LONDON’S GLOBAL UNIVERSITY

Annual Report and Financial Statements for the year ended 31 July 2018

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COMMITTEE MEMBERSHIP

Council (Trustees)

External Members:	Mr Ven Balakrishnan to (31/12/17) ◆* Mr Dominic Blakemore Dr Andrew Gould Dame DeAnne Julius ◆* (Chair) Ms Nahid Majid Mr Simon Melliss (to 30/09/17)◆ Ms Lindsay Nicholson◆*	Mr Turlogh O'Brien (from 31/01/18) ◆ Lord (John) Sharkey (from 01/10/17) ◆ Mr Philip Sturrock (Treasurer) Mr Justin Turner QC (from 01/10/17) Baroness (Jo) Valentine◆* Baroness (Diana) Warwick (to 30/09/17)◆*
Academic Members:	Professor Michael Arthur◆* (Provost) Professor Lucie Clapp* Professor David Coen (to 30/09/17) Professor Annette Dolphin*	Dr Martin Fry Professor Patrick Haggard (from 01/10/17) Dr John Hurst (to 30/09/17)* Dr Hynek Pikhart (from 01/10/17)* Professor Andrew Wills
UCL Union:	Ms Sarah Al-Aride (to 14/07/18) Mr Farook Dean (from 15/07/18)	Mr Mohammed Hamza Jamshaid (to 14/07/18) Mr Mahmudur Rahman (from 15/07/18)

Finance Committee

External Members:	Dr Andrew Gould (from 01/10/17) Dame DeAnne Julius Mr Philip Sturrock (Chair)	Dr Gill Samuels (to 30/09/17) Mr Richard Smothers (to 30/09/17) Ms Sarah Whitney
Academic Members:	Professor Michael Arthur (Provost) Professor Stephanie Bird (to 30/09/17) Professor Lucie Clapp (from 01/10/17)	Professor Patrick Haggard (from 01/10/17) Professor Alan Smith (to 30/09/17)

Audit Committee

External Members:	Mr Dominic Blakemore (Chair) Mr Ven Balakrishnan (to 31/12/17) Mr Turlogh O'Brien (from 05/06/18)	Mr Patrick Reeve Mr Justin Turner (from 31/01/18)
Academic Members:	Professor Andrew Wills	

Investments Committee

External Members:	Mr Chris Hills Ms Jumana Saleheen (from 26/06/18)	Mr Philip Sturrock (Chair) Ms Sarah Whitney
Staff Members	Mr Philip Harding	
UCL Union:	Mr Mohammed Hamza Jamshaid (to 14/07/18)	Mr Mahmudur Rahman (from 15/07/18)

◆ denotes also member of Remuneration and Human Resources Strategy Committee
* denotes also member of Nominations Committee

FINANCIAL SUMMARY

	2018 £m	2017 £m
CONSOLIDATED INCOME & EXPENDITURE ACCOUNT		
Tuition fees and education contracts	521.1	460.6
Funding body grants	227.3	194.6
Research grants and contracts	476.3	459.8
Other income	193.4	185.4
Investment income	6.0	6.4
Donations and endowments	27.0	20.6
NET INCOME	**1,451.1**	**1,327.4**
TOTAL EXPENDITURE	**1,317.5**	**1,255.3**
Loss on disposal of fixed assets	(0.1)	(0.2)
Gain on investments	24.1	12.2
Share of operating loss in joint ventures and associates	(0.1)	(1.8)
Taxation	(1.1)	(2.1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**156.4**	**80.2**
Intangible assets	24.8	16.4
Fixed assets	1,876.7	1,707.6
Investments	254.2	222.4
Net current liabilities	(110.8)	(38.6)
Total assets less current liabilities	2,044.9	1,907.8
Non-current liabilities	(472.4)	(483.5)
Pension provisions	(130.6)	(150.3)
Other provisions	(17.8)	(6.4)
TOTAL NET ASSETS	**1,424.1**	**1,267.6**
Represented by:		
Endowments	117.8	111.4
Reserves	1,306.2	1,156.0
Minority interest	0.1	0.2
	1,424.1	**1,267.6**
OTHER KEY STATISTICS		
(Decrease)/increase in cash in the year	(14.1)	96.1
Average student numbers	41,539	39,473
Average payroll numbers	15,107	14,568

OPERATING AND FINANCIAL REVIEW

Operating and Financial Review 2017-18

The financial statements of UCL are prepared in accordance with the "Statement of Recommended Practice: Accounting for Further and Higher Education 2015" and with reference to the "Office for Students (OfS) Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by the Higher Education Funding Council for England (HEFCE)". The OfS is also acting 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 27. These accounts have been prepared on a going concern basis as described in section 1 of the Statement of Accounting Policies.

The Operating and Financial Review for 2017-18 comprises five sections covering:

1) UCL's vision and long-term strategy (UCL2034);
2) Performance in 2017-18 in pursuit of this strategy in the core areas of research, education, innovation and enterprise;
3) The financial review and outlook;
4) UCL's approach to risk management
5) How UCL delivers public benefit.

Vision and long-term strategy

UCL, London's Global University, is a diverse intellectual community which is engaged with the wider world and committed to changing it for the better. It is recognised globally for its radical and critical thinking and its widespread influence, and exercises an outstanding ability to integrate its education, research, innovation and enterprise 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, UCL's strategy - titled UCL 2034 - articulates six Principal Themes:

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 its 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

UCL's Key Enablers to achieve these themes are:

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 our vision
E. Maintaining a sustainable estate to meet our aspirations
F. Communicating and engaging effectively with the world

Progress against these Principal Themes and Key Enablers is monitored by the executive and by Council, and performance highlights over the year are presented below.

Performance in 2017-18

Theme 1: Academic leadership grounded in intellectual excellence

Enduring intellectual excellence – derived from talented individuals' curiosity about, and commitment to, their chosen subject areas – is the prerequisite of academic leadership. This, more than anything, underpins the contributions that a university makes to society.

At UCL, such leadership is manifested by our academics in many ways, including but not limited to: contributions to the intellectual life of their discipline, developing novel lines of enquiry and pioneering innovative teaching programmes, extending the knowledge of their subject to the wider community and engagement in new types of cross-disciplinary collaboration. Within the year:

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- League table outcomes reconfirmed UCL's world status. It was placed 7th in the 2018 QS world rankings (3rd in the UK) and rose to 14th place in the Times Higher Education (THE) rankings issued in September 2018, from 16th in 2017.

- Two UCL professors, Professor John Hardy and Professor Bart De Strooper, won the 2018 Brain Prize, the world's most valuable prize for brain research, for their groundbreaking research on the genetic and molecular basis of Alzheimer's disease.

- Six UCL scientists were elected as Fellows of the Royal Society for their exceptional contribution to science and three UCL academics were made Fellows of the British Academy in recognition of their outstanding research in the humanities and social sciences.

- The Provost was elected to the board of the League of European Research Universities (LERU), a prominent advocate for the promotion of basic research at European research universities and the significant benefits that frontier research plays in the innovation process and progress of society.

- A number of UCL academics were honoured in the New Year and Queen's Birthday honours lists. Professor Terence John Stephenson, a consultant paediatrician and chair of the General Medical Council (GMC) from 2015 to 2018, was knighted for services to healthcare and children's health services. He is currently the Nuffield Professor of Child Health at UCL. Professor Jane Dacre, President of the Royal College of Physicians and Professor of Medical Education at UCL, was made a dame, receiving a DBE for services to Medicine and Medical Education. In addition, two staff received CBEs, two OBEs and one an MBE.

UCL also continues to seek out and recruit exceptional intellectual leaders. Notable new recruits in recent months include: Professor Sasha Roseneil as the new Dean of Social & Historical Sciences; Professor Diane Koenker as the Director of the UCL School of Slavonic & East European Studies; Professor Rick Livesey, the incoming Professor of Stem Cell Biology who will be based in the Zayed Centre for Research into Rare Disease in Children; and Professor Anthony David, the inaugural Director and Sackler Chair of the UCL Institute of Mental Health.

To drive UCL's academic leadership it needs to attract, retain and cultivate not only the best global talent but also to support and develop professional services staff, whilst focusing on the delivery of equality and diversity, building on UCL's strong historic performance in this area.

- The Equalities, Diversity and Inclusion team moved in 2018 to become part of the Provost's office, reflecting his personal commitment to enacting bold changes at an individual, institutional and policy level to ensure that UCL's values of respect and tolerance are upheld.

- In September 2017 the Academic Careers framework was launched, with guidance to support staff in building their case for promotion. The framework aims to support every type of academic career path at UCL, giving equal weight to teaching and research, and ensuring personal impact in public engagement, enterprise and institutional citizenship is rewarded fairly.

Theme 2: Integration of research and education, underpinning an inspirational student experience

UCL strives to inspire its students at every level - undergraduate, postgraduate taught and postgraduate research - and to equip them with the knowledge and skills they need to contribute significantly to society and be leaders of the future in their chosen field and profession.

The Connected Curriculum, UCL's framework for research-based education, builds a learning culture that develops students' critical thinking and readiness for the next step in their careers. Through it, students can participate in the research process and benefit from an offer that explores how the creation and application of knowledge contributes to the world's 'grand challenges'.

On campus, students also have access to a range of outstanding facilities (including UCL's world-class library, distinctive collections and museums) and UCL continues to place a high priority on the extracurricular development of students through volunteering, entrepreneurship and participation in student democracy and representation in partnership with the UCL students' union. All our students are seen as collaborative members of the university community, with a shared interest in the future of UCL.

Within this theme, highlights in the year include:

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- **Student Numbers:** Average student headcount for 2017-18 was 41,539, representing an increase of 2,066 (5.2%) over the total for 2016-17. UCL remains highly attractive to prospective undergraduate students in particular, and over the past three years applications have increased by 21.5%.

- **Research-based Education:** UCL was a finalist in the inaugural Global Teaching Excellence Awards, while the Integrated Engineering Programme was recognised as an emerging leader in an MIT (Massachusetts Institute of Technology) review of engineering education around the world.

- **Personalised Support:** There has been a five-fold increase in the use of LectureCast, the system for recording lectures, and a new Personal Tutoring website has been created to encourage a consistent experience for all students. 120 staff and students also attended the first conference on closing the BME attainment gap, with faculty champions recruited to support the project.

- **Teaching Estate:** 2,800 additional teaching seats have been created, while 534 extra study spaces have brought the total managed by Library Services to just under 4,200. The new Student Centre is on track to open in early 2019, and this will bring all student services into one place and provide an additional 1,000 study spaces.

- **Social Enterprise:** Last October, four UCL undergraduates (backed by UCL Innovation and Enterprise) entered into the 2018 Hult Prize and set out to tackle one of the world's great food challenges: to reduce the 350m tons of rice wasted annually. They went on to win this prestigious prize and $1m in seed funding, presented to them by former US President, Bill Clinton.

- **Student Partnerships**: 294 student 'ChangeMakers' participated in student staff projects, as facilitators working with Annual Students Experience Review (ASER) intensive departments and as student reviewers of teaching practice.

- **Student Volunteering:** Over 2,000 students participated in activities through the Volunteering Services Unit (VSU), such as organising football tournaments for homeless people, teaching computer skills to local elderly people and coordinating fundraising events for disability charities.

Theme 3: Research - addressing global challenges

UCL's commitment to innovation, its home in the heart of a global capital, and the breadth and depth of its expertise offers it a unique opportunity to address the most important problems confronting humanity in the 21st century. UCL's cross-disciplinary interaction makes its subject specific expertise greater than the sum of its parts.

UCL has successfully supported academic and research staff who seek to overcome barriers to collaboration across disciplines in their research activities and, in addition to being consistently judged a world-leading university, all our indicators suggest that UCL continues to remain excellent across its broad research spectrum.

- Total income from research grants and contracts, before R&D specific tax incentives, increased from £452m in 2016-17 to £471m in 2017-18: an increase of 4.3%, with research funding from industry, commerce and public corporations increasing by 16.0%.

- Within the year UCL received its 175th European Research Council (ERC) award, and 12% of all Consolidator grants awarded to the UK under the Horizon 2020 programme (more than any other university). In terms of overall performance, UCL is the third most successful recipient of Horizon 2020 funding in the UK and hosts the third highest number of ERC grantees in Europe.

- Preparations are underway for the Research Excellence Framework (REF) 2021, through which UCL aims to build on its excellent performance in REF2014 and its status as the top-rated university in the UK for 'research power', a measure of average research score multiplied by staff numbers submitted.

- Three new Research Domains (large, cross-disciplinary research communities spanning both UCL and its partner organisations) have been successfully launched: Cancer, Collaborative Social Science and Food, Metabolism & Society.

