre of academic staff who are at the forefront of international research in medical sciences and clinical medicine.

Translational research is supported by close partnerships with NHS trusts. UCL Partners is an academic health sciences system, drawing UCL together with our major hospital partners in a joint mission to enhance medical research and teaching, clinical care and population health. This has led to significant benefits for the population.

### *Environmental sustainability*

This year, UCL has been working to implement the objectives and targets set out in the Environmental Sustainability Strategy. Key highlights included:

- In 2013-14, carbon emissions were calculated at 56,308 tCO<sub>2</sub>e. This represents only slight progress against the 34% target (0.3%), and a slight decrease since 2012-13
- UCL's total non-hazardous waste is down from 4,393 tonnes in 2012-13 to 3,672 tonnes in 2013-14. This reduction is largely the result of better data collection
- UCL recycled approximately 69% of the non-hazardous waste
- UCL is also continuing to utilise a waste reuse system (WARPit) and has had approximately 2 tonnes of waste shared through the system
- In November 2013, UCL achieved an EcoCampus Gold status and remains on track to achieve an ISO 14001 standard in 2015
- The team has also supported a number of capital projects to achieve either BREEAM or Ska targets – both representing an improvement in building environmental performance.
- UCL Environmental Sustainability team won UCL's first Green Gown award in November for Technological Innovation
- Finally, UCL achieved a highly commended at the recent S-Lab awards for its work in reducing the costs of chemical procurement (estimated savings of £90,000 per annum).

Since trialling the RICS Ska programme last year, the team now has 4 in-house Ska assessors and is supporting 18 capital projects in achieving Ska Gold. This represents a significant step forward in delivering sustainability in our refurbishment programme, capturing ethical procurement as well as operational energy and waste savings. Feedback from project teams is that these higher standards are being achieved without an increase in capital investment.

## **OPERATING AND FINANCIAL REVIEW**

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UCL has worked in partnership with our catering provider to achieve the Food For Life catering marks Bronze standard in April 2013. In parallel, a procurement process was undertaken for the catering contract which embedded environmental sustainability as a core value.

The ESMS was audited in November to the EcoCampus Gold Standard. This audit included site visits; interviews with departments and UCL Student Union; review of processes and procedures; and the review of records such as waste transfer notes. The auditor noted many examples of good practice including the Green Awareness UCL e-learning package and the UCL Sustainability Strategy.

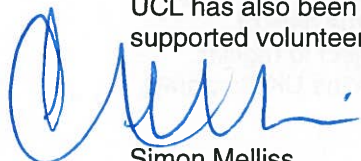
The team has focussed on a number of small scale, high impact training materials this year, making these engaging and widely accessible to all staff and students. These have included an Easter switch off campaign, educating the UCL community about the importance of small actions. The Planet UCL discussion series was re-launched and the sessions received strong attendance this year which we hope to continue this going forward.

The achievement of the teams within Green Impact was greatly improved this year with large increases in Gold and Silver awards given. The number of improvement actions taken by these teams also showed a significant increase against the previous year, reflecting the scale of improvement within the individual departments. 27 teams signed up; 7 achieved working towards bronze; 13 bronze; 6 silver; 1 gold.

The UCL Environmental Sustainability team and green champions have supported a number of student led initiatives over the course of the year. Research activities have included:

- Energy research in the Chemistry building
- The further development of the Green Building
- Information Model (BIM) in CEGE
- Carbon footprinting HE buildings
- Assessing waste behaviours and the impact of recycling initiatives
- Developing water meters as part of the BASc module

UCL has also been active in a number of networks over the last year and has actively supported volunteering opportunities.



Simon Melliss  
Treasurer



Dame DeAnne Julius  
Chair of Council

## **CORPORATE GOVERNANCE STATEMENT**

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UCL is committed to exhibiting best practice in all aspects of corporate governance and 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).

This summary describes the manner in which UCL has applied the principles set out in the UK Corporate Governance Code (formerly the Combined Code on Corporate Governance) issued by the London Stock Exchange in June 1998 and revised in June 2010 in so far as they relate to Higher Education Institutions. Its purpose is to help the reader of the accounts understand how the principles have been applied. UCL keeps under careful review its organisation and arrangements to ensure that the best principles of Governance and Management are maintained in a manner appropriate to the nature and character of the institution. In so doing, it takes into careful account such guidance as set out for example in the UK Corporate Governance Code, the Reports of the Committee on Standards in Public Life and the CUC Governance Code of Practice.

UCL's Governing Body, the Council, is guided by but not limited by the Committee of University Chairs' governance code of practice and general principles within the CUC Guide for Higher Education Governing Bodies in the UK issued in 2009. UCL's practices are consistent with the provisions of the code, except that the reports of governance effectiveness reviews are not at present published widely, but are distributed internally.

The Council is responsible for the system of internal control operating within UCL and its subsidiary undertakings ("the Group") and for reviewing its effectiveness. Such a system can only provide reasonable, and not absolute, assurance against material misstatement or loss, and cannot eliminate business risk. The Council identifies areas for improvement in the system of internal control, based on reports and views from the Audit Committee, Academic Board and other committees.

At its November 2014 meeting, the Council will carry out an annual assessment for the year ended 31 July 2014 by considering a report from the Audit Committee, and taking account of events since 31 July 2014. The Council is of the view that there is an on-going process for identifying, evaluating and managing the Group's key risks and internal controls, and that it has been in place for the whole of the year ended 31 July 2014, and up to the date of approval of the annual report and accounts, that the process has been subject to regular review, and that it accords with the internal control guidance for directors in the UK Corporate Governance Code, as deemed appropriate for higher education.

In accordance with the Statutes of UCL, the Council comprises lay members, the President and Provost (Provost hereafter), academic staff members and student members (in numbers specified by Statute). The Statutes provide for the distinct roles of Chair and Vice-Chair of the Council, the Treasurer, and of UCL's Chief Executive, the Provost. The powers and duties of the Council are set out in Statutes; by custom and under the Financial Memorandum with the Higher Education Funding Council for England, the Council holds to itself the responsibilities for the on-going strategic direction of UCL, approval of major developments and the receipt of regular reports from UCL officers on the day to day operations of its business and its subsidiary companies. The Council has formally identified those items of business which it retains to itself for collective decision. The Council normally meets six times each year; it has several committees, including Finance Committee, Audit Committee, Remuneration and Strategy Committee and Nominations Committee. All of these Committees are formally constituted with Terms of Reference.

In accordance with the Regulations for Management of UCL, the Finance Committee comprises lay members, the Provost and academic staff members (in numbers specified by regulation). The Committee meets at least four times annually, and is chaired by the Treasurer. Inter alia it recommends to the Council UCL's annual revenue and capital budgets and monitors performance in relation to the approved budgets and reviews UCL's annual financial statements with regard to UCL's financial performance and strategy.

## **CORPORATE GOVERNANCE STATEMENT**

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The Committee also receives and considers reports from the Higher Education Funding Council for England as they affect UCL's business and monitors adherence with the regulatory requirements.

The Investments Committee, which reports to Finance Committee, is chaired by the Treasurer and comprises four other lay members with investment expertise appointed by Council. It governs, manages and regulates the investments of UCL.

The Audit Committee, which meets at least three times annually, is chaired by a lay member of Council and comprises lay members only. The Committee considers reports from the Internal Auditors arising from their audits, which highlight significant issues and management's response thereon and reviews the conclusions of this work. The Audit Committee also approves the annual programme of UCL's external provider of Internal Audit Services. Plans are drawn up based on assessment of the relative risks, the significance of each operating area and their materiality in the context of overall UCL activity. In complying with Code provision C.2.1 (to conduct, at least annually, a review of the Group's system of internal controls), the Audit Committee conducts a high level review of the arrangements for internal control and data quality, with regular consideration of risk and control, based on reports received from the Vice Provost (Operations), chair of the Risk Management Working Group, with emphasis given to obtaining the relevant degree of assurance and not merely reporting by exception. It reports to the Council the results of this review. The Committee is responsible for meeting with the External Auditor to consider the nature and scope of the annual audit and, thereafter discuss audit findings, the management letter and internal control report arising out of the audit of the annual financial statements. The Audit Committee also reviews the annual financial statements, paying particular attention to financial disclosures, accounting adjustments and control issues. Whilst UCL officers attend the meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee meets from time to time with the Internal and External Auditors on their own for independent discussions.

The Risk Management Working Group is chaired by the Vice Provost (Operations) and takes overall responsibility for ensuring that the significant risks to UCL's corporate objectives are regularly reviewed, assessed, monitored and reported upon appropriately within UCL. It actively monitors and reports to the Provost's Senior Management Team (SMT) on progress, with agreed actions, on all the identified risks, other than those directly monitored by the Provost's SMT. It is also responsible for developing and providing documentation and guidance on the risk assessment process and regularly revises and updates the risk assessment criteria.

The Academic Committee, which reports to the Council via the Academic Board, is responsible for, inter alia, monitoring the effectiveness of the academic quality assurance strategy, encompassing policies and procedures in respect of quality management and quality enhancement.

The Nominations Committee considers the filling of vacancies in the lay membership of Council and of other UCL Committees (except the Nominations Committee, for which Council itself considers vacancies in the lay membership).

The Remuneration Committee is chaired by the Chair of Council and comprises three other members of Council and the Provost. It determines the annual remuneration of senior officers of UCL and where necessary decides on any severance payments. The Provost is excluded from discussions relating to his own remuneration package. The Remuneration Committee also receives a report of the annual review of all professorial salaries and administrative equivalents not otherwise considered by it. The remuneration of these staff is determined by the Provost in consultation with relevant Vice-Provosts and Deans and the Director of Human Resources. Salary levels are set to attract and retain members of staff for the successful operation of UCL, both academically and administratively, and incorporate rewards for individual performance. No remuneration is paid to lay members of the Council or any of its Committees.

## **RESPONSIBILITIES OF THE COUNCIL OF UNIVERSITY COLLEGE LONDON**

In accordance with UCL's Charter and Statutes, the Council is responsible for the administration and management of the affairs of UCL, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Council is responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of UCL and for ensuring that the financial statements are prepared in accordance with UCL's Charter and Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of UCL, the Council, through the Provost, its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of UCL and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council has ensured that:

- (i) suitable accounting policies are selected and applied consistently;
- (ii) judgments and estimates are made that are reasonable and prudent;
- (iii) applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (iv) financial statements are prepared on the going concern basis. The Council is satisfied that it 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 Council has taken reasonable steps to:

- (i) ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- (ii) ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- (iii) safeguard the assets of UCL and prevent and detect fraud;
- (iv) secure the economical, efficient and effective management of UCL's resources and expenditure.

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

- (i) clear definitions of the responsibilities of, and authority delegated to, heads of academic and administrative departments;
- (ii) comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Council;

## **RESPONSIBILITIES OF THE COUNCIL OF UNIVERSITY COLLEGE LONDON**

- (iii) a professional Internal Audit Service whose annual programme of work is approved by Audit Committee, endorsed by the Council and whose head provides the Provost, Audit Committee and Council with a report on internal audit activity within UCL and an opinion on the adequacy and effectiveness of UCL's system of internal control, including internal financial control;
- (iv) regular reviews of financial performance and key business risks, and termly reviews of financial forecasts including variance reporting and updating;
- (v) a comprehensive planning process for the short to medium term supported by detailed income, expenditure, capital and cash flow budgets and forecasts, including review and refresh of strategic objectives, the key risks affecting their achievement and key performance indicators of progress;
- (vi) embedded risk management policies and procedures incorporating identification, monitoring and review of internal controls moderating and mitigating key risks, covering all categories of risk at all levels of the organisation;
- (vii) clearly defined procedures for the approval and control of expenditure, with investment decisions involving capital or recurrent expenditure being subject to formal detailed review according to levels set by the Council.

Any system of internal control can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COUNCIL OF UNIVERSITY COLLEGE LONDON**

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We have audited the financial statements of University College London (UCL) for the year ended 31 July 2014 which comprise the Statement of Principal Accounting Policies, the Consolidated Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Consolidated and Entity Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 42. 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 Council of UCL in accordance with financial memorandum effective August 2010. 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 University's and Group's affairs as at 31 July 2014 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 Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2014 have been applied for the purposes for which they were received; and



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COUNCIL OF  
UNIVERSITY COLLEGE LONDON**

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- in all material respects, income during the year ended 31 July 2014 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England.

**Matter on which we are required to report by exception**

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the Statement of Internal Control (included as part of the Corporate Governance Statement) is inconsistent with our knowledge of the University.

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Reading  
United Kingdom

27<sup>th</sup> November 2014

## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

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### **1. Basis of Preparation**

The financial statements are prepared under the historical cost convention as modified by the revaluation of investments and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) 2007 and applicable United Kingdom Generally Accepted Accounting Practice.

UCL's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating and Financial Review. The financial position of UCL, its cash flows, liquidity position and borrowing facilities are also described here. UCL has considerable financial resources, along with funding from HEFCE, for research grants and other teaching contracts across different geographic areas and industries. As a consequence, Council believes that UCL is well placed to manage its risks successfully despite the current uncertain economic outlook. The members of Council have a reasonable expectation that UCL has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **2. Basis of Consolidation**

The consolidated financial statements consolidate the financial statements of UCL and its subsidiary undertakings (collectively referred to as "the Group") for the financial year to 31 July. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The UCL Union has not been consolidated since it is a separate enterprise over which UCL has limited influence both in areas of financial control and policy decisions.

The institution's share of income and expenditure in joint venture entities is recognised in the institution's income and expenditure account in accordance with FRS 9. Similarly the institution's share of assets and liabilities in associate entities is recognised in the institution's balance sheet in accordance with FRS 9. The gross equity method is used when consolidating joint venture entities and associate entities are consolidated using the equity method in accordance with FRS 9.

### **3. Income and Expenditure Account**

The income and expenditure account has been drawn up in line with the SORP and with classifications based on the requirements of the annual financial return made to the Higher Education Statistics Agency.

Funding Council block grants are accounted for in the period to which they relate.

Funding Council grants to fund special initiatives are credited to the income and expenditure account in line with the delivery of each initiative. Any payments received in advance of service delivery are recognised in the balance sheet as liabilities.

Tuition fee income is stated net of fee waivers and fee remission and is recognised in the income and expenditure account over the period in which students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Income received from research grants and contracts is included to the extent only of expenditure incurred during the year, together with any related overhead contributions towards costs.

## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

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Other income and income in respect of other services rendered are accounted for on an accruals basis and credited to the income and expenditure account to the extent of the completion of the contract or service concerned. Any payments received in advance of service delivery are recognised in the balance sheet as liabilities.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customer or the terms of the contract have been satisfied.

Income from general donations to support revenue expenditure is credited to the income and expenditure account in full in the year in which it is receivable.

Income is deferred only when the Group has to fulfil conditions before becoming entitled to it or where it has been specified by the donor that the money must be used in a future period.

Income received from endowments is credited to the income and expenditure account in the period in which it is earned. Income from restricted endowments not expended in the year is transferred from the income and expenditure account to an endowment reserve fund. Realised gains or losses arising from dealing in assets underlying endowment funds are retained within the endowment in the balance sheet.

Increases or decreases in value arising on the revaluation or disposal of endowment assets is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the statement of total recognised gains and losses.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; an impairment in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus.

Expenditure incurred relates to the receipt of goods and services. A provision for bad debts is included on the basis that as debts become older a higher percentage becomes irrecoverable.

Where the Group disburses funds it has received as paying agent on behalf of the Funding Council or other body, and has no beneficial interest in the funds, the receipt and subsequent disbursement of the funds have been excluded from the income and expenditure account.

### **4. Pension Arrangements**

The Group contributes to three principal pension schemes on behalf of its employees: the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) and the National Health Service Pension Scheme.

Contributions were also made to the Essex Pension Fund and the UCL (Former Medical Schools) Pension Scheme (UFMS) which are defined benefit schemes.

With effect from 30 June 2012, all active members of the UFMS consented to a transfer of their benefits to SAUL. Deferred and pensioner liabilities have remained with UFMS.

The USS, SAUL and the NHS Pension Scheme are multi-employer schemes and it is not possible to identify UCL's share of the underlying assets and liabilities. Therefore, as required by Financial Reporting Standard (FRS) 17, the contributions are charged directly to the income and expenditure account as if the schemes were defined contribution schemes.

## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

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USS is a “last man standing” scheme which means that in the event that another member institution becomes insolvent the other participating members will pick up any funding shortfall. Further details about USS, information about the latest informal valuations of the scheme and proposed rule changes can be found at [www.uss.co.uk](http://www.uss.co.uk).

The Essex Pension Fund is a multi employer defined benefit scheme in which the assets and liabilities relating to UCL’s members can be separately identified. It has therefore been accounted for in accordance with FRS17. The amounts charged to the income and expenditure account are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested in the scheme membership. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The Essex Pension Fund is part of the Local Government Pension Scheme, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuation is obtained at least triennially and is updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

The UFMS is a single employer defined benefit scheme accounted for in accordance with FRS 17. The amounts charged to the income and expenditure account are gains and losses on settlements and curtailments (as there are no longer active members in the Scheme there are no current service costs). They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested in the scheme membership. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The UFMS scheme is funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuation is obtained at least triennially and is updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

### **5. Accounting for Research and Development**

Expenditure on pure and applied research is expensed, and is treated as part of the continuing activities of the Institution.

### **6. Foreign Currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year unless such funds are held for onward transmission to a research partner under an agency agreement, in which case they are included in creditors.

## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

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### **7. Taxation**

UCL enjoys charitable status and is therefore potentially exempt from taxation in respect of most income under Part 11 Chapter 3 of the Corporation Tax Act 2010 and in respect of capital gains under Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that they are applied for its charitable purposes.

Subsidiary companies are liable to corporation tax.

UCL is partially exempt for the purposes of Value Added Tax and is only able to reclaim a minor element of VAT charged on goods and services bought in.

### **8. Intangible Fixed Assets**

UCL followed acquisition accounting rules to account for the business combination with the School of Pharmacy in the year ended 31 July 2012, with the resulting negative goodwill treated as an intangible fixed asset. The benefit is being released to the income and expenditure account on a straight line basis over a period of 46 years, consistent with the lifetime of the non-monetary assets acquired.

### **9. Land and Buildings**

Land and Buildings are stated in the Balance Sheet at cost where purchased or constructed by the Group, or valuation where acquired through donation or via the exchange of non-monetary consideration, net of depreciation and any provision for impairment. Freehold buildings are depreciated on a straight line basis over their expected useful lives of 50 years. Land which is held freehold is not depreciated and buildings held on long leasehold are depreciated over the life of the lease up to a maximum of 50 years.

Major refurbishments and fixtures and fittings are capitalised and depreciated as follows:

Major refurbishments	20 years
Fixtures and fittings	10 years

No depreciation is charged on assets in the course of construction.

### **10. Equipment**

Expenditure on furniture and equipment costing less than £25,000 is written off to the income and expenditure account in full in the year of acquisition.

Equipment and furniture costing more than £25,000 is stated at cost net of depreciation and any provision for impairment, and depreciated over its expected useful life as follows:

Equipment funded by research grants	Term of grant
Other furniture and equipment	5 years

### **11. Acquisition with the aid of specific grants**

Where tangible fixed assets, excluding freehold land, are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Specific grants received to fund the purchase of freehold land are credited directly to the income and expenditure account in the year of the purchase.

## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

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### **12. Leased Assets**

Finance lease obligations are included within creditors. Financing amounts are charged to the income and expenditure account so as to produce a constant periodic charge on the balance outstanding. Assets held under finance leases are capitalised and depreciated over the shorter of the lease term or the expected useful lives of equivalent owned assets.

Operating lease costs are charged to the income and expenditure account in the year in which they are incurred.

### **13. Heritage Assets**

Individual objects, collections, specimens or structures with historic, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture are termed Heritage assets.

Heritage assets acquired on or after 1st July 2006, whether donated, purchased or on loan, are capitalised and recognised in the balance sheet at cost or valuation, where such cost or valuation is reasonably obtainable or reliable and amounts to £25,000 or more.

Items donated or on loan are valued by internal valuers. In exceptional cases, where items are of a rare or unusual nature, an external valuation may be sought.

Heritage assets acquired prior to 1st July 2006 have not been capitalised due to the difficulty and cost of attributing a reliable cost or value to them, in particular due to the significant cost involved in the reconstruction and analysis of past accounting records required to do so.

The useful economic lives of assets capitalised are considered and depreciation provided accordingly where they are considered to be finite.

### **14. Patents, licences, rights, trademarks and other similar rights over assets**

Expenditure on patents, licenses, rights, trademarks and other similar rights over assets is charged to the income and expenditure account in full in the year in which it is incurred.

### **15. Investments**

Endowment Asset Investments and fixed asset investments in listed securities are stated at market value in the Balance Sheet. Subsidiary and associate company investments are stated at cost less provision for impairment.

Current asset investments are shown at the lower of cost or net realisable value.

In the consolidated accounts the Group's share of the results in joint ventures is shown each year in the income and expenditure account and the group's share of gross assets and liabilities is recognised on the balance sheet.

### **16. Stocks**

Stocks are made up of goods for resale, centrally held stock holdings and stocks held by academic departments and are stated at the lower of cost or net realisable value.

### **17. Cash Flows and Liquid Resources**

Cash flows comprise increases or decreases in cash.

Cash includes cash in hand and cash at bank available within twenty four hours without penalty, and overdrafts.

## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

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### **18. Provisions and contingent liabilities**

Provisions are recognised in the financial statements when the Institution has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability. Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: the existence of an obligation is only possible rather than certain; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT YEAR ENDED 31 JULY 2014**

	Note	2014 £'000	Restated* 2013 £'000
<b>INCOME</b>			
Funding Council grants	1	182,437	191,160
Academic fees and support grants	2	292,771	240,874
Research grants and contracts	3	374,503	325,645
Other operating income	4	167,579	167,926
Endowment income and interest receivable	5	5,098	5,326
Total Income		<u>1,022,388</u>	<u>930,931</u>
Less: Share of income from joint ventures	16	<u>(2,776)</u>	<u>(2,777)</u>
<b>Net Income</b>		<b><u>1,019,612</u></b>	<b><u>928,154</u></b>
<b>EXPENDITURE</b>			
Staff costs	6	576,304	516,611
Other operating expenses	7	382,385	342,760
Interest payable	8	5,842	5,982
Depreciation	9	43,662	42,946
<b>Total Expenditure</b>		<b><u>1,008,193</u></b>	<b><u>908,299</u></b>
<b>SURPLUS AFTER DEPRECIATION OF TANGIBLE FIXED ASSETS AT COST AND BEFORE TAX</b>		11,419	19,855
Share of operating loss in joint ventures	16	(165)	(211)
Share of operating loss in associates	17	(917)	(1,086)
Taxation	10	(8)	(50)
Share of taxation in associates	17	129	163
<b>SURPLUS AFTER DEPRECIATION OF ASSETS AT COST AND TAX</b>		10,458	18,671
Minority interest	28	42	23
<b>SURPLUS BEFORE EXCEPTIONAL ITEMS</b>		10,500	18,694
Exceptional items: continuing operations	11		
Profit on disposal of fixed asset investments		377	16
Profit on disposal of tangible fixed assets		20,643	13
<b>SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST, DISPOSAL OF ASSETS AND TAX</b>		31,520	18,723
Surplus for the year transferred to accumulated income in endowment funds	26	(614)	(506)
<b>SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES</b>		<b><u>30,906</u></b>	<b><u>18,217</u></b>

The consolidated income and expenditure of the Group relates wholly to continuing activities.