- Based on the level of publication for Research Council funded outputs, UCL's Open Access (OA) block grant from RCUK exceeded £1.9m for 2017-18, reflecting UCL's continuing leadership in the field. UCL's OA repository, UCL Discovery, now has more than 50,000 full text records.

- Economist Dr Zhifu Mi, based in the UCL Bartlett School of Construction & Project Management, was awarded a prestigious 2018 World Sustainability Award in recognition of his ongoing research into the economics of climate change.

- UCL's Institute for Global Prosperity has partnered with the American University of Beirut and the Centre for Lebanese Studies to form the RELIEF Centre: aimed at tackling the barriers between refugees and their host nation, and to find ways to build a prosperous, inclusive future for new and existing communities.

- In March 2018, the Medical Research Council announced a further £40m of funding to support development of the central hub of the UK Dementia Research Institute (DRI) at UCL. The UK DRI breaks new ground by bringing together world-leading expertise in biomedical, care and translational dementia research in a national institute and will ultimately grow to host 700 scientists carrying out a rich, varied and integrated programme of research. This funding will contribute to an iconic £250m new building to host the hub's activity alongside UCL's world-class institute of Neurology.

Theme 4: An accessible, publicly engaged organization fostering a lifelong community

UCL has a proud history of being the first university in England to be open to all, irrespective of race or religion, and the first to admit women on an equal basis. It continues to seek out those students best able to benefit from, and contribute to, its thriving intellectual community, regardless of background and circumstances. UCL's widening participation strategy aims to raise awareness of higher education and to assist in the preparation for higher education by addressing the academic, social and cultural issues underlying historic levels of low participation.

A range of scholarships and bursaries, funded by philanthropic individuals and organisations, are provided to ensure that UCL remains open to all talented students. The African Graduate Scholarship, established by the CP Charitable Trust, has so far enabled 73 students from African countries to expand their skills, knowledge and career paths in UCL's Institute for Global Health.

In line with our Access Agreement, UCL also continues to set aside around £7.5m per annum to provide enhanced bursaries for students from low income families and to support outreach activities.

UCL works closely with schools in London, and elsewhere in the UK, to help raise aspirations and to identify individuals in target groups that might come to UCL. In particular, UCL continues to support the UCL Academy: a mixed nonselective school sponsored by UCL in the London Borough of Camden. The first pupils to sit GCSEs at the Academy achieved impressive results, performing well above the national average, and the most recent Ofsted inspection judged the Academy as providing an 'excellent climate for learning'.

To further its ambitions under this theme, UCL needs to enlist the help of its alumni, other long-standing friends and key stakeholders in ongoing philanthropic support. *It's All Academic* is UCL's major philanthropy and engagement campaign, and was launched with a fundraising target of £600m. By June 2018, cumulative funding raised had reached £400m, putting the campaign one year ahead of schedule. Within it:

- A total of £20m has been raised to support UCL's world leading neuroscience through The Dementia Retail Partnership: a coalition of leading retailers, led by Iceland Foods that donates its plastic bag 5p levy.

- In February 2018, the Tom Prince Cancer Trust gifted £1m to the UCL Cancer Institute to assist UCL in developing a UK wide research network for osteosarcoma, a rare type of bone cancer primarily affecting teenagers and young adults.

- In April 2018, Baillie Gifford donated £1m to the new UCL Institute for Innovation & Public Purpose to support a mission led approach to tackling urgent societal challenges.

Theme 5: London's Global University

UCL's relationship with London is central to its commitment to becoming a global leader in knowledge exchange, enterprise and open innovation with societal impact. During 2017-18, in the single biggest development since its foundation, UCL confirmed its expansion into east London in the form of its new campus, UCL East.

UCL East, will be part of the East Bank - a new destination for London with world-class culture and education at its heart - on the Queen Elizabeth Olympic Park. It is envisaged as a radical new model for how a university campus can be embedded in the community, providing world-leading research, education, entrepreneurship and innovation. It will build on, and embody, UCL's position as London's global university but will also be original in its scope, reach and

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connections with the local community and urban surroundings. It will be a place for new activities and initiatives at UCL, nurturing creativity and supporting interaction between disciplines.

In March 2018, the Mayor of London granted outline planning approval for the UCL East campus and a masterplan is now in place that determines not only how UCL East will be developed, but also the look and feel of our buildings, and how the 11 acre campus will connect with its surroundings. There will be academic buildings across the site, complemented with predominantly student accommodation. Construction will start in 2019, with the first buildings due to open in 2021 and expected to host around 4,000 students and 260 staff. In support of these plans, UCL is set to receive £100m from Government towards the capital cost.

With participation from seven faculties and support from over 100 UCL academics, UCL East will feature radical and innovative research and teaching programmes ranging from robotics, artificial intelligence and media, to innovative finance, global health leadership, advanced propulsion and sustainable cities.

More broadly, UCL aims to make a positive impact on London's people, economy, communities and culture by working in partnership with a wealth of organisations on subjects as diverse as housing, public policy, transport, education, health and wellness, migration and culture. Within the year:

- Sadiq Khan, the Mayor of London, visited UCL to mark the launch of his 'T-charge' and promote action to tackle London's air quality. UCL is committed to supporting the Mayor and the GLA on improving the city's air quality and is working in partnership with community groups, charities and business to deliver a better environment for Londoners.

- UCL has partnered with philanthropists to establish the Centre for Access to Justice, where law students provide pro bono legal advice to vulnerable citizens in East London.

- Over 3,000 people attended the annual Bloomsbury Festival, which returned to UCL in October 2017. The event took over the UCL Bloomsbury campus and brought researchers face-to-face with the public on the subject of independence in all its forms.

Theme 6 Delivering Global Impact

UCL's Global Engagement Strategy (GES) is based on a commitment to international partnerships and the belief that bringing together different perspectives and diverse experience accelerates the process of discovery and global impact. In pursuing this vision, UCL's emphasis is on using its expertise to develop shared solutions to global problems by working in partnerships with governments, international businesses, health and social care systems and the higher education systems of other countries.

UCL's Global Engagement Office (GEO) supports UCL academics to collaborate with others who share their dedication to excellence and passion for knowledge, irrespective of where they are in the world. Global institutional partnerships are essential and are strengthened through activities such as seed-funding programmes, organising inbound and outbound delegation visits and profiling the world leading research carried out by UCL academics with these partners.

For the first three years since their introduction, the GEO's seed-funding programmes have benefited more than 400 UCL academics, with £500k of internal funding allocated and leveraging more than £3 million of external funding.

In 2017-18, the GEO also led or co-led 13 outbound delegation visits involving 25 academics and hosted 80 inbound visits involving more than 200 academics, leading to new and deeper partnerships with key institutions.

The GEO has worked to consolidate its first deep strategic partnership with Peking University and has had notable success in transforming faculty-level partnerships into cross institutional partnerships, of which there are currently six including a new partnership with Osaka University.

Efforts to intensify UCL's engagement in Europe this year also included hosting delegations and signing Memoranda of Understanding with partners from France, Germany, Italy and the Netherlands, and the launch of UCL's New Cities Programme to support and celebrate sustainable academic partnerships in major cities.

OPERATING AND FINANCIAL REVIEW

Financial review

UCL's summary consolidated comprehensive Income and Expenditure results for the year ended 31 July 2018 are summarised in the table below.

Results for the year ended 31 July 2018	2018 £m	2017 £m
Total income	**1,451.1**	**1,327.4**
Operating expenditure	(1,240.4)	(1,183.4)
Depreciation	(77.1)	(71.9)
Total expenditure	**(1,317.5)**	**(1,255.3)**
Surplus before other gains and losses and tax	**133.6**	**72.1**
Share in joint ventures, associates and non-controlling interests	(0.1)	(1.8)
Other gains and losses and tax	22.9	9.9
Total comprehensive income for the year	**156.4**	**80.2**

UCL seeks to achieve 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 level of reserves sufficient to withstand the financial impact of operating in a higher risk environment than was the case in the past. For the 2017-18 financial year, UCL's total comprehensive income was £156.4m (10.8% of total income) and this represents an outperformance of £76.8m against target.

At an institutional level, both academic activity and professional services support for the year were delivered to target - an impressive performance in an increasingly challenging environment – and this was supplemented by an income spike brought about by a small number of high value transactions. Most notably, grant funding for land purchases of £27.8m was recognised in full within the year, and unrealised gains on the investment portfolio (now reported through the Statement of Comprehensive Income and Expenditure) exceeded budget by a further £10m.

Also included within the results for 2017-18 is £15.0m of realised and unrealised gains relating to the one-off sale of investments within UCL Business and the revaluation of shares held by that subsidiary following their flotation on the AIM. This £15.0m is included within the £24.1m total gain in investments set out in note 15 to the accounts. A further £18.5m was received from the Department for Transport for the compulsory purchase of Wolfson House: a property earmarked for demolition under the proposed HS2 rail route and previously housing the UCL data-centre.

Excluding the combined effect of these non-recurring items, UCL's underlying operating surplus for 2017-18 stands at £85.1m: 6% of total income and £5.5m above the targeted surplus for the year.

In comparison to prior year, the increase in surplus of £76.2m is reflective of the continued growth in tuition fees (a £60.5m increase), the recognition of £27.8m in one-off capital grants for land mentioned above and a £16.5m increase in the level of research funding secured, offset by increases in staff costs and administrative expenses of £22.3m and £34.6m respectively. Further detail on income and expenditure for the year is set out below.

Source of income	2017-18		2016-17	
	£m	%	£m	%
Funding Councils	227.3	15	194.6	15
Academic fees	521.1	36	460.6	34
Research contracts	476.3	33	459.8	34
Other operations	193.4	13	185.4	14
Interest	6.0	1	6.4	1
Donations and Endowments	27.0	2	20.6	2
Total	**1,451.1**		**1,327.4**	

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Income from the Funding Councils (HEFCE, OfS and UKRI) increased by £32.7m in the year (17%) to £227.3m and continues to account for around 15% of total income. A one-off £27.8m capital grant to fund the purchase of the Eastman Dental Hospital site – the future home of the Dementia Research Institute hub – accounted for most of this increase, whilst grant funding for teaching (£37.8m) remained consistent with prior year and research grant income saw a rise of £6.5m (5%).

Academic fee income was up £60.5m (13%) to £521.1m. The largest contributor was fee income from full-time international (non-EU) students which increased by £47.3m (22%), driven primarily by an increase in student numbers within that demographic. Fee income from full-time UK and EU student numbers also rose by £12.7m (8%).

Total income from research contracts rose by £16.5m (4%) against the previous year, a remarkable achievement, and is reflective of UCL's strength in securing such awards.

Staff costs increased by 3% in the year to £726.8m (2016-17: £704.5m): broadly reflective of a 4% increase in average headcount. The total for 2017-18 includes a credit of £22.4m, derived from the unwinding of UCL's provisions against future enhanced pension contributions under the USS and SAUL recovery plans (2016-17: £10.8m) and, once this is extracted, the resulting net cost of £749.2m (reflecting salaries, national insurance and pension contributions only) stands at 52% of total income (2016-17: 54%).

Other operating expenses (note 8) increased by £34.6m (7%) to £506.2m, with the most significant rises attributable to furniture and equipment purchases (£5.9m, 13%), professional fees (£6.3m, 24%) and other costs (£15.7m, 27%).

Other operating expenses also include audit fees and other fees paid to UCL's auditors. Audit fees have decreased from £0.3m to £0.2m, whilst non-audit fees have remained static at £0.1m.

Net assets increased in the year from £1,268m to £1,424m, with cash and short-term deposits decreasing marginally to £201m (2016-17: £215m). This represents 59 days' expenditure (excluding depreciation), compared to 67 at the previous year-end. The value of UCL's endowment assets at £118m (2016-17: £111m) reflects a 6% increase on prior year. Total reserves (excluding endowments) increased from £1,157m to £1,306m.

Net current liabilities stands at £110.8m (2016-17: £38.6m), however this includes £293m of research grant payments received in advance of spend and a further £51m of deferred income relating to advance receipt of capital grants. These amounts will be retained and recognised as income as UCL meets its obligations under the respective grant funding agreements and, as a result, current assets of £493m are sufficient to meet UCL's current cash obligations whilst maintaining an appropriate level of working capital.

The existing capital programme will, in addition, be funded from a combination of existing reserves, philanthropy and new debt. In March 2015, a five-year revolving credit facility of £150m was secured with a club of four banks and, in February 2016, UCL concluded its negotiations with the European Investment Bank for a further £280m debt facility. As at the 2017-18 year-end, £100m had been drawn against the revolving credit facility, leaving £330m of headroom.

Financial outlook

The changing funding and regulatory environment for higher education in the UK continues to offer both opportunities and challenges for UCL.