\* See notes 3 and 7



### STATEMENT OF GROUP HISTORICAL COST SURPLUSES AND DEFICITS

	Note	2014 £'000	2013 £'000
Surplus on continuing operations before taxation		31,399	18,610
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	27	550	550
Valuation gains realised on disposal of fixed asset investments	27	41	-
<b>Historical cost surplus for the year before taxation</b>		<b>31,990</b>	<b>19,160</b>
<b>Historical cost surplus for the year after taxation</b>		<b>32,111</b>	<b>19,273</b>

### STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

	Note	2014 £'000	2013 £'000
Surplus on continuing operations after depreciation of assets at cost and disposal of assets and tax		31,520	18,723
Appreciation of endowment asset investments	18	2,753	11,551
Endowments received in year	26	3,089	2,885
Adjustment to income and expenditure reserve for change in percentage holdings in associates		(380)	790
Unrealised surplus on revaluation of fixed asset investments	27	2,590	5,010
Deficit of Essex Pension Fund transferred in 1 March 2013	38	-	(225)
Actuarial losses in respect of pension schemes	38	(239)	(11)
		<b>39,333</b>	<b>38,723</b>

### RECONCILIATION TO CLOSING RESERVES AND ENDOWMENTS

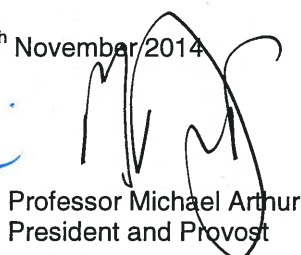
Opening reserves and endowments	394,669	355,946
Total recognised gains and losses for the year	39,333	38,723
<b>Closing reserves and endowments</b>	<b>434,002</b>	<b>394,669</b>

<b>CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2014</b>	<b>Note</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
<b>FIXED ASSETS</b>			
Intangible assets	12	(2,813)	(2,878)
Tangible assets	13	768,256	688,408
Investments	15	82,043	65,964
Investments in joint ventures:	16		
Share of gross assets		2,557	2,740
Share of gross liabilities		(1,888)	(1,906)
Investments in associates	17	-	956
		<b>848,155</b>	<b>753,284</b>
<b>ENDOWMENT ASSET INVESTMENTS</b>	18	<b>90,542</b>	<b>85,945</b>
<b>CURRENT ASSETS</b>			
Stock		820	557
Debtors	19	185,207	164,935
Current asset investments	20	127,691	135,336
Cash at bank and in hand		87,793	82,291
		<b>401,511</b>	<b>383,119</b>
<b>CURRENT LIABILITIES</b>			
Creditors: amounts falling due within one year	21	(377,884)	(337,555)
Share of net liabilities in associates	17	(151)	-
		<b>23,476</b>	<b>45,564</b>
<b>NET CURRENT ASSETS</b>		<b>23,476</b>	<b>45,564</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>962,173</b>	<b>884,793</b>
Creditors: amounts falling due after more than one year	22	(69,863)	(72,599)
Provision for liabilities and charges	24	(1,816)	(387)
		<b>890,494</b>	<b>811,807</b>
<b>NET ASSETS EXCLUDING PENSIONS LIABILITY</b>		<b>890,494</b>	<b>811,807</b>
Pension liability	38	(290)	(111)
		<b>890,204</b>	<b>811,696</b>
<b>NET ASSETS</b>		<b>890,204</b>	<b>811,696</b>
<b>DEFERRED CAPITAL GRANTS</b>	25	<b>456,311</b>	<b>417,094</b>
<b>ENDOWMENTS</b>	26		
Expendable		76,907	72,787
Permanent		13,635	13,158
		<b>90,542</b>	<b>85,945</b>
<b>RESERVES</b>	27		
Income and expenditure account excluding pension reserve		308,391	275,475
Pension reserve		(290)	(111)
Income and expenditure account including pension reserve		308,101	275,364
Revaluation reserve		35,359	33,360
		<b>343,460</b>	<b>308,724</b>
Minority interest	28	(109)	(67)
<b>TOTAL FUNDS</b>		<b>890,204</b>	<b>811,696</b>

Approved by Council on 27<sup>th</sup> November 2014



Simon Melliss  
Treasurer



Professor Michael Arthur  
President and Provost



Phil Harding  
Director of Finance

UNIVERSITY COLLEGE LONDON  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

<b>UCL BALANCE SHEET AS AT 31 JULY 2014</b>	<b>Note</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
<b>FIXED ASSETS</b>			
Intangible assets	12	(2,813)	(2,878)
Tangible assets	13	767,127	685,687
Investments	15	87,916	74,683
		<b>852,230</b>	<b>757,492</b>
<b>ENDOWMENT ASSET INVESTMENTS</b>	18	<b>90,542</b>	<b>85,945</b>
<b>CURRENT ASSETS</b>			
Stock		775	524
Debtors	19	194,096	168,734
Current asset investments	20	127,691	135,336
Cash at bank and in hand		73,276	70,459
		<b>395,838</b>	<b>375,053</b>
Creditors: amounts falling due within one year	21	(370,938)	(328,452)
<b>NET CURRENT ASSETS</b>		<b>24,900</b>	<b>46,601</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>967,672</b>	<b>890,038</b>
Creditors: amounts falling due after more than one year	22	(69,863)	(72,599)
Provision for liabilities and charges	24	(1,816)	(387)
<b>NET ASSETS EXCLUDING PENSIONS LIABILITY</b>		<b>895,993</b>	<b>817,052</b>
Pension liability	38	(290)	(111)
<b>NET ASSETS</b>		<b>895,703</b>	<b>816,941</b>
<b>DEFERRED CAPITAL GRANTS</b>	25	<b>454,337</b>	<b>415,085</b>
<b>ENDOWMENTS</b>	26		
Expendable		76,907	72,787
Permanent		13,635	13,158
		<b>90,542</b>	<b>85,945</b>
<b>RESERVES</b>	27		
Income and expenditure account excluding pension reserve		316,654	282,662
Pension reserve		(290)	(111)
Income and expenditure account including pension reserve		316,364	282,551
Revaluation reserve		34,460	33,360
		<b>350,824</b>	<b>315,911</b>
<b>TOTAL FUNDS</b>		<b>895,703</b>	<b>816,941</b>

Approved by Council on 27<sup>th</sup> November 2014



Simon Melliss  
Treasurer



Professor Michael Arthur  
President and Provost



Phil Harding  
Director of Finance

**CONSOLIDATED CASH FLOW STATEMENT**

	<b>Note</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Net cash inflow from operating activities	31	41,259	61,619
Returns on investments and servicing of finance	33	(1,450)	(1,341)
Taxation	10	(8)	(50)
Capital expenditure and financial investment	34	(47,961)	(48,298)
Acquisitions and disposals	35	-	(1,543)
Cash (outflow)/inflow before use of liquid resources and financing		(8,160)	10,387
Management of liquid resources	32	7,645	4,651
Financing	36	(2,459)	(2,355)
(Decrease)/Increase in cash in the year		<b>(2,974)</b>	<b>12,683</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<b>2014 £'000</b>	<b>2013 £'000</b>
(Decrease)/Increase in cash in the period	(2,974)	12,683
Decrease in deposits repayable at short notice	(7,645)	(4,651)
Decrease in debt	2,458	2,356
Change in net funds	(8,161)	10,388
Net funds at 1 August 2013	151,505	141,117
Net funds at 31 July 2014	32	<b>143,344</b>
		<b>151,505</b>

## NOTES TO THE ACCOUNTS

<b>1. FUNDING COUNCIL GRANTS</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
HEFCE recurrent grant:		
Teaching	46,632	55,653
Research	115,625	114,674
Other (including special funding)	5,988	5,369
Deferred Capital Grants released in year:		
Buildings	12,633	12,532
Equipment	1,559	2,932
	<b>182,437</b>	<b>191,160</b>

<b>2. ACADEMIC FEES AND SUPPORT GRANTS</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Full-time home and EU students	98,826	72,353
Full-time international students	150,490	126,757
Part time students	11,109	10,147
Other fees	7,529	6,804
Research training support grants	19,467	19,615
Short course fees	5,350	5,198
	<b>292,771</b>	<b>240,874</b>

<b>3. RESEARCH GRANTS AND CONTRACTS</b>	<b>2014</b>	<b>Restated</b>
	<b>£'000</b>	<b>2013</b>
		<b>£'000</b>
Source of income:		
BIS research councils	131,112	107,212
UK based charities	99,277	95,455
UK central government, local/health authorities, hospitals	54,150	46,791
UK industry, commerce and public corporations	15,232	12,798
EU government bodies	42,769	33,542
EU other	7,889	5,696
Other overseas	22,931	23,609
Other sources	1,143	542
	<b>374,503</b>	<b>325,645</b>
Research income relating to direct expenditure incurred during the year	314,032	272,074
Contribution towards overhead costs	60,471	53,571
	<b>374,503</b>	<b>325,645</b>

Income from research grants and contracts includes deferred capital grants released in the year of £6,788,000 (2013 - £10,049,000).

Figures for 2013 have been restated to exclude amounts passed straight on to certain research collaborators.

## NOTES TO THE ACCOUNTS

<b>4. OTHER OPERATING INCOME</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Residences and catering	33,919	29,713
Other services rendered	51,688	52,417
Health authorities	36,376	35,562
Donations and sundry grants	20,334	24,403
Benefit on combination with School of Pharmacy—release to income	65	65
Released from deferred capital grants	3,611	3,254
Other income	18,814	19,739
Share of joint venture income	2,772	2,773
	<b>167,579</b>	<b>167,926</b>

Income from residences and catering includes deferred capital grants released in the year of £126,000 (2013 - £145,000).

<b>5. ENDOWMENT AND INVESTMENT INCOME</b>	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<b>£'000</b>	<b>£'000</b>
Income from expendable endowments	26	1,973	1,998
Income from permanent endowments	26	345	361
Other interest receivable and investment income		2,776	2,963
Share of joint venture income		4	4
		<b>5,098</b>	<b>5,326</b>

<b>6. INFORMATION REGARDING EMPLOYEES</b>	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<b>£'000</b>	<b>£'000</b>
Staff costs:			
Salaries and wages		473,421	425,146
NI contributions		38,876	35,717
Other pension costs	38	64,007	55,748
		<b>576,304</b>	<b>516,611</b>

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Emoluments of the Provost and President:		
<u>Professor M Arthur (01/09/13-31/07/14)</u>		
Salary	330,750	-
	<b>330,750</b>	<b>-</b>
<u>Professor M Grant (01/08/13-30/09/13)</u>		
Salary	52,509	315,028
Pensions contribution	8,401	50,404
	<b>60,910</b>	<b>365,432</b>

The emoluments of the Provost are shown on the same basis as for higher paid staff.

Compensation for loss of office in respect of one higher paid employee totalled £50,000 (2013 - £186,000 in respect of two employees).

No trustee has received any remuneration from the group during the year (2013 - £nil).

## NOTES TO THE ACCOUNTS

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7 trustees are also UCL employees but received no additional payment for acting as trustees.

The total expenses paid to or on behalf of one trustee was £10 (2013 - £827 to one trustee).

### Remuneration of higher paid staff:

The following sets out the remuneration of all higher paid staff including distinction awards paid to clinical academic staff and payments relating to private consultancy work, both of which are funded from non-HEFCE funds, but excluding employers pension contributions:

	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>
£100,001 - £110,000	87	68
£110,001 - £120,000	57	61
£120,001 - £130,000	54	46
£130,001 - £140,000	44	36
£140,001 - £150,000	45	37
£150,001 - £160,000	28	30
£160,001 - £170,000	22	16
£170,001 - £180,000	19	27
£180,001 - £190,000	28	18
£190,001 - £200,000	12	13
£200,001 - £210,000	12	12
£210,001 - £220,000	8	6
£220,001 - £230,000	4	2
£230,001 - £240,000	2	2
£240,001 - £250,000	2	-
£260,001 - £270,000	1	2
£270,001 - £280,000	1	-
£310,001 - £320,000	1	1
£320,001 - £330,000	1	-
£350,001 - £360,000	1	-

The average number of individuals paid through the payroll during the year was 11,972 (2013 – 11,024).

## NOTES TO THE ACCOUNTS

<b>7. OTHER OPERATING EXPENSES</b>	<b>2014</b>	<b>Restated</b>
	<b>£'000</b>	<b>2013</b>
		<b>£'000</b>
Residences and catering	15,752	14,523
Furniture, computer and other equipment costs	35,305	31,244
Academic consumables and laboratory expenditure	45,280	43,456
Books, publications and periodicals	13,489	10,228
Scholarships and prizes	48,625	42,310
General educational expenditure	17,155	14,176
Rents, rates and insurance	15,386	11,506
Heat, light, water and power	11,826	13,294
Service charges	6,116	5,347
Repairs and general maintenance	13,661	12,521
Long term maintenance	12,281	10,824
Telephone	1,445	1,580
Advertising and recruitment	2,706	2,382
Printing, postage, stationery and other office costs	7,716	7,433
Conference, travel and training	27,415	24,795
Professional fees	22,076	19,136
Audit Fees	183	149
Other fees paid to auditors	727	1,466
Grants to Students Union and other student bodies	2,572	3,480
Payments to non contract staff and agencies	20,123	20,549
Other costs	62,546	52,361
	<b>382,385</b>	<b>342,760</b>

In addition to that noted above, other fees paid to auditors of £284,000 were capitalised during the year (2013 - £97,000).

Figures for 2013 have been restated to exclude payments to certain research collaborators in respect of funding passed on.

<b>8. INTEREST PAYABLE</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and other loans wholly repayable within five years	11	1
Loans not wholly repayable within five years	3,268	3,383
Finance leases	2,505	2,597
Net charge on pension scheme assets and liabilities	38	58
	<b>5,842</b>	<b>5,982</b>



## NOTES TO THE ACCOUNTS

### 9. ANALYSIS OF EXPENDITURE BY ACTIVITY

2014	Staff Costs £'000	Other Operating Expenses £'000	Interest Payable £'000	Depreciation £'000	Total £'000
Academic departments	284,128	69,607	-	6,863	360,598
Academic services	32,518	31,204	-	1,385	65,107
Research grants and contracts	178,671	128,573	-	6,788	314,032
Residences and catering	2,297	15,752	1,802	3,713	23,564
Premises	3,728	79,377	2,986	23,968	110,059
Administration	47,237	37,437	-	846	85,520
Other expenses	27,725	20,435	1,054	99	49,313
	<b>576,304</b>	<b>382,385</b>	<b>5,842</b>	<b>43,662</b>	<b>1,008,193</b>

The depreciation charge has been funded from:	<b>£'000</b>
Deferred capital grants released (Note 25)	24,717
General income	18,945
	<b>43,662</b>

2013	Staff Costs £'000	Restated Other Operating Expenses £'000	Interest Payable £'000	Depreciation £'000	Total £'000
Academic departments	265,011	59,843	-	5,584	330,438
Academic services	29,095	26,262	-	1,920	57,277
Research grants and contracts	149,722	112,303	-	10,049	272,074
Residences and catering	2,570	14,523	1,830	2,752	21,675
Premises	3,508	70,122	3,087	21,865	98,582
Administration	43,352	36,659	-	648	80,659
Other expenses	23,353	23,048	1,065	128	47,594
	<b>516,611</b>	<b>342,760</b>	<b>5,982</b>	<b>42,946</b>	<b>908,299</b>

The depreciation charge has been funded by:	<b>£'000</b>
Deferred capital grants released	28,912
General income	14,034
	<b>42,946</b>

## NOTES TO THE ACCOUNTS

### 10. TAXATION

Taxation charges and credits are in respect of UK corporation tax in the following subsidiary companies:

	2014 £'000	2013 £'000
UCL Trading Ltd	7	3
UCL Consultants Ltd	1	47
Total tax charge	<u>8</u>	<u>50</u>

### 11. EXCEPTIONAL ITEMS

	2014 £'000	2013 £'000
<b>Profit on disposal of fixed asset investments:</b>		
Profit on disposal of shares held as fixed asset investments	373	4
Profit on partial disposal of subsidiary	-	12
Profit on disposal of interest in investment properties	4	-
	<u>377</u>	<u>16</u>

#### **Profit/(loss) on disposal of tangible fixed assets:**

Profit on disposal of land and buildings	20,643	58
Loss on disposal of equipment	-	(45)
	<u>20,643</u>	<u>13</u>

### 12. INTANGIBLE ASSETS (Consolidated and UCL)

	£'000
<u>Fair value</u>	
At 1 August 2013	(2,981)
Additions at fair value	-
As at 31 July 2014	<u>(2,981)</u>
<u>Released to income and expenditure account</u>	
At 1 August 2013	103
Release for the year	65
At 31 July 2014	<u>168</u>
<u>Net Book Value</u>	
<b>At 31 July 2014</b>	<u><b>(2,813)</b></u>
<b>At 31 July 2013</b>	<u><b>(2,878)</b></u>

Intangible assets relate to negative goodwill arising on the combination with the School of Pharmacy on 1 January 2012. The amortisation period is 46 years.

**NOTES TO THE ACCOUNTS**

**13. TANGIBLE ASSETS**

<b>Consolidated</b>	<b>Freehold Land and Buildings £'000</b>	<b>Leasehold Land and Buildings £'000</b>	<b>Equipment, Plant and Machinery £'000</b>	<b>Assets in the course of construction £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 August 2013	620,217	235,147	132,395	107,239	1,094,998
Additions at cost	8,532	16,693	23,933	77,590	126,748
Transfers	6,939	33,870	-	(42,769)	(1,960)
Disposals	(1,058)	(1,838)	(382)	(281)	(3,559)
At 31 July 2014	634,630	283,872	155,946	141,779	1,216,227
<b>Depreciation</b>					
At 1 August 2013	206,817	90,451	109,322	-	406,590
Charge for year	19,364	10,032	14,266	-	43,662
Disposals	(966)	(964)	(351)	-	(2,281)
At 31 July 2014	225,215	99,519	123,237	-	447,971
<b>Net Book Value At 31 July 2014</b>	<b>409,415</b>	<b>184,353</b>	<b>32,709</b>	<b>141,779</b>	<b>768,256</b>
<b>At 31 July 2013</b>	<b>413,400</b>	<b>144,696</b>	<b>23,073</b>	<b>107,239</b>	<b>688,408</b>
<b>UCL</b>					
	<b>Freehold Land and Buildings £'000</b>	<b>Leasehold Land and Buildings £'000</b>	<b>Equipment, Plant and Machinery £'000</b>	<b>Assets in the course of construction £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 August 2013	620,217	234,047	131,180	105,520	1,090,964
Additions at cost	8,532	16,693	23,676	77,349	126,250
Transfers	6,939	33,870	-	(40,809)	-
Disposals	(1,058)	(1,838)	(351)	(281)	(3,528)
At 31 July 2014	634,630	282,772	154,505	141,779	1,213,686
<b>Depreciation</b>					
At 1 August 2013	206,817	89,995	108,465	-	405,277
Transfers	(9,936)	9,936	-	-	-
Charge for year	19,364	10,005	14,194	-	43,563
Disposals	(966)	(964)	(351)	-	(2,281)
At 31 July 2014	215,279	108,972	122,308	-	446,559
<b>Net Book Value At 31 July 2014</b>	<b>419,351</b>	<b>173,800</b>	<b>32,197</b>	<b>141,779</b>	<b>767,127</b>
<b>At 31 July 2013</b>	<b>413,400</b>	<b>144,052</b>	<b>22,715</b>	<b>105,520</b>	<b>685,687</b>

## **NOTES TO THE ACCOUNTS**

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Included in transfers from assets in the course of the construction is £1.96m in respect of commercial units at Caledonian Road, which have been transferred to fixed asset investments on completion.

The declared value of buildings for insurance purposes (day one basis) as at 1 August 2014 was £2.8bn (2013 - £2.5bn).

At 31 July 2014, freehold land and buildings included £49.2m (2013 - £49.2m) in respect of freehold land which is not depreciated.

The above includes assets held under finance leases. At 31 July 2014 the net book value of the assets held under finance leases was £22.7m (2013- £23.4m) with a depreciation charge for the year of £0.7m (2013 - £0.6m).

UCL has a number of operating leases for buildings for which it pays no consideration. UCL believes that it would be impractical to value these leases and therefore does not disclose a value for them.

### **14. HERITAGE ASSETS**

Since its foundation in 1826 UCL has acquired and established a number of significant collections of heritage assets representative of its interests in the arts, humanities, sciences and medicine. Many of the items contained therein are of international as well as national importance.

UCL's collections have made, and continue to make, a significant contribution to the furtherance of scholarship, promotion of innovation and the dissemination of knowledge for public benefit.

UCL recognises that its status as a first class international university requires the adoption of internationally-recognised standards of conduct in the acquisition, preservation, management and disposal of heritage assets, as well as meeting the requirements of United Kingdom legislation. Policies to ensure appropriate standards are maintained are set out in the Cultural Property Policy. UCL's Museums, Heritage and Cultural Property Committee is responsible for oversight of all UCL's activities in relation to heritage assets and for advising Council thereon.

There are no heritage assets capitalised in the balance sheet for the year ended 31 July 2014 as the volume of items, the elapsed time since acquisition and the information available on acquisition methods render the cost of identifying the appropriate accounting treatment disproportionate to the benefit to be derived by users of the financial statements. No additions in the year under review met the capitalisation threshold of £25,000.

The principal collections are as follows:

#### **Petrie Collection of Egyptian and Sudanese Archaeology.**

The collection comprises over 80,000 objects acquired over a period spanning 1892 to the present day, via a combination of donations, bequests, purchases and direct collection.

William Petrie was appointed to the first British Chair of Egyptology and Philology in 1892 at UCL. He conducted numerous excavations from 1884 to 1924 from which many of the objects in the collection derive.

At any time, a number of objects from the collection are on display in the Petrie Museum which is open to the public Tuesday to Saturday from 13.00 to 17.00. Special arrangements can be made to accommodate school visits and individual researchers. The museum also offers a range of teaching and learning resources and services.

## **NOTES TO THE ACCOUNTS**

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### **UCL Art Collections**

The collection comprises over 10,000 fine art objects acquired from 1847 to the present day, via a combination of donations bequests, purchase and direct collection.

Sub collections include the Flaxman sculpture collection, the Flaxman drawings, the Painting Collection, European Print Collection, European Drawing Collection, Slade Print Collection, Slade Drawing Collection, The collections include prize-winning student work from the Slade School of Fine Art, prints and drawings by Old Master artists such as Durer, Rembrandt, Turner and Constable and sculpture models by the Neo-Classical artist John Flaxman.

UCL Art Collections operates a study centre, a gallery with public exhibitions and a range of education programmes. There is an on-line catalogue where many of the items in the collection can be viewed.

### **Grant Museum of Zoology**

The Grant Museum is the only remaining university zoological museum in London. It was founded as a teaching collection and currently houses around 62,000 specimens, covering the whole Animal Kingdom, collected from 1827 to the present day.

The Museum contains many skeletons, mounted animals and specimens preserved in fluid. Many of the species are now endangered or extinct including the Tasmanian tiger or thylacine, the quagga and the dodo.

Further items of particular interest and beauty include a selection of spectacular glass models made by the Blaschka family in the late 1800s, many of Robert Grant's original specimens as well as those of Thomas Henry Huxley, and the collection of Sir Victor Negus's bisected heads which have been described as "both arresting and beautiful".

Acquisitions have been by way of donation and bequest, purchase and direct collection by staff and students.

The museum is open to the public every week day afternoon from 13.00 to 17.00 hours.

### **Library Special Collections of Books and Manuscripts**

UCL Library Special Collections is one of the foremost university collections of manuscripts, archives and rare books in the UK. It includes fine collections of medieval manuscripts and early printed books, notably from the C.K Ogden Collection and Graves Library, as well as significant holdings of 18th century works, and highly important 19th and 20th century collections of personal papers, archival material, and literature, covering a vast range of subject areas, notably Latin American archives, Jewish collections and the George Orwell Archive.

The collections have been built up since 1826 to the present day by way of donation, bequest, purchase and direct collection.

In addition to the above, there are a number of smaller collections covering a range of subjects including archaeology, geography and biomedicine.

## NOTES TO THE ACCOUNTS

<b>15. INVESTMENTS</b>	<b>Monies held on long term deposit £'000</b>	<b>Other Investments £'000</b>	<b>Investment in subsidiaries £'000</b>	<b>Total £'000</b>
<b>Consolidated</b>				
At 1 August 2013	13,346	52,618	-	65,964
Additions	1,180	10,414	-	11,594
Transfer from Fixed Assets	-	1,960	-	1,960
Revaluations	-	3,173	-	3,173
Disposals	-	(648)	-	(648)
<b>At 31 July 2014</b>	<b>14,526</b>	<b>67,517</b>	<b>-</b>	<b>82,043</b>
<b>UCL</b>				
At 1 August 2013	13,346	52,925	8,412	74,683
Additions	1,180	10,270	-	11,450
Revaluations	-	2,274	-	2,274
Disposals	-	(491)	-	(491)
<b>At 31 July 2014</b>	<b>14,526</b>	<b>64,978</b>	<b>8,412</b>	<b>87,916</b>

Included in monies held on long term deposits is £14.5m (2013 - £13.3m) over which there is a legal charge. The deposit represents a security fund to meet the obligations under finance leases (Note 22).

Other investments are categorised as follows:	<b>2014 £m</b>	<b>2013 £m</b>
Portfolio of fixed interest securities, equities and cash	36.2	35.0
Investment properties	6.3	2.0
Shares in The Francis Crick Institute Ltd	22.0	14.3
Shares in other limited companies and partnerships	3.0	1.3
	<b>67.5</b>	<b>52.6</b>

Included in shares in other limited companies and partnerships is a £250,000 (2013 - £250,000) investment in Combined London Colleges University Challenge LP (CLCUC), of which UCL is one of four limited partners. Under the terms of the Partnership Agreement, a manager has been appointed to manage the partnership, and is responsible for setting operational procedures and for selecting, monitoring and realising investments. Consequently UCL has no significant influence over the operation of CLCUC and so does not account for it as an associate or joint venture

## 16. JOINT VENTURES

The UCL group has interests in the following joint ventures:

- (a) **Bio-Nano Centre Ltd** is a joint venture company of Imperial College London (ICL) and UCL limited by guarantee. The company is a specialist research and development consultancy facilitating the development and commercialisation of new bio-medical and nano-technology based products. The company prepares accounts to 31 July, and accounts to 31 July 2014 are included in the consolidated financial statements.
- (b) **EuroTempest Ltd** is a joint venture company of Benfield, Royal & Sun Alliance and UCL Business Plc. The company transforms weather forecasts and observations into the specific information required to make successful live risk management decisions. The company prepares accounts to 31 December, and accounts to 31 December 2013 plus management accounts to 31 July 2014 are included in the consolidated financial statements.