The replacement of HEFCE by the OfS and UKRI is expected to herald an increase in the level of monitoring within the sector, particularly around student experience and through the introduction of the Teaching Excellence Framework (TEF) as well as the possible extension of the Knowledge Exchange Framework (KEF) to subject level. UCL is monitoring developments, but considers itself well-placed to meet any shift in focus through its pursuit of closely aligned themes under the UCL 2034 strategy.

UCL has also succeeded in increasing its numbers of UK/EU students despite the declining demographic in the number of 18 years olds across the UK, increased competition within the sector and the continuing uncertainty around the impact of Brexit - and student numbers from the EU are at an all-time high. Applications from overseas students for undergraduate and postgraduate taught programmes are showing steady increases year on year as well, reflecting UCL's strengthening global reputation.

Looking ahead, the government's review of post-18 education and funding is not due to report until early 2019 and although regulated fee levels and teaching support grants will not be affected until 2020-21, it does presents a real risk to future levels of teaching funding.

Capital funding for universities has shrunk dramatically and it is now almost entirely the responsibility of universities to source funding for capital investment. Government funding for research, particularly science research, has

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remained flat in cash terms in recent years. However, with the announcement of the National Productivity Investment Fund and an additional £7bn of funding being made available between 2017-18 and 2012-22 (alongside the Government's commitment to spend 2.4% of GDP on research and development by 2027), there are signs that this trend is set to change.

Beyond these external factors, UCL has an ambitious plan to transform the University's estate on an unprecedented level, creating the scale and quality of facilities commensurate with a world-leading university – and the achievement of our targets for financial sustainability is a critical determinant of our ability to support this investment. With this in mind, UCL has developed a new 10 year financial strategy.

Approved by council in October 2018, the financial strategy will cover a 10 year period from 2019-20 and includes a revised set of institutional performance measures, with both agreed targets and constraints. It addresses the demand for further investment beyond the physical infrastructure of the estate - into digital infrastructure, new academic initiatives and student support - and assesses the continued availability of long-term low-cost debt, alongside the strength of UCL's covenant.

UCL will monitor external environmental pressures, and trends in its own performance, using a comprehensive set of indicators, model the impact of those trends on its future financial performance and use the results to inform the level and pace of its future investment.

USS Pension Scheme
UCL participates in a number of pension schemes, the most significant of which is the Universities Superannuation Scheme (USS). Following its 2014 valuation, the USS Trustee reported a scheme deficit of £5.3bn (89% funding level) and employers subsequently agreed to raise contributions from 16% to 18% over the period to March 2031, with 2.1% of that higher rate specifically earmarked to repair the historic deficit. In November 2017, and following the result of the 2017 valuation, the Trustee advised that the scheme's deficit had increased to £7.5bn. A mutually acceptable response has not yet been agreed by the key stakeholders and, as at the date of these financial statements, that process is still ongoing despite the statutory deadline for reform (30 June 2018) having passed.

USS have responded in the only way they are enabled, invoking a cost-sharing process whereby current benefits are costed and the increase over the current rate is shared 65% by employers and 35% by employees. The proposal currently under consultation is to phase the increase in three stages by April 2020 with the eventual increase taking contributions from 26% (18% employer, 8% member) to 36.6% (24.9% employer, 11.7% member). The first increase of 2.3% (1.5% employer, 0.8% member) would take effect from April 2019. Each 1% increase in employer contributions currently costs UCL around £3.6m.

UCL is actively engaged along with other employers, the members' representative body (University and College Union) and the Trustee Board of USS to agree a solution that ensures USS remains both attractive and sustainable. With the benefit of a recent independent review of the 2017 valuation, it is hoped that agreement can be reached and reforms introduced in sufficient time to avoid the second phase of cost sharing increases in October 2019, if not the first in April. This independent review was undertaken by the Joint Expert Panel (JEP): a panel of six actuarial and academic experts, nominated equally by the University and College Union and the representative body of scheme employers (Universities UK), with a jointly agreed chair.

At the present time, the legal obligation to pay 18% contributions under the 2014 recovery plan still stands, and this remains the basis on which the year-end provision set out in note 21 has been calculated.

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. Institutional risks are captured through the strategic risk register, which 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 provision and management of teaching and learning space, management of the substantial programme of construction work that is now underway and the consequences of non-compliance with the General Data Protection Regulation (GDPR).

OPERATING AND FINANCIAL REVIEW

Specific financial risks (such as those relating to increased pension costs or changes in the funding environment) are monitored and managed through this process as well where they are deemed to be of strategic significance or otherwise through operational processes such as the annual financial planning round.

In parallel, UCL monitors and manages operational risk through a continuous cycle of internal audit. The focus of this work is reviewed annually in collaboration with UCL's internal audit partner, and results are reported periodically to Audit Committee. Cyber security, a significant emergent risk, is a key strand of this activity and there is a continued focus on ensuring that an effective programme of assessment and mitigation is in place.

Delivering public benefit

UCL has exempt charity status and, in accordance with part 3 of the Charities Act 2011, the Office for Students (OfS) is charged, as its principal regulator, with monitoring compliance with charity law obligations.

In exercising their powers and duties, 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 objectives, 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.

UCL's contribution to these objectives is described under 'Performance in 2017-18' on pages 3 to 7.

Philip Sturrock
Treasurer

Dame DeAnne Julius
Chair of Council

CORPORATE GOVERNANCE

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).

In 2015-16, UCL's governing body, the Council, undertook a review of its effectiveness, including an exercise to benchmark UCL's practices against the seven primary elements of Higher Education Governance set out in the Higher Education Code of Governance, published by the Committee of University Chairs (CUC) in December 2014. UCL continues to adhere to all elements of the code, and 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. This summary describes the manner in which UCL has applied those principles in order to ensure all relevant provisions are addressed in its governance arrangements.

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 meeting each year, the Council carries out an annual assessment for the year ended 31 July by considering a report from the Audit Committee, and taking account of events since 31 July. 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, that it has been in place for the whole of the year ended 31 July 2018 and that, up to the date of approval of the annual report and accounts, the process has been subject to regular review. The Council approaches this responsibility from the perspective of discharging its duties, as specified in the OfS Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by the Higher Education Funding Council for England (HEFCE).

In accordance with the Statutes of UCL, the Council comprises external members, the President and Provost (Provost hereafter), elected 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 Academic and Administrative Officer, the Provost. The powers and duties of the Council are set out in the Statutes; the Council has adopted a Statement of Primary Responsibilities and a delegation framework. 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 operation of its business and its subsidiary companies. The Council also acts as the board of trustees in the context of UCL's status as an exempt charity and in line with the responsibilities thereby incurred.

The Council normally meets six times each year (including an away day); it has several committees, including Finance Committee, Audit Committee, Remuneration and Human Resources Strategy Committee and Nominations Committee. All of these Committees are formally constituted with Terms of Reference.

The Finance Committee comprises external members, the Provost and academic staff members. 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, the acquisitions or disposals of land or buildings, monitors performance in relation to the approved budgets and reviews UCL's annual financial statements with regard to UCL's financial performance and strategy.

The Committee also receives and considers reports from the Office for Students (OfS) and UK Research and Innovation (UKRI) 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 up to three other external 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 an external member of Council and comprises a majority of external members. 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 in relation to the UCL2034 Strategy, 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, as well as of the adequacy and effectiveness of procedures surrounding the management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), the OfS, the UKRI, the Student Loans Company, and other bodies. Review is based on reports received from the Vice Provost (Operations) and the chair of the Risk Management Working Group, and emphasis is given to obtaining the relevant degree of assurance and not merely reporting by exception. The results of this review are then reported to Council.

The Committee is also 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 reviews the annual financial statements, paying

CORPORATE GOVERNANCE

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 Board is a large body of over 1,500 members that provides advice to Council on a range of matters that have a bearing on UCL's academic activity. The Academic Committee, which makes reports to both the Academic Board and Council, is responsible for, inter alia, monitoring the effectiveness of UCL's academic strategies, policies and procedures in respect of the management of research, teaching and learning, the definition and maintenance of academic standards and the enhancement of the quality of the student experience.

The Nominations Committee considers the filling of vacancies in the external membership of Council and the membership of other UCL Committees, and maintains an overview of Committee membership more generally.

The Remuneration and Human Resources Strategy Committee is chaired by the Vice-Chair of Council and comprises four other members of Council, including the Chair. In the course of 2017-18, and at the request of the Provost, the Council agreed that the Provost should no longer be a member of The Remuneration and Human Resources Strategy Committee. The Committee determines the annual remuneration of senior officers of UCL and where necessary decides on any severance payments. The Provost has always been excluded from discussions relating to his own remuneration package.

The Remuneration and Human Resources Strategy Committee also receives a report of the annual review of all non-clinical professorial salaries and administrative equivalents earning £150,000 or more. 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, whilst being mindful of financial constraints and internal relativities. Modest awards are also made from time to time for exceptional individual performance. No remuneration is paid to external 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 OfS Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by HEFCE, 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 OfS and UKRI are used only for the purposes for which they have been given and in accordance with the OfS Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by HEFCE;

(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, Vice-Provosts, Deans, heads of academic departments and other officers;

(ii) comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Council;

(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 twice yearly 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 COUNCIL OF UNIVERSITY COLLEGE LONDON

Opinion

We have audited the financial statements of University College London ('the parent institution') and its subsidiaries (the 'group') for the year ended 31 July 2018 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure Account, Consolidated and University Statement of Changes in Reserves, Consolidated and University Balance sheets, Consolidated Cash Flows and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the group's and of the parent institution's affairs as at 31 July 2018, and of the Group's and parent institution's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent institution in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council's have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent institution's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 13, other than the financial statements and our auditor's report thereon. The Council is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

Opinion on other matters prescribed by the Office for Students Terms and conditions of funding for higher education institutions

In our opinion, based on the work undertaken in the course of the audit, in all material respects:

- funds from whatever source administered by University College London have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the applicable Terms and conditions attached to them; and
- the requirements of the Office for Students accounts direction for the relevant year's financial statements have been met.

Responsibilities of the Council

As explained more fully in the Statement of the Council's Responsibilities set out on page 14, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Council of the University College London, as a body, in accordance with the Charters and Statutes of the University. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an 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 University College London and the Council as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Ernst & Young LLP
Edinburgh
20 November 2018

Notes:
1. The maintenance and integrity of the University College London web site is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

	Notes	**Year ended 31 July 2018**		Year ended 31 July 2017	
		Consolidated	**University**	Consolidated	University
		£'000	**£'000**	£'000	£'000
Income					
Tuition fees and education contracts	1	**521,147**	**521,147**	460,643	460,643
Funding body grants	2	**227,293**	**227,293**	194,639	194,639
Research grants and contracts	3	**476,308**	**475,107**	459,844	458,364
Other income	4	**193,435**	**171,561**	185,375	161,126
Investment income	5	**5,949**	**6,043**	6,344	6,374
Donations and endowments	6	**26,984**	**30,510**	20,590	23,545
Total income		**1,451,116**	**1,431,661**	1,327,435	1,304,691
Expenditure					
Staff costs	7	**726,780**	**719,270**	704,519	696,650
Other operating expenses	8	**506,201**	**490,168**	471,577	455,867
Depreciation	13	**77,145**	**77,074**	71,919	71,814
Interest and other finance costs	9	**7,345**	**7,350**	7,242	7,399
Total expenditure	10	**1,317,471**	**1,293,862**	1,255,257	1,231,730
Surplus before other gains losses and share of operating surplus/deficit of joint ventures and associates		**133,645**	**137,799**	**72,178**	**72,961**
Loss on disposal of fixed assets		**(70)**	**(70)**	(246)	(246)
Gain on investments	15	**24,118**	**8,608**	12,204	13,954
Share of operating surplus/(deficit) in joint ventures	16	**10**	**-**	(412)	-
Share of operating deficit in associates	17	**(89)**	**-**	(1,401)	-
Surplus before tax		**157,614**	**146,337**	82,323	86,669
Taxation	11	**(1,104)**	**(1,115)**	(2,119)	(2,072)
Surplus for the year		**156,510**	**145,222**	80,204	84,597
Actuarial loss in respect of pension schemes		**(65)**	**(65)**	(14)	(14)
Total comprehensive income for the year		**156,445**	**145,157**	**80,190**	**84,583**
Represented by:					
Endowment comprehensive income for the year		**6,369**	**6,369**	10,466	10,466
Restricted comprehensive income for the year		**4,207**	**4,207**	1,077	1,077
Unrestricted comprehensive income for the year		**116,784**	**112,908**	57,374	62,080
Pension reserve comprehensive income for the year		**19,684**	**19,556**	7,698	7,592
Revaluation reserve comprehensive income for the year		**9,545**	**2,117**	3,549	3,368
Attributable to the University		**156,589**	**145,157**	80,164	84,583
Attributable to the non-controlling interest		**(144)**	**-**	26	-
		156,445	**145,157**	**80,190**	**84,583**
Surplus for the year attributable to:					
Non controlling interest		**(144)**	**-**	26	-
University		**156,654**	**145,222**	80,178	84,597

All items of income and expenditure relate to continuing activities

CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES

Consolidated

	Income and expenditure account			Revaluation reserve	Pension reserve	Total excluding Non Controlling Interest	Non controlling interest	Total
	Endowment	*Restricted*	*Unrestricted*					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Balance at 1 August 2016	**100,964**	**4,806**	**1,203,992**	**35,438**	**(157,966)**	**1,187,234**	**175**	**1,187,409**
Surplus from the income and expenditure statement	15,594	3,047	49,558	4,267	7,712	80,178	26	**80,204**
Other comprehensive income	-	-	-	-	(14)	(14)	-	**(14)**
Transfers between revaluation and income and expenditure reserve	-	-	718	(718)	-	-	-	**-**
Release of restricted funds spent in year	(5,128)	(1,970)	7,098	-	-	-	-	**-**
Total comprehensive income for the year	10,466	1,077	57,374	3,549	7,698	80,164	26	**80,190**
Balance at 1 August 2017	**111,430**	**5,883**	**1,261,366**	**38,987**	**(150,268)**	**1,267,398**	**201**	**1,267,599**
Surplus/(deficit) from the income and expenditure statement	11,368	6,483	108,959	10,095	19,749	156,654	(144)	**156,510**
Other comprehensive income	-	-	-	-	(65)	(65)	-	**(65)**
Transfers between revaluation and income and expenditure reserve	-	-	550	(550)	-	-	-	**-**
Transfers between endowment and unrestricted income and expenditure reserve	694	-	(694)	-	-	-	-	**-**
Release of restricted funds spent in year	(5,693)	(2,276)	7,969	-	-	-	-	**-**
Total comprehensive income for the year	6,369	4,207	116,784	9,545	19,684	156,589	(144)	**156,445**
Balance at 31 July 2018	**117,799**	**10,090**	**1,378,150**	**48,532**	**(130,584)**	**1,423,987**	**57**	**1,424,044**

University

	Income and expenditure account			Revaluation reserve	Pension reserve	Total excluding Non Controlling Interest	Non controlling interest	Total
	Endowment	*Restricted*	*Unrestricted*					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Balance at 1 August 2016	**100,964**	**4,806**	**1,210,057**	**35,222**	**(157,530)**	**1,193,519**	**-**	**1,193,519**
Surplus from the income and expenditure statement	15,594	3,047	54,271	4,079	7,606	84,597	-	**84,597**
Other comprehensive income	-	-	-	-	(14)	(14)	-	**(14)**
Transfers between revaluation and income and expenditure reserve	-	-	711	(711)	-	-	-	**-**
Release of restricted funds spent in year	(5,128)	(1,970)	7,098	-	-	-	-	**-**
Total comprehensive income for the year	10,466	1,077	62,080	3,368	7,592	84,583	-	**84,583**
Balance at 1 August 2017	**111,430**	**5,883**	**1,272,137**	**38,590**	**(149,938)**	**1,278,102**	**-**	**1,278,102**
Surplus/(deficit) from the income and expenditure statement	11,368	6,483	105,083	2,667	19,621	145,222	-	**145,222**
Other comprehensive income	-	-	-	-	(65)	(65)	-	**(65)**
Transfers between revaluation and income and expenditure reserve	-	-	550	(550)	-	-	-	**-**
Transfers between endowment and unrestricted income and expenditure reserve	694	-	(694)	-	-	-	-	**-**
Release of restricted funds spent in year	(5,693)	(2,276)	7,969	-	-	-	-	**-**
Total comprehensive income for the year	6,369	4,207	112,908	2,117	19,556	145,157	-	**145,157**
Balance at 31 July 2018	**117,799**	**10,090**	**1,385,045**	**40,707**	**(130,382)**	**1,423,259**	**-**	**1,423,259**

CONSOLIDATED AND UNIVERSITY BALANCE SHEET

	Notes	As at 31 July 2018 Consolidated £'000	As at 31 July 2018 University £'000	As at 31 July 2017 Consolidated £'000	As at 31 July 2017 University £'000
Non-current assets					
Intangible assets	12	**24,845**	**24,845**	16,436	16,436
Fixed assets	13	**1,876,653**	**1,875,977**	1,707,607	1,706,913
Investments	15	**253,210**	**236,324**	221,101	225,271
Investment in joint ventures	16	**4**	**-**	256	-
Investments in associates	17	**949**	**-**	1,023	-
		2,155,661	**2,137,146**	1,946,423	1,948,620
Current assets					
Stock		**318**	**317**	465	465
Trade and other receivables	18	**292,074**	**294,759**	309,317	312,668
Cash and cash equivalents		**201,022**	**193,089**	215,107	207,760
		493,414	**488,165**	524,889	520,893
Less: Creditors: amounts falling due within one year	19	**(604,217)**	**(593,874)**	(563,529)	(552,855)
Net current liabilities		**(110,803)**	**(105,709)**	(38,640)	(31,962)
Total assets less current liabilities		**2,044,858**	**2,031,437**	1,907,783	1,916,658
Creditors: amounts falling due after more than one year	20	**(472,396)**	**(471,348)**	(483,474)	(482,176)
Provisions					
Pension provisions	21	**(130,584)**	**(130,382)**	(150,268)	(149,938)
Other provisions	21	**(17,834)**	**(6,448)**	(6,442)	(6,442)
Total net assets		**1,424,044**	**1,423,259**	1,267,599	1,278,102
Restricted Reserves					
Income and expenditure reserve - endowment reserve	22	**117,799**	**117,799**	111,430	111,430
Income and expenditure reserve - restricted reserve		**10,090**	**10,090**	5,883	5,883
Unrestricted Reserves					
Income and expenditure reserve - unrestricted before pension reserve		**1,378,150**	**1,385,045**	1,261,366	1,272,137
Pension reserve		**(130,584)**	**(130,382)**	(150,268)	(149,938)
Income and expenditure reserve - unrestricted after pension reserve		**1,247,566**	**1,254,663**	1,111,098	1,122,199
Revaluation reserve		**48,532**	**40,707**	38,987	38,590
		1,423,987	**1,423,259**	1,267,398	1,278,102
Non-controlling interest		**57**	**-**	201	-
Total Reserves		**1,424,044**	**1,423,259**	1,267,599	1,278,102

Approved by Council on 16th of November 2018

Philip Sturrock
Treasurer

Professor Michael Arthur
President and Provost

Phil Harding
Director of Finance

CONSOLIDATED CASH FLOW

	Notes	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Cash flow from operating activities			
Surplus for the year		**156,510**	80,204
Adjustment for non-cash items			
Depreciation	13	**77,145**	71,919
Amortisation of intangible assets	12	**1,240**	848
Gain on investments	15	**(24,118)**	(12,204)
Decrease in stock		**147**	87
Decrease/(Increase) in debtors		**16,910**	(6,218)
Increase in creditors		**13,884**	13,236
Decrease in pension provision	21	**(19,749)**	(7,712)
Increase in other provisions	21	**6**	548
Impairment of tangible fixed assets	13	**3,560**	3,510
Impairment of fixed asset investments	15	**-**	80
Impairment of investments in associates	17(e)	**120**	-
Share of operating (profit)/deficit in joint ventures	16	**(10)**	412
Share of operating deficit in associates	17	**89**	1,401
Adjustment for investing or financing activities			
Investment income	5	**(5,949)**	(6,344)
Interest payable	9	**4,633**	4,579
Endowment income	6	**(1,386)**	(2,464)
Loss on sale of fixed assets		**70**	246
Capital grant income		**(64,118)**	(33,391)
Net cash inflow from operating activities		**158,984**	108,737
Cash flows from investing activities			
Proceeds from sales of fixed assets		**18**	184
Proceeds from sales of non-current asset investments		**12,536**	9,351
Capital grants receipts		**72,485**	51,236
Withdrawal of deposits		**-**	39,791
Investment income received		**2,150**	2,141
Endowment income received		**2,812**	3,294
Payments made to acquire fixed assets		**(241,914)**	(193,280)
Payments made to acquire intangible assets		**(5,888)**	(5,313)
New non-current asset investments		**(7,845)**	(13,494)
Repayments from/new loans to associate companies		**65**	(414)
		(165,581)	(106,504)
Cash flows from financing activities			
Interest paid		**(3,347)**	(2,914)
Interest element of finance lease and service concession payments		**(983)**	(1,384)
Endowment cash received		**1,386**	2,464
New unsecured loans		**-**	100,000
Repayments of amounts borrowed		**(2,763)**	(2,625)
Capital element of finance lease and service concession payments		**(1,781)**	(1,626)
		(7,488)	93,915
(Decrease)/increase in cash and cash equivalents in the year		**(14,085)**	96,148
Cash and cash equivalents at beginning of the year		**215,107**	118,959
Cash and cash equivalents at end of the year		**201,022**	215,107
		(14,085)	96,148

STATEMENT OF ACCOUNTING POLICIES

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (SORP 2015) and in accordance with Financial Reporting Standard FRS 102. UCL is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102. The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of investments.

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 and liquidity position are also described here. UCL has considerable financial resources, along with funding from funding councils, 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 succesfully, and has a reasonable expectation that UCL has adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

2. Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries (collectively referred to as 'the Group') for the financial year to 31 July 2018. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

Associated companies and joint ventures are accounted for using the equity method.

3. Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied or the terms of the contract have been satisfied.

Tuition fee income is stated gross of any expenditure which is not a discount or fee waiver and credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students are studying. Bursaries and scholarships are accounted for gross, as expenditure, and are not deducted from income.

Investment income is credited to the statement of income and expenditure on a receivable basis.

Funds the University receives and disburses, as paying agent, on behalf of a funding body are excluded from income and expenditure where UCL is exposed to minimal risk or enjoys minimal economic benefit from the transaction.

Grant funding

Grant funding including funding council block grants, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grants

Government capital grants are recognised in income over the expected useful life of the purchased asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

STATEMENT OF ACCOUNTING POLICIES

Donations and endowments

Donations and endowments are a subset of non-exchange transactions that may have restrictions on use and, in the case of donations, may also have performance related conditions attached. In all cases, income is recognised at the point UCL is entitled to the funds.

Donations and endowments without performance related conditions are recognised as income on receipt or, where relevant, at the point at which an agreement to donate or create an endowment is formally entered into.

Donations with performance related conditions (such as those intended to fund scholarships and academic Chairs) are recognised as income as the respective performance related conditions are met.

Income relating to donations and endowments with donor imposed restrictions is initially retained within the restricted reserve and is released to general reserves, via a reserve transfer, as the funds are expended in line with their restricted purpose.

Donations with no restrictions are recognised immediately in general reserves, subject to entitlement.

Investment income and appreciation of endowments is recorded in income in the year in which it arises, and as either restricted or unrestricted income according to the terms applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations: where the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments: where the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments: where the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
4. Restricted permanent endowments: where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Research and Development Expenditure Credit (RDEC)

Income in respect of RDEC claims made to HMRC is recognised as research income on entitlement and in the period to which it relates. The related tax charge is charged to taxation in the same period.

4. Accounting for retirement benefits

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 (NHS) Pension Scheme.

Contributions were also made to the UCL (Former Medical Schools) Pension Scheme (UFMS).

The USS, SAUL and NHS pension schemes are multi-employer, defined benefit schemes for which it is not possible to identify UCL's share of the underlying assets and liabilities due to their mutual nature. These schemes are therefore accounted for as defined contribution schemes.

Liabilities are also recorded within provisions for contractual commitments to fund past deficits within the USS and SAUL schemes.

The UFMS is a single-employer defined benefit scheme and is accounted for as such. The scheme is funded, with assets held separately from those of the Group in trustee administered funds.

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the employer pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

STATEMENT OF ACCOUNTING POLICIES

Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, an employer's obligation is to provide the agreed benefits to current and former employees, such that actuarial risk surrounding the cost of benefits, and investment risk surrounding the return on assets set aside to fund those benefits are borne, in substance, by the employer. The Group recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which UCL is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

5. Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to UCL. Any unused benefits are accrued and measured as the additional amount UCL expects to pay as a result of the unused entitlement.

6. Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease, and the corresponding lease liabilities, are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

7. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

8. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at year end rates, with foreign exchange differences arising on translation recognised in Surplus or Deficit. Where funds are held in foreign currency for onward transmission to a research partner under an agency agreement, both the cash asset and corresponding liability are translated into sterling, such that the exchange differences arising are wholly offset in the Consolidated Statement of Comprehensive Income and Expenditure.