## NOTES TO THE ACCOUNTS

- (c) **Imanova Ltd** is a joint venture company of UCL, Imperial College London (ICL), Kings College London (KCL) and The Medical Research Council (MRC). Imanova owns and manages the Clinical Imaging Centre (CIC) located at Imperial College London's Hammersmith Hospital campus. The company prepares accounts to 31 March, and accounts to 31 March 2014 plus management accounts to 31 July 2014 are included in the consolidated financial statements.

These joint venture investments are disclosed in the financial statements as follows:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Share of income:</b>		
Bio-Nano	480	488
EuroTempest	73	59
Imanova	2,223	2,230
	<b>2,776</b>	<b>2,777</b>
<b>Share of operating (loss)/profit:</b>		
Bio-Nano	(16)	8
EuroTempest	3	(1)
Imanova	(152)	(218)
	<b>(165)</b>	<b>(211)</b>
<b>Share of gross assets:</b>		
Bio-Nano	413	568
EuroTempest	43	39
Imanova	2,101	2,133
	<b>2,557</b>	<b>2,740</b>
<b>Share of gross liabilities:</b>		
Bio-Nano	(351)	(490)
EuroTempest	(5)	(4)
Imanova	(1,532)	(1,412)
	<b>(1,888)</b>	<b>(1,906)</b>
<b>Share of reserves:</b>		
Bio-Nano	62	78
EuroTempest	38	35
Imanova	569	721
	<b>669</b>	<b>834</b>
<b>Purchase of investments in joint ventures</b>		
Imanova	-	125
	<b>-</b>	<b>125</b>

## 17. ASSOCIATES

The UCL group has interests in the following associate companies:

- (a) 47.75% holding in ordinary shares in **Abcodia Ltd**. The company develops biomarkers. The company prepares accounts to 31 December, and accounts to 31 December 2013 plus management accounts to 31 July 2014 are included in the consolidated financial statements.
- (b) 45.5% holding in ordinary shares of **Analyst Ltd**. The company has been set up to commercially exploit the discovery of a class of catalysts which can replace expensive platinum in a range of hydrogen-based energy technologies. The company prepares accounts to 30 April and accounts to 31 April 2014 plus management accounts to 31<sup>st</sup> July 2014 are included in the consolidated financial statements.

## NOTES TO THE ACCOUNTS

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- (c) 24.15% holding in ordinary shares in **Asio Ltd**. The company has been set up to commercially exploit the development of a protocol and set of applications which enables data to be easily shared between users of devices that generate and 'hear' audio e.g. smart phones and computers. The company prepares accounts to 30 June, and accounts to 30 June 2014 plus management accounts to 31 July 2014 are included in the consolidated financial statements.
- (d) 43.75% holding in the ordinary shares of **Atocap Ltd**. The company has been set up to commercially exploit the development of novel systems for the production of complex, multicomponent capsules and fibres primarily for use in the healthcare sector. The company prepares accounts to 31 July, and accounts to 31 July 2014 are included in the consolidated financial statements.
- (e) 33.9% holding in preferred and ordinary shares of **Canbex Therapeutics Ltd**. The principal activity of the company is research and development on two novel chemical series aimed at cannabinoid receptors. The disease targets are spasticity and pain. The company prepares accounts to 31 July, and accounts to 31 July 2014 are included in the consolidated financial statements.
- (f) 46.2% holding in the ordinary shares of **Charing Systems Ltd**. The company has been set up to commercially exploit the development of a software technology for electronic health records. The company prepares accounts to 31 July, and accounts to 31 July 2014 are included in the consolidated financial statements.
- (g) 30.15% holding in **Domainex Ltd**. The principal activity of the company is to exploit its technology platform in the field of protein domain hunting, gene expression and protein structure analysis. The company prepares accounts to 30 April, and accounts to 30 April 2014 plus management accounts to 31 July 2014 are included in the consolidated financial statements.
- (h) 27.98% holding in **Endomagnetix Ltd**. The company develops medical devices. The company prepares accounts to 30 April, and accounts 30 April 2014 plus management accounts to 31 July 2014 are included in the consolidated financial statements.
- (i) 34.8% holding in ordinary shares of **Multilyte Ltd**. The principal activity of the company is in development of a ubiquitous microanalytical technology (based on the use of microassays) for diagnostic applications in the medical research and other fields. The company prepares accounts to 28 February, and accounts to 28 February 2014 are included in the consolidated financial statements. The directors have given assurance that there are no material transactions up to 31 July 2014.
- (j) 45.0% holding in ordinary 'A' shares of **Pentraxin Therapeutics Ltd**. The company has been established for the purpose of developing and commercially exploiting certain technology for designing, synthesizing and developing novel therapeutic drugs. The company prepares accounts to 31 July, and accounts to 31 July 2014 are included in the consolidated financial statements.
- (k) 34.97% holding in ordinary shares of **Senceive Ltd**, reduced from 40.0% following a share issue. The company provides information delivery services and products to industry. The company prepares accounts to 31 October, and accounts to 31 October 2013 plus management accounts to 31 July 2014 are included in the consolidated financial statements.

The Group's interest in **UCL Partners Ltd**, was reduced during the year, due to a significant increase in additional member organisations. UCL no longer has significant influence over the activities of the company and it is therefore no longer accounted for an associate.

**Bloomsbury DSP Ltd** was dissolved on 29/07/14.



## NOTES TO THE ACCOUNTS

The investment in associates is disclosed in the financial statements as follows:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Share of operating profit/(loss):</b>		
Abcodia	(289)	(216)
Amalyst	(83)	(23)
Asio	(44)	(80)
Atocap	(2)	-
Canbex	(224)	(299)
Charing Systems	-	(11)
Domainex	89	(263)
Endomagnetics	(565)	(266)
Multilyte	(10)	(10)
Pentraxin Therapeutics	260	172
Senceive	(49)	(116)
UCL Partners	-	26
	<b>(917)</b>	<b>(1,086)</b>
<b>Share of taxation:</b>		
Abcodia	33	62
Asio	6	1
Canbex	28	-
Domainex	30	-
Endomagnetics	61	110
Pentraxin Therapeutics	(29)	(9)
UCL Partners	-	(1)
	<b>129</b>	<b>163</b>
<b>Share of net assets/(liabilities):</b>		
Abcodia	(272)	(16)
Amalyst	47	130
Asio	(120)	(82)
Atocap	5	7
Bloomsbury DSP	-	1
Canbex	247	443
Charing Systems	(11)	(11)
Domainex	269	12
Endomagnetics	(559)	463
Multilyte	63	73
Pentraxin Therapeutics	446	215
Senceive	(266)	(307)
UCL Partners	-	28
	<b>(151)</b>	<b>956</b>
<b>Share of Reserves:</b>		
Abcodia	(272)	(16)
Amalyst	47	130
Asio	(120)	(82)
Atocap	5	7
Bloomsbury DSP	-	1
Canbex	247	443
Charing Systems	(11)	(11)
Domainex	269	12
Endomagnetics	(559)	463
Multilyte	63	73
Pentraxin Therapeutics	446	215
Senceive	(266)	(307)
UCL Partners	-	28
	<b>(151)</b>	<b>956</b>

## NOTES TO THE ACCOUNTS

	2014 £'000	2013 £'000
<b>Purchase of investments in associates:</b>		
Analyst	-	50
Canbex Therapeutics	-	911
Endomagnetics	-	457
	<b>-</b>	<b>1,418</b>

<b>18. ENDOWMENT ASSET INVESTMENTS (Consolidated and UCL)</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
At 1 August 2013	85,945	72,358
Net purchase of investments	1,175	778
Increase in market value of investments	2,753	11,551
Increase in cash balances held for endowment funds	669	1,258
<b>Balance at 31 July 2014</b>	<b>90,542</b>	<b>85,945</b>

<b>Represented by:</b>		
Fixed interest securities and equities	80,814	76,886
Cash	9,728	9,059
Total endowment asset investments	<b>90,542</b>	<b>85,945</b>
Endowment assets at cost	<b>84,051</b>	<b>75,749</b>

<b>19. DEBTORS</b>	<b>Consolidated</b>		<b>UCL</b>	
	<b>2014 £'000</b>	<b>2013 £'000</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
<b>Amounts falling due within one year:</b>				
Invoiced debtors	9,411	12,596	7,845	10,163
Research grants and contracts	123,350	104,647	123,350	104,647
Local health authorities/hospitals	14,635	16,907	14,635	16,907
Halls of residence debtors	834	810	834	810
Advances to members of staff	7,285	5,432	7,274	5,423
Intercompany debtors	-	-	13,677	9,999
Other debtors and prepayments	29,089	23,986	26,481	20,785
<b>Amounts falling due after one year:</b>				
Loans to associate companies	603	557	-	-
	<b>185,207</b>	<b>164,935</b>	<b>194,096</b>	<b>168,734</b>

## NOTES TO THE ACCOUNTS

### 20. CURRENT ASSET INVESTMENTS

	2014 £'000	2013 £'000
General funds invested in securities	40,120	-
Short term deposits	87,571	135,336
	<b>127,691</b>	<b>135,336</b>

General funds invested in securities are held in the Cash Plus Fund with Royal London Asset Management Ltd. The fund is invested in cash, deposits, money market instruments and short dated government securities. Investment is for a minimum of six months. Amounts held as short-term deposits are money market investments and range from overnight to one year maturity.

### 21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		UCL	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Bank loans	1,278	1,278	1,278	1,278
Private Finance Initiative loans	520	386	520	386
Overdrafts	9,145	-	9,145	-
Research grants received on account	220,169	195,544	220,169	195,544
Purchase ledger creditors	18,572	25,555	17,652	24,754
Other creditors including taxation and social security	52,303	44,753	51,140	44,492
Obligations under finance leases	1,062	918	1,062	918
Accruals and deferred income	74,835	69,121	68,976	60,570
Inter-company creditors	-	-	996	510
	<b>377,884</b>	<b>337,555</b>	<b>370,938</b>	<b>328,452</b>

### 22. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Consolidated and UCL)

	2014 £'000	2013 £'000
Obligations under finance leases	39,248	40,186
Cruciform building – Private Finance Initiative	15,418	15,938
Long-term bank loan	14,697	15,975
Salix Revolving Green Fund	500	500
	<b>69,863</b>	<b>72,599</b>

#### Analysis of Loan repayments:

In less than one year:		
Finance leases	1,062	918
Loans	1,798	1,664
In more than one year but no more than two years:		
Finance leases	1,185	1,038
Loans	1,953	1,798
In more than two years but no more than five years:		
Finance leases	4,711	3,911
Loans	7,048	6,424
In more than five years:		
Finance leases	33,352	35,237
Loans	21,614	24,191
	<b>72,723</b>	<b>75,181</b>
In less than one year (Note 21)	(2,860)	(2,582)
	<b>69,863</b>	<b>72,599</b>

## NOTES TO THE ACCOUNTS

It is anticipated that UCL will exercise options under the leasing arrangements between 20 and 25 years into the term of each lease. The obligations under these long term liabilities will be met from payments which amount to approximately £3.5m per annum. Security is provided to the lessors by way of annual payments into a security deposit (Note 15).

The loan facility of £16.0m (of which £14.7m is repayable after more than one year and £1.3m in less than one year) has a fixed rate of interest of 5.66% for the remaining term of the loan, until August 2026.

### 23. OPERATING LEASES

At 31 July 2014 UCL had annual commitments under non-cancellable operating leases as set out below:

	2014		2013	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	984	70	182	84
In the second to fifth years inclusive	1,942	96	2,709	113
Over five years	3,300	25	3,201	2
<b>Total</b>	<b>6,226</b>	<b>191</b>	<b>6,092</b>	<b>199</b>

### 24. PROVISIONS FOR LIABILITIES AND CHARGES (Consolidated and UCL)

	2014				2013
	Dilapidations £'000	Redundancies £'000	Other £'000	Total £'000	Dilapidations £'000
At 1 August 2013	387	-	-	387	578
Transfer to income and expenditure account	423	696	310	1,429	(191)
<b>At 31 July 2014</b>	<b>810</b>	<b>696</b>	<b>310</b>	<b>1,816</b>	<b>387</b>

Other provisions include £310,000 compensation payable in respect of the termination of a lease. Redundancy and other provisions are expected to be utilised within one year. The dilapidation provisions are expected to be utilised at the end of the related property leases.

## NOTES TO THE ACCOUNTS

### 25. DEFERRED CAPITAL GRANTS

<b>Consolidated</b>	<b>Funding Council £'000</b>	<b>Other Grants £'000</b>	<b>Total £'000</b>
<b>Balance at 1 August 2013:</b>			
Freehold buildings	202,216	75,928	278,144
Leasehold buildings	56,469	45,170	101,639
Equipment	2,452	5,665	8,117
Investments	27,896	1,298	29,194
<b>Total</b>	<b>289,033</b>	<b>128,061</b>	<b>417,094</b>
<b>Reclassification:</b>			
Freehold buildings	(10,476)	14,974	4,498
Leasehold buildings	(3,923)	(575)	(4,498)
<b>Total</b>	<b>(14,399)</b>	<b>14,399</b>	<b>-</b>
<b>Cash receivable:</b>			
Freehold buildings	9,199	28,634	37,833
Leasehold buildings	1,917	4,776	6,693
Equipment	399	13,053	13,452
Investments	6,026	-	6,026
<b>Total</b>	<b>17,541</b>	<b>46,463</b>	<b>64,004</b>
<b>Disposals</b>			
Freehold buildings	(70)	-	(70)
<b>Total</b>	<b>(70)</b>	<b>-</b>	<b>(70)</b>
<b>Released to income and expenditure account:</b>			
Freehold buildings	(9,108)	(2,560)	(11,668)
Leasehold buildings	(3,525)	(2,458)	(5,983)
Equipment	(1,559)	(5,507)	(7,066)
<b>Total</b>	<b>(14,192)</b>	<b>(10,525)</b>	<b>(24,717)</b>
<b>Balance at 31 July 2014:</b>			
Freehold buildings	191,761	116,976	308,737
Leasehold buildings	50,938	46,913	97,851
Equipment	1,292	13,211	14,503
Investments	33,922	1,298	35,220
<b>Total</b>	<b>277,913</b>	<b>178,398</b>	<b>456,311</b>

£14.4m of deferred capital grant funds received through the Joint Infrastructure Fund (JIF) and the Science Research Investment Fund (SRIF) but funded by the Wellcome Trust have been reclassified above from Funding Council Grants to Other Grants.

**NOTES TO THE ACCOUNTS**

UCL	Funding Council £'000	Other Grants £'000	Total £'000
<b>Balance at 1 August 2013:</b>			
Freehold buildings	202,216	75,928	278,144
Leasehold buildings	56,469	44,459	100,928
Equipment	2,452	5,665	8,117
Investments	27,896	-	27,896
<b>Total</b>	<b>289,033</b>	<b>126,052</b>	<b>415,085</b>
<b>Reclassification:</b>			
Freehold buildings	(10,476)	14,974	4,498
Leasehold buildings	(3,923)	(575)	(4,498)
<b>Total</b>	<b>(14,399)</b>	<b>14,399</b>	<b>-</b>
<b>Cash receivable:</b>			
Freehold buildings	9,199	28,634	37,833
Leasehold buildings	1,917	4,776	6,693
Equipment	399	13,053	13,452
Investments	6,026	0	6,026
<b>Total</b>	<b>17,541</b>	<b>46,463</b>	<b>64,004</b>
<b>Disposals:</b>			
Freehold buildings	(70)	-	(70)
<b>Total</b>	<b>(70)</b>	<b>-</b>	<b>(70)</b>
<b>Released to income and expenditure account:</b>			
Freehold buildings	(9,108)	(2,560)	(11,668)
Leasehold buildings	(3,525)	(2,423)	(5,948)
Equipment	(1,559)	(5,507)	(7,066)
<b>Total</b>	<b>(14,192)</b>	<b>(10,490)</b>	<b>(24,682)</b>
<b>Balance at 31 July 2014:</b>			
Freehold buildings	191,761	116,976	308,737
Leasehold buildings	50,938	46,237	97,175
Equipment	1,292	13,211	14,503
Investments	33,922	-	33,922
<b>Total</b>	<b>277,913</b>	<b>176,424</b>	<b>454,337</b>

£14.4m of deferred capital grant funds received through the Joint Infrastructure Fund (JIF) and the Science Research Investment Fund (SRIF) but funded by the Wellcome Trust have been reclassified above from Funding Council Grants to Other Grants.

**NOTES TO THE ACCOUNTS**

**26. ENDOWMENTS (Consolidated and UCL)**

	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2014 Total £'000	2013 Total £'000
At 1 August 2013						
Capital	945	11,474	12,419	70,112	82,531	69,093
Accumulated income	112	627	739	2,675	3,414	3,265
	<b>1,057</b>	<b>12,101</b>	<b>13,158</b>	<b>72,787</b>	<b>85,945</b>	<b>72,358</b>
Reclassifications	-	(50)	(50)	50	-	-
Additions	1	16	17	3,072	3,089	2,885
Investment income	26	319	345	1,973	2,318	2,359
Expenditure						
- investment management fees	(4)	(53)	(57)	(330)	(387)	(356)
- other	-	(200)	(200)	(2,976)	(3,176)	(2,852)
	22	66	88	(1,333)	(1,245)	(849)
Increase in market value of investments	32	390	422	2,331	2,753	11,551
<b>At 31 July 2014</b>	<b>1,112</b>	<b>12,523</b>	<b>13,635</b>	<b>76,907</b>	<b>90,542</b>	<b>85,945</b>
<b>Represented by:</b>						
Capital	978	11,830	12,808	74,250	87,058	82,531
Accumulated income	134	693	827	2,657	3,484	3,414
	<b>1,112</b>	<b>12,523</b>	<b>13,635</b>	<b>76,907</b>	<b>90,542</b>	<b>85,945</b>

£1.9m of expendable capital has been spent during the year. A transfer of this amount has been made to the income and expenditure reserve (2013 - £1.3m)

**NOTES TO THE ACCOUNTS**

<b>27. RESERVES</b>	<b>Consolidated</b>		<b>UCL</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income and expenditure reserve</b>				
At 1 August 2013	275,475	254,688	282,662	262,057
Surplus for the year	30,906	18,217	31,602	18,825
Adjustment for change in percentage holdings in associates	(380)	790	-	-
Transfer from revaluation reserve	591	550	591	550
Transfer from expendable endowment funds	1,859	1,355	1,859	1,355
Less pension surplus	(60)	(125)	(60)	(125)
<b>At 31 July 2014</b>	<b>308,391</b>	<b>275,475</b>	<b>316,654</b>	<b>282,662</b>

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Pension reserve (Consolidated and UCL)</b>		
At 1 August 2013	(111)	-
Deficit relating to Essex Pension Fund transferred in 1 May 2013	-	(225)
Actuarial loss	(239)	(11)
Surplus retained within reserves	60	125
<b>At 31 July 2014</b>	<b>(290)</b>	<b>(111)</b>

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Revaluation reserve</b>		
At 1 August 2013	33,360	28,900
Revaluation of fixed asset investment property	240	91
Revaluation of fixed asset investments portfolio to market value	2,350	4,919
Transfer to general reserve in respect of disposal of fixed asset investment property	(41)	-
Transfer to general reserve in respect of depreciation of Examination Halls	(190)	(190)
Transfer to general reserve in respect of depreciation of Goldsmid House	(360)	(360)
<b>Balance at 31 July 2014</b>	<b>35,359</b>	<b>33,360</b>



## NOTES TO THE ACCOUNTS

### 28. MINORITY INTEREST (Consolidated)

The minority interest relates to the following companies:

- (a) Bloomsbury Bioseed Fund Ltd (BBSF). 25% owned outside of the Group.
- (b) Proaxon Ltd. 16.94% owned outside of the Group.
- (c) Evexar Medical Ltd. 0.32% owned outside of the Group.
- (d) Helicon Health Ltd. 43.02% owned outside of the Group.

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
At 1 August 2013	(67)	(44)
Minority interest in subsidiary undertakings' results for the year	(42)	(23)
<b>At 31 July 2014</b>	<b>(109)</b>	<b>(67)</b>

### 29. CAPITAL COMMITMENTS (Consolidated and UCL)

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted at 31 July	62,677	56,662
Authorised but not contracted at 31 July	200,793	74,071
	<b>263,470</b>	<b>130,733</b>

Commitments contracted at 31 July 2014 include £13.7m (2013 - £38.7m) in respect of the Sainsbury Wellcome Centre. This commitment was entered into in 2010-11. During the year Council authorised expenditure on a number of major campus refurbishment projects including Wates House (£31.7m), Kathleen Lonsdale Building (£26.3m) and Wilkins Terrace, Lower Refectory and Bloomsbury Theatre (£24.6m).

### 30. OTHER COMMITMENTS

UCL has a commitment to purchase shares in The Francis Crick Institute Limited. At 31 July 2014, this commitment had a value of £11.6m (2013 - £19.3m).

## NOTES TO THE ACCOUNTS

### 31. RECONCILIATION OF CONSOLIDATED OPERATING (DEFICIT)/ SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 £'000	2013 £'000
Operating surplus before tax	11,419	19,855
Items not involving cash movements:		
Depreciation	43,662	42,946
Benefit on combination with School of Pharmacy released to income	(65)	(65)
Deferred capital grants released to income	(24,717)	(28,912)
Gain on dilution of holding in associate	(61)	-
(Increase)/Decrease in stocks	(263)	3
(Increase)/Decrease in debtors	(20,328)	(7,386)
Increase in creditors	29,551	34,835
(Increase)/Decrease in provisions	1,429	(191)
Pension cost less contributions payable (Note 38)	(117)	(126)
Items which are not operating activities:		
Interest receivable	(2,775)	(2,963)
Interest payable	5,842	5,982
Investment income	(2,318)	(2,359)
	<b>41,259</b>	<b>61,619</b>

### 32. ANALYSIS OF CHANGES IN NET FUNDS

	1 August 2013 £'000	Cash Flows £'000	Other Changes £'000	31 July 2014 £'000
Cash at bank and in hand				
Endowment assets (Note 18)	9,059	669	-	9,728
Deposits repayable on demand	82,291	5,502	-	87,793
Overdrafts (Note 21)	-	(9,145)	-	(9,145)
	91,350	(2,974)	-	88,376
Current asset investments	135,336	(7,645)	-	127,691
Debt due within one year (Note 21)	(2,582)	2,459	(2,737)	(2,860)
Debt due after one year (Note 22)	(72,599)	5,945	(3,209)	(69,863)
	<b>151,505</b>	<b>(2,215)</b>	<b>(5,946)</b>	<b>143,344</b>

The decrease in debt is due to capital repayments as follows: (a) finance leases £0.8m, (b) bank loan £1.3m and (c) private finance initiative loan £0.4m, giving a net decrease in debt of £2.5m.

## NOTES TO THE ACCOUNTS

### 33. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Income from endowments	2,318	2,359
Other interest received	2,059	2,322
Interest paid	(3,111)	(3,234)
Interest element of finance lease rental payment	(2,716)	(2,788)
	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance	<b>(1,450)</b>	<b>(1,341)</b>

### 34. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Purchase of tangible fixed assets	(125,933)	(95,429)
Purchase of fixed asset investments	(10,803)	(6,970)
Net purchase of endowment asset investments	(1,175)	(778)
Total payments to acquire fixed and endowment assets	<hr/> (137,911)	<hr/> (103,177)
Proceeds from disposal of fixed asset investments	1,025	16
Proceeds from disposal of tangible fixed assets	21,851	700
Capital grants received towards the purchase of tangible assets	64,004	51,467
Net new loans to associate companies	(19)	(189)
Endowments received	3,089	2,885
	<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment	<b>(47,961)</b>	<b>(48,298)</b>

### 35. ACQUISITIONS AND DISPOSALS

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Purchase of investment in associate – Endomagnetics Ltd	-	(457)
Purchase of investment in associate – Canbex Ltd	-	(911)
Purchase of investment in Associate - Amalyst Ltd	-	(50)
Purchase of investment in joint venture – Imanova Ltd	-	(125)
	<hr/>	<hr/>
Total acquisitions and disposals	<b>-</b>	<b>(1,543)</b>

### 36. FINANCING

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Mortgage and loan capital repayments	(2,459)	(2,355)
	<hr/>	<hr/>
Net cash outflow from financing	<b>2,459</b>	<b>2,355</b>

## NOTES TO THE ACCOUNTS

### 37. HARDSHIP AND ACCESS BURSARY FUNDS (Consolidated & UCL)

	2014 £'000	2013 £'000
At 1 August	14	15
Funding Council grants	243	193
Interest earned	1	1
	258	209
Disbursed to students	(256)	(195)
<b>At 31 July</b>	<b>2</b>	<b>14</b>

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

### 38. PENSION FUNDS

	2014 £'000	2013 £'000
The total pension costs for UCL were:		
Contribution to USS	48,429	42,428
Contribution to SAUL	7,577	6,819
Contribution to NHS	6,671	6,487
Contribution to MRCPS	1,244	-
Contribution to PCSPS	40	-
Charged to I&E staff costs in respect of Essex Pension Fund	46	14
	<b>64,007</b>	<b>55,748</b>

The amount included in the balance sheet arising from UCL's obligations in respect of its defined benefit pension schemes is a net liability of £290,000 (2013: £111,000) and relates solely to the Essex Pension Fund.