The assets and liabilities of foreign operations are translated to the Group's presentational currency, sterling, at the rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

STATEMENT OF ACCOUNTING POLICIES

9. Fixed assets

Fixed assets that are purchased or constructed by the Group are stated at cost less accumulated depreciation and accumulated impairment losses. For fixed assets that are acquired through donation or via the exchange of non-monetary consideration, fair value is used as a proxy for cost.

Items of land that had been revalued to fair value on the date of transition to the 2015 FE HE SORP are measured on the basis of deemed cost, being the revalued amount at 31 July 2014.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives of 50 years.

Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University and are depreciated as follows:

Major refurbishments	20 years
Fixtures and fittings	10 years

Buildings held on long leasehold are depreciated over the life of the lease up to a maximum of 50 years. No depreciation is charged on assets in the course of construction.

Equipment

Equipment, including computer equipment, costing less than £25,000 is recognised as expenditure in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Equipment funded by research grants	Term of grant
Other Equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each year end.

Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

10. Heritage assets

Heritage assets are individual objects, collections, specimens or structures of historic, scientific or artistic value that are held and maintained principally for their contribution to knowledge and culture.

Heritage assets acquired on or after 1st July 2006 and valued at over £25,000 are capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable.

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.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

STATEMENT OF ACCOUNTING POLICIES

11. Intangible assets and Goodwill

Intangible assets, excluding goodwill, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Purchased software and software development is capitalised where the cost exceeds a de minimus threshold of £25,000 and, in the case of software development, where existing functionality is enhanced. These assets are subject to periodic impairment reviews as appropriate, and are amortised over an estimated economic life of 10 years.

Costs associated with the research phase of an internal software development project and any subsequent training activity are expensed as incurred.

Goodwill arises on consolidation and is based on the difference between the fair value of the consideration given for the undertaking acquired and the fair value of its separable net assets at the date of acquisition.

Where a combination is transacted at nil or nominal consideration such that does not represent a fair value exchange, the combination is deemed to be in substance a gift. Negative goodwill arising on the excess of the fair value of the assets received over the fair value of the liabilities assumed is recognised as a gain immediately in the Statement of Comprehensive Income.

12. Investment Properties

Investment property is land and buildings held primarily for rental income or capital appreciation rather than for use in delivering services.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Statement of Comprehensive Income. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

13. Investments

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

Non-listed, non-current asset investments are held in the Balance Sheet at amortised cost less impairment.

Current asset investments are held at amortised cost and are subject to annual impairment review.

14. Financial Instruments

UCL has elected to apply the provisions of Section 11 and Section 12 of FRS102 in full when accounting for financial instruments.

Financial assets and liabilities are recognised only when UCL becomes party to the contractual provisions of the instrument. Initial measurement is either at the transaction price or, where appropriate, at fair value. Initial measurement also includes transaction costs, except in the initial measurement of financial assets and liabilities that are subsequently measured at fair value through profit or loss. Financial assets and liabilites that arise as a result of a financing transaction are measured initially at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Subsequent measurement is at amortised cost, except where the instrument is measured at fair value through profit and loss, in which case the instrument is revalued annually using an appropriate revaluation technique.

15. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

STATEMENT OF ACCOUNTING POLICIES

16. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:
(a) the University has a present obligation (legal or constructive) as a result of a past event;
(b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
(c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset, the existence of which will only be confirmed by the occurrence of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

17. Accounting for Jointly Controlled Entities and Associates

The University accounts for its share of jointly controlled entities and associates at cost.

In the consolidated accounts, the Group accounts for its share of jointly controlled entities and associates using the equity method. The Group's share of the results of jointly controlled entities and associates is shown each year in the Statement of Comprehensive Income and the Group's share of gross assets and liabilities is incorporated in a single line in the Balance Sheet.

18. Taxation

UCL is an exempt charity within the meaning of Part 3 of the Charities Act 2011, and is therefore potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

UCL's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

19. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as permanently restricted funds which UCL must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore where UCL is restricted in the use of these funds.

NOTES TO THE ACCOUNTS

	Year Ended 31 July 2018 Consolidated £'000	Year Ended 31 July 2018 University £'000	Year Ended 31 July 2017 Consolidated £'000	Year Ended 31 July 2017 University £'000
1 Tuition fees and education contracts				
Full-time home and EU students	**170,950**	**170,950**	158,270	158,270
Full-time international students	**257,035**	**257,035**	209,709	209,709
Part time students	**20,539**	**20,539**	22,600	22,600
Other fees	**16,036**	**16,036**	13,918	13,918
Research training support grants	**36,811**	**36,811**	36,905	36,905
Short course fees	**19,776**	**19,776**	19,241	19,241
	521,147	**521,147**	460,643	460,643

2 Funding body grants

The Higher Education Funding Council for England (HEFCE) was responsible for the distribution of funding to universities until 31 March 2018. From 1 April 2018, its duties were divided between the newly created Office for Students and Research England. Grants receivable in the year were as follows:

Recurrent grant				
Higher Education Funding Council:				
Teaching	**22,794**	**22,794**	37,817	37,817
Research	**91,854**	**91,854**	134,069	134,069
Other	**58**	**58**	1,366	1,366
Office for Students:				
Teaching	**15,022**	**15,022**	-	-
Other	**18**	**18**	-	-
Research England:				
Research	**48,769**	**48,769**	-	-
Other	**104**	**104**	-	-
Specific grants				
Higher Education Innovation Fund				
HEFCE	**3,055**	**3,055**	3,350	3,350
Research England	**1,340**	**1,340**	-	-
Capital grants				
HEFCE	**16,323**	**16,323**	18,037	18,037
Research England	**27,956**	**27,956**	-	-
	227,293	**227,293**	194,639	194,639

Capital grant funding is received in support of both infrastructure projects and major equipment purchases. In line with UCL's adopted accounting policy for capital government grants (the accruals model), such funding is initially deferred within creditors and recognised in income on a systematic basis over the expected useful life of the asset to which the grant relates. Total capital funding received from HEFCE in the financial year was £18,938,000 (2017 - £19,976,000). Total capital funding received from Research England in the financial year was £28,560,000 (2017 - nil).

3 Research grants and contracts

Research councils	**153,860**	**153,860**	153,277	153,277
UK based charities	**152,670**	**152,616**	134,270	134,245
UK central government, local/health authorities, hospitals	**54,975**	**54,785**	59,785	59,512
UK industry, commerce and public corporations	**19,160**	**18,544**	16,524	16,144
EU government bodies	**50,723**	**50,723**	48,981	48,981
EU other	**6,988**	**6,865**	8,955	8,482
Other overseas	**28,049**	**27,831**	27,592	27,413
Other sources	**4,759**	**4,759**	2,565	2,565
Research and development expenditure credits	**5,124**	**5,124**	7,895	7,745
	476,308	**475,107**	459,844	458,364

Income from research grants and contracts includes deferred capital grants released in the year of £14,661,000 (2017 - £8,225,000).

Income recognised in respect of research and development expenditure credits includes a final amount of £2,295,000 in relation to the University's claim for the period 1 August 2014 to 31 July 2015, and a final amount of £2,829,000 relating to claims for the period 1 April 2013 to 31 July 2014.

NOTES TO THE ACCOUNTS

		Note	Year Ended 31 July 2018		Year Ended 31 July 2017	
			Consolidated	**University**	Consolidated	University
			£'000	**£'000**	£'000	£'000
4	**Other income**					
	Residences, catering and conferences		**41,335**	**37,909**	39,143	34,089
	Other revenue grants		**11,905**	**11,783**	9,595	9,595
	Other capital grants		**1,232**	**982**	910	910
	Other services rendered		**62,079**	**48,803**	61,877	48,987
	Health authorities		**35,162**	**35,162**	35,218	35,218
	HS2 compensation		**26,454**	**26,454**	22,325	22,325
	Other income		**15,268**	**10,468**	16,307	10,002
			193,435	**171,561**	185,375	161,126

HS2 compensation represents amounts received and receivable from the Department for Transport for the compulsory purchase of a property earmarked for demolition under the proposed HS2 rail route (£18.5m) and costs associated with reconstructing UCL's datacentre at an alternative site (£7.95m).

		Note	Consolidated 2018	University 2018	Consolidated 2017	University 2017
5	**Investment income**					
	Investment income on expendable endowments	22	**2,265**	**2,265**	2,668	2,668
	Investment income on permanent endowments	22	**547**	**547**	626	626
	Other investment income		**3,137**	**3,231**	3,050	3,080
			5,949	**6,043**	6,344	6,374
6	**Donations and endowments**					
	New endowments	22	**1,386**	**1,386**	2,464	2,464
	Donations with restrictions		**19,029**	**19,029**	13,340	13,340
	Unrestricted donations		**6,569**	**10,095**	4,786	7,741
			26,984	**30,510**	20,590	23,545
7	**Staff costs**					
					Restated	Restated
	Salaries and wages		**597,953**	**592,173**	570,024	563,687
	NI contributions		**59,971**	**59,199**	57,080	56,408
	Movement on USS provision		**(19,504)**	**(19,466)**	(9,702)	(9,603)
	Movement on SAUL provision		**(2,890)**	**(2,796)**	(1,053)	(1,039)
	Other Pension costs	28	**91,250**	**90,160**	88,170	87,197
			726,780	**719,270**	704,519	696,650

Prior year comparatives have been restated in order to reclassify £7,913,000 of cost from salaries and wages to NI contributions.

NOTES TO THE ACCOUNTS

Emoluments of the President and Provost:	2018 £	2017 £
Basic salary	**368,386**	362,228
Employer pension contributions	**6,733**	6,621
Taxable benefits in kind	**1,031**	996
Non-taxable benefits in kind	**18,191**	21,391
Other remuneration	**3,031**	2,980
	397,372	**394,216**

The President and Provost has opted into a salary sacrifice arrangement under which UCL pays the minimum level of employer contribution required for him to retain certain benefits (including death in service insurance) within the USS Pension Scheme.

Taxable benefits in kind represents UCL's contribution towards the President and Provost's annual health insurance premium, and Other remuneration represents the London Allowance.

Non-taxable benefits wholly relate to the provision of living accommodation within the UCL Bloomsbury campus, and this is customarily provided in order to facilitate the better performance of the President and Provost's duties. The value of the benefit has been calculated using a methodology that would be applied if the accommdoation were considered a taxable benefit and is based on a proportion of the original purchase price paid by UCL plus the cost to UCL of maintaining the property within the year. As at the 2018 year-end date, the gross Market Rent of the property - as prepared in accordance with the requirements of the RICS Valuation - Professional Standards, April 2015 - is £83,200 (2016-17: £78,000).

In relation to all other UCL employees:

The President and Provost's basic salary is 9.3 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the basic salaries paid by UCL to its staff.

The President and Provost's total remuneration is 8.1 times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for total remuneration paid by UCL to its staff.

Setting of the President and Provost's remuneration

The Provost’s salary is set and adjusted by the Remuneration and HR Strategy Committee: a formal committee of UCL that includes the Chair and Vice-Chair of Council and excludes the Provost. As part of this process committee members consider external market data, focussing on other large Russell Group institutions. Data is received from a variety of sources including UCEA, KornFerry and CUC amongst others. Alongside this, to ensure fairness, committee members will also consider the salary metrics for UCL staff. Most notably they consider the median pay award in the respective year and the relationship between the median and lowest earners at UCL and the Provost’s salary.

At present external data suggests that the Provost’s salary and total remuneration is between the median and upper quartile for the Russell Group. Considering UCL’s size, academic ranking, central London location and financial turnover in excess of one billion, the upper quartile is viewed as an appropriate benchmark.

Contractually, the Provost does not receive any automatic salary progression. Instead, any agreed performance related award has mirrored the automatic national pay award applied to other staff salaries. This performance assessment considers a set of leadership objectives, including the overall academic performance of the institution.

NOTES TO THE ACCOUNTS

Remuneration of higher paid staff:

In line with new disclosure requirements set out by the Office for Students, the following table shows the basic salaries of higher paid staff, including the President and Provost, on a full-time equivalent basis. Basic salary excludes bonus payments, market supplements, allowances, clinical excellence awards and other such payments. Prior year comparatives (previously based on emoluments received in the year) have also been restated to align with these new requirements.

	2018 No.	Restated 2017 No.
£100,000 - £104,999	**145**	133
£105,000 - £109,999	**39**	31
£110,000 - £114,999	**23**	27
£115,000 - £119,999	**44**	41
£120,000 - £124,999	**33**	21
£125,000 - £129,999	**17**	4
£130,000 - £134,999	**6**	6
£135,000 - £139,999	**2**	5
£140,000 - £144,999	**7**	5
£145,000 - £149,999	**5**	5
£150,000 - £154,999	**3**	3
£155,000 - £159,999	**6**	3
£160,000 - £164,999	**5**	3
£165,000 - £169,999	**3**	3
£170,000 - £174,999	**4**	4
£175,000 - £179,999	**1**	2
£180,000 - £184,999	**2**	1
£185,000 - £189,999	**2**	1
£190,000 - £194,999	**1**	-
£195,000 - £199,999	**-**	-
£200,000 - £204,999	**-**	-
£205,000 - £209,999	**-**	2
£210,000 - £214,999	**2**	-
£215,000 - £219,999	**1**	-
£220,000 - £224,999	**-**	-
£225,000 - £229,999	**-**	-
£230,000 - £234,999	**-**	-
£235,000 - £239,999	**-**	-
£240,000 - £244,999	**-**	-
£245,000 - £249,999	**-**	-
£250,000 - £254,999	**-**	1
£255,000 - £259,999	**1**	-
£260,000 - £264,999	**-**	-
£265,000 - £269,999	**-**	-
£270,000 - £274,999	**-**	-
£275,000 - £279,999	**-**	-
£280,000 - £284,999	**-**	-
£285,000 - £289,999	**-**	-
£290,000 - £294,999	**-**	-
£295,000 - £299,999	**-**	-
£300,000 - £304,999	**-**	-
£305,000 - £309,999	**-**	-
£310,000 - £314,999	**-**	-
£315,000 - £319,999	**-**	-
£320,000 - £324,999	**-**	-
£325,000 - £329,999	**-**	-
£330,000 - £334,999	**-**	-
£335,000 - £339,999	**-**	-
£340,000 - £344,999	**-**	-
£345,000 - £349,999	**-**	-
£350,000 - £354,999	**-**	-
£355,000 - £359,999	**-**	-
£360,000 - £364,999	**-**	1
£365,000 - £369,999	**1**	-
£370,000 - £374,999	**-**	-
£375,000 - £379,999	**-**	-
£380,000 - £384,999	**1**	1
	354	303

Included within the table above are 120 members of staff (2017: 98) who were employed by UCL on a part time basis and for whom basic salaries have been factored up to reflect full time equivalents. In line with the new disclosure requirements, members of staff who left UCL during the financial year have been excluded.

NOTES TO THE ACCOUNTS

The average number of individuals paid through the payroll during the year was 15,107 (2017 - 14,568).

Compensation for loss of office in respect of sixty one employees totalled £1,388,000 (2017 - £1,782,000 in respect of sixty five employees).

Key management personnel

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

Key management personnel for the UCL Group are defined as follows:

Members of UCL Council: the ultimate governing body that oversees the management and administration of UCL and is responsible for the approval of UCL's mission and strategic vision as well as its long term academic and business plans.

The President and Provost: The principal academic and administrative officer of UCL, responsible for providing the leadership necessary to ensure that UCL operates in line with a clear strategic direction and that its activities are properly resourced.

UCL Vice-Provosts: Members of the Provost's senior management team, responsible for leading development and delivery of both strategy and operations in their respective areas of authority.

Directors of consolidated Group entities

	2018	2017
	£'000	£'000
Key management personnel compensation	**3,149**	3,051
Number of key management personnel included in above	**18**	17

Council members

The University's council members are the trustees for charitable law purposes.

No trustee has received any remuneration from the group during the year (2017 - £nil). Seven trustees are also UCL employees but received no additional payment for acting as trustees. Total expenses paid to or on behalf of two trustees was £2,858 (2017 - £938). This represents travel, accommodation and office expenses incurred in the capacity of Council member.

		Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated	**University**	Consolidated	University
8	**Other operating expenses**	**£'000**	**£'000**	£'000	£'000
	Residences and catering	**21,541**	**19,522**	23,399	20,929
	Furniture, computer and other equipment costs	**51,406**	**50,324**	45,505	44,935
	Academic consumables and laboratory expenditure	**46,271**	**44,312**	45,760	43,863
	Books, publications and periodicals	**15,434**	**15,418**	14,984	14,979
	Scholarships and prizes	**80,768**	**80,683**	81,092	81,066
	General educational expenditure	**8,315**	**8,311**	8,713	8,706
	Rents, rates and insurance	**20,573**	**20,429**	22,763	22,658
	Heat, light, water and power	**16,451**	**16,451**	12,468	12,461
	Service charges	**11,619**	**11,618**	9,281	9,291
	Repairs and general maintenance	**17,301**	**17,286**	14,845	14,834
	Long term maintenance	**8,877**	**8,877**	11,763	11,763
	Telephone	**2,273**	**2,254**	2,327	2,303
	Advertising and recruitment	**7,132**	**6,989**	6,179	6,029
	Printing, postage, stationery and other office costs	**6,312**	**6,176**	7,387	7,269
	Conference, travel and training	**44,249**	**44,217**	41,557	41,013
	Professional fees	**33,092**	**30,755**	26,753	22,005
	Audit fees	**253**	**166**	308	239
	Other fees paid to auditors	**58**	**58**	98	98
	Grants to Students Union and other student bodies	**2,924**	**2,924**	3,063	3,063
	Payments to non contract staff and agencies	**37,906**	**36,968**	35,609	34,808
	Other costs	**73,446**	**66,430**	57,723	53,555
		506,201	**490,168**	471,577	455,867

Other costs includes an impairment of £3.56m, relating to the cost of early stage planning and design activities on the UCL East capital project that were not carried through to the final design and construction strategy approved by Council in June 2018 (2017: £3.51m relating to the cessation of works on the Queen's Square House redevelopment project).

NOTES TO THE ACCOUNTS

		Year Ended 31 July 2018 Consolidated £'000	Year Ended 31 July 2018 University £'000	Year Ended 31 July 2017 Consolidated £'000	Year Ended 31 July 2017 University £'000
9	**Interest and other finance costs**				
	Loan interest	**3,604**	**3,595**	3,774	3,774
	Finance lease interest	**983**	**983**	1,384	1,384
	Exchange differences	**46**	**64**	(580)	(416)
	Unwinding of pension deficit funding	**2,710**	**2,706**	2,664	2,657
	Net charge on pension scheme assets and liabilities	**2**	**2**	-	-
		7,345	**7,350**	7,242	7,399

10	**Analysis of total expenditure by activity**				
				Restated	Restated
	Academic departments	**443,951**	**444,513**	422,548	422,721
	Academic services	**81,791**	**81,791**	76,684	78,351
	Research grants and contracts	**390,329**	**389,233**	374,566	373,376
	Residences and catering	**29,630**	**27,611**	31,026	28,556
	Premises	**163,685**	**163,685**	146,203	146,203
	Administration and central services	**179,380**	**181,001**	166,491	166,701
	Other expenses	**28,705**	**6,028**	37,739	15,822
		1,317,471	**1,293,862**	1,255,257	1,231,730

Prior year comparatives have been restated to reclassify £42,575,000 of expenditure on scholarships, bursaries and prizes - previously reported within Academic Departments (£42,123,000), Academic Services (£95,000), Residences and Catering (£333,000), and other expenses (£24,000) - to Administration and central services.

11 Taxation

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

	Note				
UCL Trading Ltd		**(23)**	**-**	3	-
UCL Properties Ltd		**(8)**	**-**	(5)	-
UCL Consultants Ltd		**17**	**-**	18	-
Mapping for Change Ltd		**3**	**-**	-	-
Relating to Research and Development Expenditure Credit	3	**1,115**	**1,115**	2,103	2,072
		1,104	**1,115**	2,119	2,072

12 Intangible assets

Software

Cost		
At 1 August 2017	18,703	18,703
Reclassification from fixed assets	3,761	3,761
Additions at cost	5,888	5,888
Disposals	-	-
At 31 July 2018	**28,352**	**28,352**
Amortisation		
At 1 August 2017	2,267	2,267
Charge for the year	1,240	1,240
Disposals	-	-
At 31 July 2018	**3,507**	**3,507**
Net Book Value		
At 31 July 2018	**24,845**	**24,845**
At 1 August 2017	16,436	16,436

Intangible assets relate to the purchase of software and software development costs.

The amortisation period of intangible assets is 10 years.

NOTES TO THE ACCOUNTS

13 Fixed assets

Consolidated	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Equipment, plant and machinery £'000	Assets in the Course of Construction £'000	Total £'000
Cost					
At 1 August 2017	1,462,235	434,061	232,925	230,239	2,359,460
Reclassification to Intangible Assets	-	-	-	(3,761)	(3,761)
Additions at cost	82,610	21,656	29,126	120,225	253,617
Transfers	81,120	38,251	10,870	(130,241)	-
Reclassifications	-	279	(279)	-	-
Impairments	-	-	-	(3,560)	(3,560)
Disposals	-	(19,560)	(22,192)	-	(41,752)
At 31 July 2018	**1,625,965**	**474,687**	**250,450**	**212,902**	**2,564,004**
Depreciation					
At 1 August 2017	290,542	187,687	173,624	-	651,853
Charge for year	31,659	22,780	22,706	-	77,145
Reclassifications	-	207	(207)	-	-
Disposals	-	(19,512)	(22,135)	-	(41,647)
At 31 July 2018	**322,201**	**191,162**	**173,988**	**-**	**687,351**
Net book value					
At 31 July 2018	**1,303,764**	**283,525**	**76,462**	**212,902**	**1,876,653**
At 31 July 2017	1,171,693	246,374	59,301	230,239	1,707,607

University	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Equipment, plant and machinery £'000	Assets in the Course of Construction £'000	Total £'000
Cost					
At 1 August 2017	1,462,235	432,961	231,723	230,239	2,357,158
Reclassification to Intangible Assets	-	-	-	(3,761)	(3,761)
Additions at cost	82,610	21,656	29,072	120,225	253,563
Transfers	81,120	38,251	10,870	(130,241)	-
Reclassifications	-	279	(279)	-	-
Impairments	-	-	-	(3,560)	(3,560)
Disposals	-	(19,560)	(22,191)	-	(41,751)
At 31 July 2018	**1,625,965**	**473,587**	**249,195**	**212,902**	**2,561,649**
Depreciation					
At 1 August 2017	290,542	187,121	172,582	-	650,245
Charge for year	31,659	22,780	22,635	-	77,074
Reclassifications	-	207	(207)	-	-
Disposals	-	(19,512)	(22,135)	-	(41,647)
At 31 July 2018	**322,201**	**190,596**	**172,875**	**-**	**685,672**
Net book value					
At 31 July 2018	**1,303,764**	**282,991**	**76,320**	**212,902**	**1,875,977**
At 31 July 2017	1,171,693	245,840	59,141	230,239	1,706,913

The declared value of buildings for insurance purposes (day one basis) as at 1 August 2018 was £3.6bn (2017 - £3.3bn).

At 31 July 2018 freehold land and buildings included £646m (2017 - £613m) in respect of freehold land that is not depreciated.

The above includes property assets held under finance leases. At 31 July 2018 the net book value of the assets held under finance leases was £20.2m (2017 - £20.8m) with a depreciation charge for the year of £0.6m (2017 - £0.6m).

NOTES TO THE ACCOUNTS

14 Heritage assets

Since its foundation in 1826, UCL has acquired and established a number of significant collections of heritage assests 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 the public benefit.

The principal collections, acquired through a combination of donation, bequest, purchase and direct collection, are as follows:

Petrie Museum of Egyptian Archaeology: One of the greatest collections of Egyptian and Sudanese archaeology in the world, housing in excess of 80,000 artefacts that illustrate life in Nile Valley from prehistory onwards.

UCL Art Museum: A collection housing over 10,000 prints, drawings, sculptures, paintings and media works dating from the 1490s to the present day.

Grant Museum of Zoology: Founded in 1828 and now the only remaining university zoological museum in London, the collection houses around 68,000 specimens from across the animal kingdom including both endangered and extinct species.

Museums are open to the public, and special arrangements can be made to accommodate school visits as well as individual researchers.

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 the oversight of all of 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 2018 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.

15 Non-current investments

Consolidated	Subsidiary companies £'000	Monies held on long term deposit £'000	Other investments £'000	Total £'000
At 1 August 2017	-	19,057	202,044	**221,101**
Reclassification from Associates	-	-	37	**37**
Additions	-	1,886	7,119	**9,005**
Revaluations	-	-	28,745	**28,745**
Impairments	-	-	(302)	**(302)**
Disposals	-	-	(5,376)	**(5,376)**
At 31 July 2018	**-**	**20,943**	**232,267**	**253,210**
University				
At 1 August 2017	8,412	19,057	197,802	**225,271**
Additions	-	1,886	5,745	**7,631**
Revaluations	-	-	10,090	**10,090**
Impairments	-	-	(302)	**(302)**
Disposals	-	-	(6,366)	**(6,366)**
At 31 July 2018	**8,412**	**20,943**	**206,969**	**236,324**

Included in monies held on long term deposit is £20.9m (2017 - £19.1m) over which there is a legal charge. The deposit represents a security fund to meet the obligations under finance leases (Note 20).