The three principal pension schemes for UCL's staff are the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) and the National Health Service Pension Scheme. In addition during the year employees of Principle Civil Service Pension Scheme (PCSPS) and the Medical Research Council Pension Scheme (MRCPS) transferred to UCL. Assets of each scheme are held in separate trustee administered funds. It is not possible to identify UCL's share of the underlying assets and liabilities of either scheme and hence contributions are accounted for as if they were defined contribution schemes. The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P) and valued every three years by professionally qualified independent actuaries using the Projected Unit Method.

The rates of contribution for both schemes are determined by the Trustees on the advice of actuaries, the cost recognised for the year in the Income and Expenditure account being equal to the contribution to the scheme.

Outstanding contributions to USS, SAUL, the NHS pension scheme, PCSPS and MRCPS were £8.5m at 31 July 2014 (2013 - £7.7m)

## NOTES TO THE ACCOUNTS

### Universities Superannuation Scheme (USS)

The latest actuarial valuation of the scheme was at 31 March 2011 using the projected unit method. The assumption and other data which have the most significant effect on the determination of the contribution levels are as follows:

	Past Service	Future Service
Investment returns per annum	6.10%	6.10%
Salary scale increases per annum – short term	3.65%	3.65%
Salary scale increases per annum – long term	4.40%	4.40%
Pension increases per annum – for 3 years following valuation	3.40%	3.40%
Pension increases per annum – thereafter	2.60%	2.60%
Market value of assets at last actuarial valuation date		£32,434m
Proportion of members' accrued benefits covered by the actuarial value of assets		92.00%
Current Employers contribution rate from		16.00%

UCL has 6,578 active members and 3,711 deferred members within the scheme and details of the scheme can be found at [www.uss.co.uk](http://www.uss.co.uk).

USS is a “last man standing” scheme which means that in the event that another member institution becomes insolvent the other participating members will pick up any funding shortfall.

An interim valuation, effective June 2013, indicated that the deficit had widened to £7.9bn.

### Superannuation Arrangement of the University of London (SAUL)

The latest actuarial valuation of the scheme was at 31 March 2011 using the projected unit method. The assumption and other data which have the most significant effect on the determination of the contribution levels are as follows:

	Past Service	Future Service
Investment returns per annum		
- before retirement	6.80%	6.80%
- after retirement	4.70%	4.70%
Salary scale increases per annum – until 31 March 2014	3.75%	3.75%
Salary scale increases per annum – after 31 March 2014	4.50%	4.50%
Pension increases per annum	2.80%	2.80%
Market value of assets at last actuarial valuation date		£1,506m
Proportion of members' accrued benefits covered by the actuarial value of assets		82.0%
Current Employers contribution rate		13.0%

### Medical Research Council Pension Scheme (MRCPS)

The latest actuarial valuation of the scheme was at 31 March 2011 using the projected unit method. The assumption and other data which have the most significant effect on the determination of the contribution levels are as follows:

	Past Service	Future Service
Investment returns per annum	6.00%	6.00%
Salary scale increases per annum – long term	4.75%	4.75%
Pension increases per annum	2.75%	2.75%
Market value of assets at last actuarial valuation date		£802m
Proportion of members' accrued benefits covered by the actuarial value of assets		110.0%
Current Employers contribution rate		24.2%

## NOTES TO THE ACCOUNTS

### National Health Service Pension Scheme

The NHS Pension Scheme is an unfunded defined benefit scheme available to staff who immediately prior to appointment at UCL were members of this scheme.

The last valuation of the scheme took place as at 31 March 2004. Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. On advice from the actuary the employer's contributions were increased from 7% to 14% from 1 April 2004.

The scheme is a multi-employer scheme, where the asset and liabilities for UCL cannot be identified.

### Principle Civil Service Pension Scheme (PCSPS)

The Principle Civil Service Pension Scheme is an unfunded defined benefit scheme available to staff who immediately prior to appointment at UCL were members of this scheme.

The last valuation of the scheme took place as at 31 March 2012. The scheme had liabilities of £132.7bn and notional assets of £127.3bn. The average employer contribution rate currently paid is 18.9%. The rate that will apply from 1 April 2015 will be, on average, 21.1%.

The scheme is a multi-employer scheme, where the asset and liabilities for UCL cannot be identified and are therefore not consolidated into UCL's accounts. Separate accounts are prepared for PCSPS and details can be found at <http://www.civil.service.gov.uk/pensions>.

### UCL (Former Medical Schools) Pension Scheme (UFMS)

The UCL (Former Medical Schools) Pension Scheme (UFMS) for non academic staff of Middlesex Hospital Medical School has become closed to new entrants since merger with UCL on 1 August 1987. This scheme is a defined benefit scheme.

With effect from 30 June 2012, all active members of the Scheme consented to a transfer of their benefits to SAUL. Deferred and pensioner liabilities have remained with the Scheme.

The last triennial valuation of the UFMS was undertaken on 31 March 2010. For the purposes of reporting under FRS17, "Retirement Benefits", a valuation of the scheme was undertaken on 31 July 2014, and details are given below:

#### UFMS

Valuation method	Projected Unit		
	2014	2013	2012
Valuation date (31 July)			
Inflation assumption - RPI	3.20%	3.30%	2.50%
Inflation assumption - CPI	2.20%	2.60%	1.80%
Increase for pre-1997 pensions in excess of GMP	-	-	-
Increase for pre-1997 pensions for pre-2006 leavers	2.20%	2.20%	1.90%
Increase for pre-1997 pensions for post-2006 leavers	3.00%	3.10%	2.50%
Increase for deferred pensions	n/a	n/a	n/a
Investment return	4.00%	4.17%	3.13%
Salary scale increase per annum	n/a	n/a	n/a
Discount rate for liabilities	4.10%	4.30%	3.90%
Projected over-funding	£1.7m	£2.3m	£6.7m
Funding level	119%	123%	175%
	£9.0m	£9.0m	£8.9m

## NOTES TO THE ACCOUNTS

Present value of liabilities			
Fair value of the scheme assets	£10.7m	£11.0m	£15.6m
Current Employers contribution rate	nil	nil	nil

### Disclosure of fair values of assets and expected rates of return

	2014			2013		
	Expected rate of return	Fair Value £'000	Holding %	Expected rate of return	Fair Value £'000	Holding %
Gilts	n/a	-	-	3.40%	1,323	12
Bonds	3.68%	2,552	23	4.30%	1,263	11
Insurance contracts	4.10%	8,050	76	4.30%	8,356	76
Cash	0.50%	54	1	0.5%	58	1
<b>Total</b>		<b>10,656</b>			<b>11,000</b>	

### Reconciliation of the present value of the scheme liabilities to the asset and liability recognised in the balance sheet

	2014 £'000	2013 £'000
Fair value of assets	10,656	11,000
Value of liabilities (defined benefit obligation)	8,957	8,967
Funded status	1,699	2,033
<b>Recognised pension asset</b>	-	-
<b>Unrecognised pension asset</b>	<b>1,699</b>	<b>2,033</b>

### Total expense recognised in the income and expenditure

	2014 £'000	2013 £'000
Current service cost	-	-
Interest cost on obligation	370	340
Expected return on scheme assets	(312)	(403)
Settlement gain	-	-
Effect of restriction on expected return	-	63
<b>Total income and expenditure charge</b>	<b>58</b>	<b>-</b>

### Amounts for the current and previous four periods

	2014 £'000	2013 £'000	2012 £'000	Restated 2011 £'000	2010 £'000
Fair value of scheme assets	10,656	11,000	15,596	18,040	17,111
Value of liabilities (funded obligations)	8,957	8,967	8,889	10,950	14,977
Surplus	1,699	2,033	6,707	7,090	2,134
Experience gain on liabilities	-	-	-	451	-
Experience gain/(loss) on assets	(70)	(4,704)	160	931	1,039

The estimated amounts of contributions expected to be paid to the scheme during the year ending 31 July 2014 is £132,000.

## NOTES TO THE ACCOUNTS

During the prior year, the trustee entered into an agreement with the Pension Insurance Corporation Ltd (PIC) to buy-out the liabilities of 41 deferred members of the UFMS. The agreement allows for an adjustment to the premium, either debit or credit, in the event of a substantial change to the initial data submitted by the trustee at the time of signing the agreement. The 2013 experience loss on assets of £4,704,000 shown above is partly a reflection of the cost of buying-out liabilities with PIC where the premium was based on the gilt rates prevailing at the time of signing the agreement, and the valuation of liabilities at the 31 July 2013 based on corporate bond yields. The fair value of the asset represented by the policy with PIC is equivalent to the value of liabilities at the balance sheet date, which have been bought-out under the policy with PIC.

### Changes in the present value of the defined benefit obligation

	2014 £'000	2013 £'000
Opening defined benefit obligation	8,967	8,889
Interest cost on obligation	370	340
Actuarial loss on obligation	338	165
Benefits paid	(718)	(427)
<b>Closing defined benefit obligation</b>	<b>8,957</b>	<b>8,967</b>

### Changes in the fair value of scheme assets

	2014 £'000	2013 £'000
Opening fair value of scheme assets	11,000	15,596
Expected return	312	403
Actuarial (loss)	(70)	(4,704)
Employer contributions	132	132
Benefits paid	(718)	(427)
<b>Closing fair value of scheme assets</b>	<b>10,656</b>	<b>11,000</b>

### Total amounts recognised in the statement of total recognised gains and losses

	2014 £'000	2013 £'000
Recognised pension asset at the start of the year	-	-
Income and expenditure credit	(58)	-
Actuarial losses in STRGL	(74)	(132)
Employer contributions	132	132
<b>Recognised pension asset at the end of the year</b>	<b>-</b>	<b>-</b>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses in respect of the UFMS Pension Scheme is a net loss of £6.1m (2013: net loss of £6.1m).

### Essex Pension Fund

The Essex Pension Fund is a defined benefit scheme administered in accordance with the Local Government Pension Scheme Regulations 2007/08. The scheme transferred to UCL on 01 May 2013 at which date the net liabilities of the scheme were £225,000. As at 31 July 2014 the net liabilities were £290,000 (2013: £111,000).



## NOTES TO THE ACCOUNTS

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### 39. RELATED PARTY TRANSACTIONS

The operating statements of UCL include transactions with related parties. In accordance with FRS 8 'Related Party Transactions' these are disclosed where members of UCL's Council and Senior Management Team (SMT) disclose an interest in a body with whom UCL undertakes transactions which are considered material to UCL's Financial Statements and / or the other party. Due to the nature of UCL's operations and the composition of Council (being drawn from local and private sector organisations) and SMT, it is inevitable that transactions will take place with organisations in which members of the Council or SMT may have an interest. All transactions involving organisations in which members of Council or SMT may have an interest, including those identified below, are conducted at arms length and in accordance with UCL's Financial Regulations and usual procurement procedures.

An updated register of the interests of members of Council and SMT is maintained.

UCL has taken advantage of the exemption within FRS 8 and not disclosed transactions with other group entities where it holds more than 90% of the voting rights.

Sir Malcolm Grant, who served as President and Provost until 30 September 2013, is a member of the HEFCE board and also the Chair of NHS England. UCL received £183.9m of funding from HEFCE and also engaged in a number of transactions with NHS Trusts, all of which were conducted at arm's length and in the normal course of business.

Michael Arthur, who became President and Provost on 1 September 2013, sits on the council of the Medical Research Council (MRC) and is a member of the MRC's remuneration committee and its audit and finance committee. UCL was awarded £47.7m of research funding by the MRC. He also sits on the board of The Russell Group of Universities, of which UCL is a member and to which a £60k subscription was paid in the year.

Baroness Warwick of Undercliffe is a commissioner of the US-UK Fulbright Commission. UCL offered two Fulbright-UCL scholarships, paying £16k to the US-UK Fulbright Commission towards the costs of the stipends.

David Price and Alan Penn both chair sub-panels of the HEFCE Research Excellence Framework (REF), and Alan Penn is also member of one of the REF's main panels. David Price is additionally a non-executive director of the North Middlesex University Hospital NHS Trust, sits on the council of the Science & Technology Facilities Council (STFC) and serves as the Chair of Governors of the UCL Academy. UCL received grants to the value of £8.4m from the STFC and made a £20k contribution towards the administrative expenses of the UCL Academy.