Other investments are categorised as follows:	**Year ended 31 July 2018**		Year ended 31 July 2017	
	Consolidated £m	**University £m**	Consolidated £m	University £m
Portfolio of fixed interest securities, equities and cash	**172.7**	**172.7**	161.6	161.6
Investment properties	**1.9**	**-**	2.0	-
Shares in The Francis Crick Institute Ltd	**33.6**	**33.6**	33.6	33.6
Credit facility fee	**0.3**	**0.3**	0.6	0.6
Shares in other limited companies and partnerships	**23.8**	**0.4**	4.2	2.0
	232.3	**207.0**	202.0	197.8

NOTES TO THE ACCOUNTS

Included in shares in other limited companies and partnersips are several companies which have been listed or admitted to AIM during the year, and which have subsequently been stated at fair value.

The Group holding in Endomagnetics Ltd was reduced to 16.93% from 25.44% during the year, following a share issue**.** The company has subsequently been accounted for as an investment instead of an associate in 2018. The prior year share of reserves of £37,000 has been transferred to non-current investments from investments in associates (note 17).

Gains and losses on investments recognised in the Statement of Comprehensive Income and Expenditure are comprised as follows:

		Year ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated	**University**	Consolidated	University
	Note	**£'000**	**£'000**	£'000	£'000
Realised gains/(losses) on disposal of investments		**6,840**	**(1,229)**	271	214
Gain/(loss) on acquisitions and disposals of associates		**172**	**-**	(2,027)	-
Revaluation gains		**17,106**	**9,837**	13,960	13,740
Total gain on investments		**24,118**	**8,608**	12,204	13,954

Revaluation gains have been accounted for as follows:

	Note	Consolidated 2018	University 2018	Consolidated 2017	University 2017
Statement of Comprehensive Income and Expenditure		**17,106**	**9,837**	13,960	13,740
Creditors		**253**	**253**	344	344
Provisions	21	**11,386**	**-**	-	-
Total revaluation gains		**28,745**	**10,090**	14,304	14,084

Revaulation gains included in creditors are in respect of investments held on behalf of third parties.
Revaluation gains included in provisions are in respect of potential liabilities arising from revenue sharing arrangements with third parties.

16 Joint ventures

The UCL group has interests in the following joint ventures:

(a) **EuroTempest Ltd** is a joint venture company of Benfield, Royal & Sun Alliance and UCL Buisiness 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 2017 plus management accounts to 30 June 2018 are included.

(b) **Help Digital CIC** is a joint venture community interest company of UCL Business PLC and the Whittington Hospital NHS Trust.. The company carries out activities to develop, commercialise and implement digital interventions in healthcare.The company prepares accounts to 31 July, and accounts to 31 July 2017 are included. Accounts to 31 July 2018 are unavailable.

(c) **Imanova Ltd** was aquired by Invicro LLC on 30 August 2017. Consideration has been deferred and is only payable if the company is subsequently sold, its assets are sold or it is listed within 3 years of the transaction. £262,000 prior year share of reserves has been recorded as a loss on investment in the Statement of Comprehensive Income and Expenditure.

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

	2018	**2017**
	£'000	**£'000**
Share of Income:		
EuroTempest	**76**	59
Help Digital	**-**	29
Imanova	**-**	2,200
	76	2,288
Share of operating profit/(loss):		
EuroTempest	**10**	(9)
Help Digital	**-**	4
Imanova	**-**	(407)
	10	(412)
Share of gross assets:		
EuroTempest	**33**	44
Help Digital	**52**	52
Imanova	**-**	1,215
	85	1,311

NOTES TO THE ACCOUNTS

Share of gross liabilities:		
EuroTempest	**(33)**	(54)
Help Digital	**(48)**	(48)
Imanova	**-**	(953)
	(81)	(1,055)
Share of reserves:		
EuroTempest	**-**	(10)
Help Digital	**4**	4
Imanova	**-**	262
	4	256

17 Associates

The UCL group has interests in the following associate companies:

(a) 22.69% holding in ordinary shares of **Abcodia Ltd**. The company develops biomarkers. The company prepares accounts to 31 December and accounts to 31 December 2017 plus management accounts to 31 July 2018 are included.

(b) 36.77% holding in ordinary shares of **Amalyst Ltd**. The company has been set up to comercially 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 2018 plus management accounts to 31 July 2018 are included.

(c) 21.75% 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 2018 are included.

(d) 30.0% holding in the ordinary shares of **Brainminer Ltd.** The company has been set up to develop an automated, extensible and personalised healthcare platform for assisting the clinical diagnosis of dementia. The company prepares accounts to 31 October and accounts to 31 October 2017 plus management accounts to 31 July 2018 are included.

(e) 23.06% holding in preferred and ordinary shares of **Canbex Therapeutics Ltd**, reduced from 28.53% following a share issue. 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 investment in the company has been fully impaired during the year following disappointing phase 2 results. £120,000 prior year share of reserves has been charged to other operating expenditure.

(f) 31.25% holding in **Domainex Ltd**, increased from 29.91% following a conversion of loan to equity. 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 31 December, and accounts to 31 December 2017 plus management accounts to 31 July 2018 are included.

(g) 25.99% holding in ordinary shares of **Helicon Health Ltd.** The company provides a package of services for chronic condition management which includes web-based software, re-designed clinical service delivery, an accredited educational programme and a consulting service. The company prepares accounts to 31 July, and accounts to 31 July 2018 are included.

(h) 45.00% holding in ordinary shares of **Movement Metrics CIC**. The company carries out research and experimental development in social sciences and humanities. The company prepares accounts to 31 March, and accounts to 31 March 2017 and management accounts to 31 July 2017 are included. Accounts to 31 July 2018 are unavailable.

(i) 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 2018 are included.

(j) 30.54% holding in ordinary shares of **Senceive Ltd**. The company provides information delivery services and products to industry. The company prepares accounts to 31 October, and accounts to 31 October 2017 plus management accounts to 31 July 2018 are included.

(k) 44.17% holding in ordinary shares of **Trim Tots CIC**. The company has been established for the purpose of developing a community programme to provide a healthy lifestyle in pre-school children and their carers. The company prepares accounts to 28 February and accounts to 28 February 2017 are included. Accounts to 31 July 2018 are unavailable.

The holding in **Endomagnetics Ltd** was reduced to 16.93% from 25.44% during the year, following a share issue**.** The company has been accounted for as an investment rather than associate in 2018. £37,000 prior year share of reserves has been transferred to non-current investments (note 15).

Multilyte Ltd was liquidated in July 2018. £58,000 prior year share of reserves was received in distributions from the liquidator.

NOTES TO THE ACCOUNTS

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

	2018 £'000	2017 £'000
Share of operating profit/(loss):		
Abcodia	**-**	(516)
Amalyst	**29**	(35)
Atocap	**(50)**	(49)
Brainminer	**(24)**	-
Canbex	**-**	(830)
Domainex	**(112)**	372
Endomagnetics	**-**	(499)
Helicon Health	**4**	-
Movement Metrics	**-**	(8)
Multilyte	**-**	(2)
Pentraxin	**(21)**	21
Senceive	**81**	-
Trim Tots	**-**	(1)
	(93)	**(1,547)**
Share of taxation credit/(taxation charge):		
Abcodia	**-**	29
Brainminer	**24**	-
Domainex	**(15)**	-
Endomagnetics	**-**	117
Helicon Health	**(4)**	-
Pentraxin	**(1)**	-
	4	**146**
Share of reserves:		
Amalyst	**50**	21
Atocap	**-**	50
Canbex	**-**	120
Domainex	**674**	571
Endomagnetics	**-**	37
Movement Metrics	**11**	11
Multilyte	**-**	58
Pentraxin	**97**	119
Senceive	**81**	-
Trim Tots	**36**	36
	949	1,023
Aquisition of investments in associates:		
Domainex	**58**	-
Endomagnetics	**-**	340
	58	340

18	**Trade and other receivables**	**Year Ended 31 July 2018** Consolidated £'000	**Year Ended 31 July 2018** University £'000	Year Ended 31 July 2017 Consolidated £'000	Year Ended 31 July 2017 University £'000
	Amounts falling due within one year:				
	Invoiced debtors	**17,535**	**13,277**	18,233	13,634
	Research grants and contracts	**188,996**	**188,996**	176,369	176,369
	Local health authorities/hospitals	**15,860**	**15,860**	17,026	17,026
	Halls of residence debtors	**906**	**906**	824	824
	Advances to members of staff	**9,621**	**9,605**	10,933	10,925
	Inter company debtors	**-**	**11,857**	-	14,002
	Other debtors and prepayments	**57,921**	**54,258**	84,632	79,888
	Amounts falling due after one year:				
	Loans to associate companies	**1,235**	**-**	1,300	-
		292,074	**294,759**	309,317	312,668

NOTES TO THE ACCOUNTS

			Year Ended 31 July 2018		Year Ended 31 July 2017	
			Consolidated	**University**	Consolidated	University
			£'000	**£'000**	£'000	£'000
19	**Creditors: amounts falling due within one year**					
	Bank and other loans		**1,658**	**1,658**	1,695	1,695
	Cruciform Private Development Loan		**1,300**	**1,300**	1,061	1,061
	Research grants received on account		**293,123**	**293,123**	287,017	287,017
	Purchase ledger creditors		**47,480**	**46,848**	52,168	49,303
	Other creditors including taxation and social security		**60,655**	**57,851**	61,064	59,427
	Obligations under finance leases		**12,659**	**12,659**	1,327	1,327
	Accruals and deferred income		**187,342**	**179,612**	159,197	151,338
	Inter-company creditors		**-**	**823**	-	1,687
			604,217	**593,874**	563,529	552,855

Obligations under finance leases due within one year includes the option price of £12,000,000 payable on 1 January 2019 to acquire the head lease on 1-19 Torrigton Place.

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

Donations	**4,014**	**4,014**	2,925	2,925
Capital grants	**51,061**	**51,061**	34,884	34,884
Tuition fees in advance	**6,705**	**6,705**	5,550	5,550
	61,780	**61,780**	43,359	43,359

20	**Creditors: amounts falling due after more than one year**					
	Deferred income		**322,159**	**321,111**	317,160	315,862
	Obligations under finance leases		**21,377**	**21,377**	34,490	34,490
	Cruciform Private Development Loan		**11,528**	**11,528**	12,828	12,828
	Long term bank loans		**116,832**	**116,832**	118,488	118,488
	Salix Revolving Green Fund		**500**	**500**	508	508
			472,396	**471,348**	483,474	482,176
	Analysis of loan repayments:					
	In less than one year:					
	Finance leases	19	**12,659**	**12,659**	1,327	1,327
	Loans	19	**2,958**	**2,958**	2,756	2,756
	In more than one year but no more than two years					
	Finance leases		**117**	**117**	13,114	13,114
	Loans		**3,226**	**3,226**	2,950	2,950
	In more than two years but no more than five years					
	Finance leases		**21,260**	**21,260**	21,376	21,376
	Loans		**111,783**	**111,783**	110,659	110,659
	In more than five years					
	Finance leases		**-**	**-**	-	-
	Loans		**13,851**	**13,851**	18,215	18,215
			165,854	**165,854**	170,397	170,397
	In less than one year	19	**(15,617)**	**(15,617)**	(4,083)	(4,083)
			150,237	**150,237**	166,314	166,314

NOTES TO THE ACCOUNTS

It is anticipated that UCL will exercise purchase options under the leasing arrangements that crystallise between 20 and 25 years into the term of each lease. The next option date on the lease relating to 1-19 Torrington Place is 1 January 2019.

Security is provided to the lessors by way of annual payments into a security deposit (Note 15).