UCL is a founding member of The Francis Crick Institute. Sir John Tooke serves on the board of the Institute and David Lomas sits on the Crick-HEI Coordination Committee. Vivienne Parry is a council member of the MRC, another of the Institute's founding partners. In 2013-14 UCL purchased additional shares in The Francis Crick Institute with a value of £7.8m, bringing its total investment to £22.0m.

Sir John Tooke is also a non-executive director of University College London Hospitals NHS Foundation Trust and an academic director of UCLPartners, of which UCL is a member organisation. Alan Thompson is the chair of the Neuroscience Programme at UCLPartners Academic Health Science Centre. UCL engaged in sales transactions with UCLPartners to the value of £329k, and purchase transactions totalling £147k. It also received research grant funding in the sum of £3k. A balance of £263k was owing from UCLPartners at the year-end date.

Sir John Tooke additionally serves on the board of the Global Medical Excellence Cluster, of which UCL is a founder organisation and to which a £35k member's contribution was made in the year.

## NOTES TO THE ACCOUNTS

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Vivienne Parry is also the Head of Engagement at Genomics England, a subsidiary company of the Department of Health (DoH). UCL was forwarded £4.0m of research funding from the DoH and undertook £154k worth of sales transactions.

David Lomas additionally chairs the Respiratory Therapy Area Board of GlaxoSmithKline and the Population and Systems Medicine Board of the Medical Research Council (MRC), as well as serving on the MRC Strategy Board. GlaxoSmithKline forwarded £2.7m of research funding to UCL.

Alan Thompson and Graham Hart are both Senior Investigators for the National Institute for Health Research (NIHR), and Graham Hart also chairs a Programme Grants for Applied Research sub-panel of the NIHR. Alan Thompson is also a trustee of The National Brain Appeal (TNBA). UCL received £26.9m and £356k of grant funding from the NIHR and TNBA respectively, and made payments to the value of £79k to TNBA.

Graham Hart is additionally a member of the Population Health Sciences Group of the MRC.

Jack Foster is a trustee of The SAUL Pension Scheme. UCL contributes to this scheme and further details are available under Note 38.

Rex Knight has a loan under the UCL staff house loan scheme; the amount outstanding at the year end was £72k. He also has an investment under the UCL Shared Appreciation Mortgage Investment scheme of £135k. Lori Houlihan has a loan under the UCL staff house loan scheme; the amount outstanding at the year end was £137k. She also has an investment under the UCL Shared Appreciation Mortgage Investment scheme of £240k. Anthony Smith has an investment under the UCL Shared Appreciation Mortgage Investment scheme of £130k.

Sir Mark Pepys has a 45% interest in associate company Pentraxin Therapeutics Ltd, which transacts with both UCL and UCL Business. His wife is additionally a director of PharmResource Ltd, which provided consultancy services worth £73k to UCL.

Stephanie Schorge is a member of the Science Advisory Committee to Epilepsy Research UK, from which UCL received funding of £252k.

Sally MacDonald, who served as UCL Director of Museums and Public Engagement until 31 August 2014, is co-founder, co-director and trustee of Heritage Without Borders (HWB). HWB has partnered with UCL and the British Council to deliver the South East Europe Cultural Heritage Exchange Programme. UCL made payments totalling £30k to HWB in the year in relation to the Programme's activities. In addition, she was a trustee of the Bloomsbury Festival until February 2014. UCL is a major partner of the festival and made a £12k contribution to it in 2014.

Anthony Finkelstein is a member of council of the Engineering & Physical Sciences Research Council (EPSRC), which forwarded £39.8m of funding. Furthermore, his brother-in-law is a partner in marketing consultancy firm Hype, which provided approximately £67k worth of services to UCL.

Paul Ayris chairs the Electronic Information Resources Working Group of JISC, from which UCL made purchases in the sum of approximately £1.3m and received £13k of research funding.

Graham Lay holds a controlling interest in FirmAnswer Ltd and is also the company's principal. Evexar Medical Ltd received business consultancy services to the value of £70k from FirmAnswer Ltd.

Stephen Wood provided £16k worth of scientific consultancy services to associate company Pentraxin Therapeutics Ltd. He is additionally a minor shareholder in the company.

Patrick Reeve has a 25% interest in Albion Ventures, which holds a £950k investment in associate company Abcodia Ltd and which provided oversight services to the company to the value of £15k.

## NOTES TO THE ACCOUNTS

Mark Leaning provided consultancy services worth £59k to Helicon Health Ltd via his company PCF Enterprises Limited.

Dame DeAnne Julius became Chair of the UCL Council on 1<sup>st</sup> October 2014. She was an independent non-executive member of the board of Deloitte LLP until 30<sup>th</sup> June 2014. Deloitte undertake the UCL external audit, and details of fees paid to auditors can be found under Note 7. She is additionally a non-executive director of Roche, who forwarded research funding in the sum of £1.29m to UCL. UCL also engaged in purchase and sales transactions with Roche to the value of £824k and £30k respectively. Dame DeAnne further serves as a non-executive director of Jones Lang LaSalle (JLL), who act as landlord's agents in respect of a property leased by UCL at 66 – 72 Gower Street at an annual rent of £500k.

Transactions with subsidiaries of UCL have been eliminated on consolidation and no disclosure of these transactions has therefore been given.

The Group has year end debtor balances with the following associate and joint venture companies:

	Balance at 1 August 2013 £'000	Cash transfers £'000	Income £'000	Expenditure £'000	Other £'000	Balance at 31 July 2014 £'000
Pentraxin Therapeutics Limited	40	(78)	71	-	(1)	32
Canbex Therapeutics Limited	74	(172)	99	-	-	1
Abcodia Limited	2	(18)	19	-	-	3
EuroTempest Limited	1	(12)	12	-	-	1
Endomagnetic Limited	5	(38)	39	-	-	6
Senceive Limited	44	(11)	15	-	(37)	11
Asio Limited	6	-	1	-	-	7
UCL Partners Limited	280	-	-	-	(280)	-
Amalyst Limited	-	-	35	-	7	42
Atocap Limited	-	-	9	-	1	10
<b>Total debtors</b>	<b>452</b>	<b>(329)</b>	<b>300</b>	<b>-</b>	<b>310</b>	<b>113</b>

Additionally, the Group has granted loans to the following associate companies:

	2014 £'000	2013 £'000
Canbex Therapeutics Limited	-	158
Asio Limited	25	108
Domainex Limited	337	308
Endomagnetics Limited	10	10
Abcodia Limited	206	-
Amalyst Ltd	25	-
<b>Total loans</b>	<b>603</b>	<b>584</b>

## NOTES TO THE ACCOUNTS

### 40. SUBSIDIARY UNDERTAKINGS

The following UCL subsidiary companies which are incorporated in England and Wales and which have traded during the year have been consolidated into the financial statements:

Company	Principal Activity	Status	Class of Shares	Proportion Held
UCL Trading Ltd	Contracting, consultancy and other commercial activities.	100% owned	Ordinary	100% - UCL
UCL Investments Ltd	Property investment.	100% owned	Ordinary	100% - UCL
UCL Properties Ltd	Property development and investment.	100% owned	Ordinary	100% - UCL
UCL Residences Ltd	Commercial lettings of accommodation.	100% owned	Ordinary	100% - UCL
UCL Enterprises Ltd	General commercial trading.	100% owned	Ordinary	100% - UCL
UCL Cruciform Ltd	Exploitation of intellectual property in the field of bio-medicine.	100% owned	Ordinary	50% - UCL 50% - UCL Cruciform Trust
UCL Consultants Ltd	Provision of administrative support to staff engaged in consultancy.	100% owned	Ordinary	100% - UCL
Somers Town Community Sports Centre	Operation of sports centre.	Ltd by guarantee. UCL has the power to appoint 5 of the 9 trustees and so has effective control	-	-
UCL Business Plc	Exploitation of intellectual property.	100% owned	Ordinary	100% - UCL
			Ordinary 'A'	100% - UCL
			Redeemable Preference	100% - UCL
Bloomsbury Bioseed Fund Ltd (BBSF)	Investment in biotechnology start ups.	75% owned	Ordinary	75% - UCL
Proaxon Ltd	Developing and commercialising medical treatments.	83% owned	A Preferred	100% - BBSF
			Ordinary	72% - UCL Cruciform
Evexar Medical Ltd	Developing and commercialising medical and surgical devices.	99% owned.	Ordinary 'A'	83% - UCL Business
			Ordinary 'B'	100% - UCL Business
			Ordinary 'C'	100% - UCL Business

## NOTES TO THE ACCOUNTS

Company	Principal Activity	Status	Class of Shares	Proportion Held
UCLB Devices Ltd	Evaluating potential medical devices, scientific instruments, and diagnostics for their technical feasibility and commercial viability.	100% owned	Ordinary	100% - UCL Business
Thiologics Ltd	Provision of goods and services in biotechnology.	100% owned	Ordinary	100% - UCL Business
Helicon Health Ltd	Provision of web-based software, re-designed clinical service delivery, an accredited educational programme and a consulting service for chronic condition management.	57% owned	Ordinary	57% - UCL Business
Belsize Polymer Ltd	Exploitation and development of various polymer applications.	100% owned	Ordinary	100% - UCL Business

Free Clinical Enterprises Ltd was dissolved during the year.

UCL continues to provide guarantees to a number of subsidiaries to make additional financing available if required to enable them to meet their liabilities as they fall due.

### 41. CONTINGENT LIABILITY

There is currently an outstanding issue relating to the tax treatment of adjustments made in relation to some of the previous years' gift payments from subsidiaries. This is a sector-wide issue and whilst it is not anticipated that HMRC will levy any additional tax on the UCL Group, there can be no certainty of this while HMRC's considerations continue.

### 42. POST BALANCE SHEET EVENT

In October 2014 the governing bodies of UCL and the Institute of Education each agreed to combine their respective entities with effect from 2<sup>nd</sup> December 2014. At that point, the business of the Institute of Education will transfer to UCL as a going concern. UCL will acquire all the assets and liabilities of the Institute of Education at that date. The Institute of Education will operate from that date onwards as a faculty of UCL.

**FINANCIAL SUMMARIES (unaudited)**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>INCOME</b>					
Funding Council grants	182,437	191,160	198,333	203,346	200,995
Academic fees and support grants	292,771	240,874	208,452	172,165	150,555
Research grants and contracts	374,503	325,645	300,734	283,383	275,061
Other operating income	167,579	167,926	156,800	138,286	133,801
Endowment income and interest	5,098	5,326	6,891	5,225	5,004
<b>Total income</b>	<b>1,022,388</b>	<b>930,931</b>	<b>871,210</b>	<b>802,405</b>	<b>765,416</b>
Less: Share of income from joint ventures	(2,776)	(2,777)	(2,475)	(848)	(3,032)
<b>Net Income</b>	<b>1,019,612</b>	<b>928,154</b>	<b>868,735</b>	<b>801,557</b>	<b>762,384</b>
<b>EXPENDITURE</b>					
Staff costs	576,304	516,611	472,843	449,012	442,666
Other operating expenses	382,385	342,760	323,636	280,686	242,086
Interest payable	5,842	5,982	6,774	6,960	7,325
Depreciation	43,662	42,946	40,172	40,762	40,284
<b>Total expenditure</b>	<b>1,008,193</b>	<b>908,299</b>	<b>843,425</b>	<b>777,420</b>	<b>732,361</b>
<b>SURPLUS AFTER DEPRECIATION OF TANGIBLE FIXED ASSETS AT COST AND BEFORE TAX</b>					
	11,419	19,855	25,310	24,137	30,023
Share of operating (loss)/profit in joint ventures	(165)	(211)	(210)	(226)	56
Share of operating loss in associates	(917)	(1,086)	(1,296)	(342)	(325)
Taxation	(8)	(50)	(5)	(9)	(11)
Share of taxation in associates	129	163	28	41	(1)
<b>SURPLUS AFTER DEPRECIATION OF ASSETS AT COST AND TAX</b>					
	10,458	18,671	23,827	23,601	29,742
Minority interest	42	23	(116)	11	(895)
<b>SURPLUS BEFORE EXCEPTIONAL ITEMS</b>					
	10,500	18,694	23,711	23,612	28,847
Exceptional items: continuing operations					
Gain on acquisition	-	-	4,805	-	-
Profit/(loss) on disposal of fixed asset investments	377	16	(253)	(74)	738
Profit/(loss) on disposal of tangible fixed assets	20,643	13	(950)	5,938	-
<b>SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST, DISPOSAL OF ASSETS AND TAX</b>					
	31,520	18,723	27,313	29,476	29,585
Surplus for the year transferred (to)/from accumulated income in endowment funds	(614)	(506)	(886)	(532)	70
<b>SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES</b>	<b>30,906</b>	<b>18,217</b>	<b>26,427</b>	<b>28,944</b>	<b>29,655</b>