Included in bank loans are the following:

Lender	Amount £'000	Due <1 year £'000	Term	Interest rate		Borrower
Royal Bank of Scotland	10,863	1,278	2026	5.8	Fixed/Variable	UCL
Barclays	2,302	126	2036	0.9	Variable	UCL Institute of Education
Barclays	2,203	121	2036	5.9	Fixed	UCL Institute of Education
Barclays	1,624	49	2037	5.3	Fixed	UCL Institute of Education
Barclays	1,490	76	2037	0.8	Variable	UCL Institute of Education
Consortium of banks	100,000	-	2020	1.3	Variable	UCL
	118,482	**1,650**				

21 Provisions for liabilities

Consolidated	Obligation to fund deficit on USS pension £'000	Obligation to fund deficit on SAUL pension £'000	Defined benefit scheme obligations £'000	Total pension provisions £'000	Dilapidations £'000	Redundancies £'000	Other £'000	Total £'000
At 1 August 2017	146,528	2,890	850	**150,268**	6,192	-	250	**6,442**
Utilised in year	(19,504)	(2,890)	-	**(22,394)**	(199)	-	(95)	**(294)**
Additions	2,710	-	-	**2,710**	473	344	11,386	**12,203**
Releases	-	-	-	**-**	(362)	-	(155)	**(517)**
At 31 July 2018	**129,734**	**-**	**850**	**130,584**	**6,104**	**344**	**11,386**	**17,834**

University	Obligation to fund deficit on USS pension £'000	Obligation to fund deficit on SAUL pension £'000	Defined benefit scheme obligations £'000	Total pension provisions £'000	Dilapidations £'000	Redundancies £'000	Other £'000	Total £'000
At 1 August 2017	146,292	2,796	850	**149,938**	6,192	-	250	**6,442**
Utilised in year	(19,466)	(2,796)	-	**(22,262)**	(199)	-	(95)	**(294)**
Additions	2,706	-	-	**2,706**	473	344	-	**817**
Releases	-	-	-	**-**	(362)	-	(155)	**(517)**
At 31 July 2018	**129,532**	**-**	**850**	**130,382**	**6,104**	**344**	**-**	**6,448**

Redundancy provisions relate to the planned termination of operations in Qatar in 2020.

Other provisions as at 1 August 2017 comprised £250,000 in respect of compensation payable on the termination of property leases. Full and final settlement of £95,000 was made during the year and the balance of £155,000 has been released.

Other additions in the year (consolidated) includes an £11,386,000 increase in potential liabilities related to the upward revaluation of investments and arising under associated revenue sharing arrangements held with third parties.

The obligation to fund the deficits on the University's Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL) arises from the contractual obligation with the pension schemes to make payments in line with agreed recovery plans. Further detail is set out in note 28. In assessing the value of the provisions, management has assessed future employee numbers within the schemes and salary payment over the period of the contracted obligation. The commitment to fund past deficits under the SAUL recovery plan ceased in March 2018 and the related provision has therefore been reduced to nil.

NOTES TO THE ACCOUNTS

22 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2018 Total £'000	2017 Total £'000
Balances at 1 August 2017					
Capital	19,420	1,240	87,507	**108,167**	97,170
Accumulated income	767	102	2,394	**3,263**	3,794
	20,187	1,342	89,901	**111,430**	100,964
Transfer from Income and Expenditure reserve	-	-	694	**694**	-
New endowments	1,119	-	267	**1,386**	2,464
Investment income	515	32	2,265	**2,812**	3,294
Expenditure	(269)	(6)	(5,418)	**(5,693)**	(5,128)
Realised gains on investments	-	-	-	**-**	175
Increase in market value of investments	1,304	83	5,783	**7,170**	9,661
Total endowment comprehensive income for the year	2,669	109	3,591	**6,369**	10,466
At 31 July 2018	**22,856**	**1,451**	**93,492**	**117,799**	111,430
Represented by:					
Capital	21,843	1,321	90,681	**113,845**	108,167
Accumulated income	1,013	130	2,811	**3,954**	3,263
	22,856	**1,451**	**93,492**	**117,799**	111,430
Analysis by type of purpose:					
Lectureships	1,791	-	31,034	**32,825**	32,291
Scholarships and bursaries	6,722	-	32,649	**39,371**	35,643
Research support	12,483	-	15,076	**27,559**	26,388
Prize funds	1,134	-	5,112	**6,246**	5,691
General	726	1,451	9,621	**11,798**	11,417
	22,856	**1,451**	**93,492**	**117,799**	111,430
Analysis by asset:					
Fixed Income				**12,791**	18,668
UK equities				**23,971**	30,358
Global Equities				**59,861**	49,538
Alternative Investments				**14,007**	9,386
Cash				**5,334**	1,620
Debtors				**1,835**	1,860
				117,799	111,430

23 Capital commitments

	Year Ended 31 July 2018 Consolidated £'000	Year Ended 31 July 2018 University £'000	Year Ended 31 July 2017 Consolidated £'000	Year Ended 31 July 2017 University £'000
Commitments contracted at 31 July 2018	**65,444**	**65,444**	97,752	97,752
Authorised but not contracted at 31 July 2018	**804,761**	**804,761**	523,575	523,575
	870,205	**870,205**	621,327	621,327

Commitments contracted as at 31 July 2018 include £11.4m for the development of the New Student Centre; £4.0m for the extension of Astor College; £4.4m for the Bloomsbury Theatre refurbishment; £6.4m for the Institute of Education refurbishment; £5.5m for the Institute of Neurology Dementia Research Institute and £11.1m for construction of the new UCL East campus.

Major developments which were previously authorised but not contracted include £475.7m for the UCL East campus and £211m for the Institute of Neurology Dementia Research Institute.

NOTES TO THE ACCOUNTS

24 Lease obligations

Total rentals payable by UCL under non-cancellable operating leases are as set out below:

	Year Ended 31 July 2018			Year Ended 31 July 2017		
	Land & Buildings £'000	**Other £'000**	**Total £'000**	Land & Buildings £'000	Other £'000	Total £'000
Payable during the year	**16,155**	**624**	**16,779**	15,079	591	15,670
Future minimum lease payments due						
Not later than 1 year	**15,946**	**487**	**16,433**	13,204	592	13,796
Later than 1 year and not later than 5 years	**49,865**	**737**	**50,602**	42,128	817	42,945
Later than 5 years	**58,894**	**-**	**58,894**	46,569	-	46,569
Total lease payments due	**124,705**	**1,224**	**125,929**	101,901	1,409	103,310

25 Agency arrangements

Funding body grant for the Institute of Zoology:	**2018 £'000**	**2017 £'000**
Balance unspent at 1 August	**-**	-
Funding body grants received	**2,161**	2,161
Disbursements to the Institute of Zoology	**(2,125)**	(2,125)
Administration fee	**(36)**	(36)
Balance unspent at 31 July	**-**	-

The University receives funding body grants on behalf of a connected institution, the Institute of Zoology. The University makes payments to the Institute in respect of the annual grant, less an agreed sum which is retained by the University as a contribution towards the cost of administering the funding body partnership. The grants and related disbursements are excluded from the Statement of Comprehensive Income, and the administration fee is included in other services rendered income.

Training consortia:	**LAHP**		**DfE Mandarin**		**SEEL**	
	2018 £'000	**2017 £'000**	**2018 £'000**	**2017 £'000**	**2018 £'000**	**2017 £'000**
Balance unspent at 1 August	**-**	-	**-**	-	**-**	-
Funding received for consortium partners	**1,474**	-	**849**	-	**2,376**	-
Disbursements to partners	**(1,474)**	-	**(849)**	-	**(2,376)**	-
Administration fee	**-**	-	**-**	-	**-**	-
Balance unspent at 31 July	**-**	-	**-**	-	**-**	-

The University acts as the lead partner in a number of training consortia, and as such receives funds for trainee fees and bursaries for onward transmission to consortium partners. The funding and related disbursements are excluded from the Statement of Comprehensive Income, and the following consortiums were in operation during the financial year:

- LAHP - London Arts and Humanities Partnership, a Doctoral Training Partnership funded by the Arts and Humanities Research Council
- MEP - Mandarin Excellence Programme to expand the provision of Mandarin teaching in schools, funded by the Department for Education
- SEEL - South East, East and London consortium for initial training for educational psychologists, funded by the Departmnent for Education

NOTES TO THE ACCOUNTS

26 Related party transactions

The financial statements of UCL for the year ended 31 July 2018 include transactions with a number of organisations which fall within the definition of related parties under FRS 102 Section 33 'Related Party Disclosures'. Due to the nature of UCL's operations and the composition of Council (being drawn from local public and private sector organisations), it is inevitable that transactions in the normal course of business will take place with entities in which members of Council (or indeed other key management personnel) may have an interest. All such transactions, including those identified below, are conducted at arm's length and in accordance with UCL's Financial Regulations and usual procurement procedures.

UCL has taken advantage of the exemption within FRS 102 Section 33 and not disclosed transactions with wholly-owned subsidiaries. Outstanding balances with these entities at the 31 July 2018 are disclosed under Note 27 Subsidiary Undertakings.

Included in the financial statements are the following transactions between the University and related parties. In common with many universities, members of Council and other key management personnel sit on Research Councils, NHS Trust boards and other grant-awarding bodies which have their own internal procedures to avoid potential conflicts of interest.

	Income £'000	Expenditure £'000	Balance due to/(from) UCL at 31 July 18 £'000
Academy of Medical Sciences	408	28	(53)
Alan Turing Institute	1,087	1	69
British Heart Foundation	5,262	0	1,839
Francis Crick Institute	243	1,147	129
KwaZulu-Natal Research Institute for TB-HIV	116	4,380	(42)
Medical Research Council	56,331	435	6,634
North Middlesex University Hospital NHS Trust	88	33	94
Science and Technology Facilities Council	12,912	427	134
UCL Academy	13	33	(1)
UCL Hospitals NHS Foundation Trust	17,856	6,533	5,587
UCL Union	37	41	1
UCLPartners	660	135	4
University of London	1,108	3,281	69
Wellcome Trust	65,603	139	6,188

The following transactions also took place during the year:

Michael Arthur, UCL President and Provost, sits on the board of The Russell Group of Universities, of which UCL is a member and to which a £75k subscription was paid for 2017/18. He also serves as Vice-President of the British Liver Trust, which forwarded £27k of research funding to the University; as a trustee of CASE Europe, from which £15k of purchases were made in the year; and as a trustee of the University of London.

Dame Nicola Brewer, Vice-Provost (International), serves as a non-executive director of Scottish Power, which supplied the University with electricity to the value of £173k in the year, and to which a balance of £20k was due as at the financial year-end.

Celia Caulcott, Vice-Provost (Enterprise and London), is a trustee of London Higher, an umbrella body representing and supporting providers of higher education in London. Within the financial year, the University paid a subscription fee of £22k to the organisation, and made further acquisitions in the year totalling £20k.

Dame DeAnne Julius, Chair of Council, is a non-executive director of Jones Lang LaSalle, which provided property-related professional advice to UCL totalling £39k; £8k is owed to the company at the year-end date.

Baroness Jo Valentine, Vice Chair of Council, is a member of the board of High Speed 2 Ltd. As reported under Note 4, UCL's income for the year includes £26.5m of compensation payable by the Government in reference to the impact of the HS2 rail project on the University's estate.

Rex Knight, Vice-Provost (Operations), serves as Chairman of the Board of SUMS Consulting, of which UCL is a member university. Subscription fees totalling £52k were forwarded to the organisation for 2017/18, and consultancy services to the value of £20k were also received. A balance of £20k was owing to SUMS Consulting as at the year-end date.

David Lomas, Vice-Provost (Health), is a non-executive director of UCL Hospitals NHS Foundation Trust (UCLH), a Trustee of the British Heart Foundation, a Board member of the Kwazulu-Natal Research Institute for TB-HIV, a Board member of the Francis Crick Institute and served as Deputy Chief Executive of the Medical Research Council (MRC) until March 2018. Details of UCL's transactions with these entities are provided in the table above and in additional paragraphs below.

Anthony Smith, Vice-Provost (Education and Student Affairs), serves as a governor of Capital City College Group, which includes three large London-based further education colleges. UCL transacted with two of the Group's constituent colleges in the year: City and Islington College, and Westminster Kingsway College. Purchases, representing fees for IoE PGCE student placements totalled £22k and sales made to the colleges amounted to £2k.

NOTES TO THE ACCOUNTS

Philip Sturrock, Chair of UCL's Finance Committee, is the Chair of the Mercian Trust: a multi-academy schools trust which includes Queen Mary's Grammar School (QMGS). The UCL IoE Confucius Institute for Schools distributed £36k of funding to QMGS in the year in relation to the Mandarin Excellence Programme: an initiative promoting the teaching of Mandarin Chinese in secondary schools. Additionally, sales in the sum of £13k were made to the School.

THE FRANCIS CRICK INSTITUTE (FCI): UCL is a founding member of the Francis Crick Institute, a biomedical research centre established by six distinguished partners from scientific and academic fields. The University's investment in the FCI stands at £33.6m, and transactions with the Institute in the year are tabulated above.

THE ALAN TURING INSTITUTE (ATI): The ATI was set up in 2015 as the national centre for data science. It is a joint venture comprising five founder universities and the EPSRC. Each founding member has pledged a £5.0m grant to the Institute, and a balance of £2.0m is held in creditors on the UCL Statement of Financial Position at 31 July 2018. Other transactions are included in the above table.

MEDICAL RESEARCH COUNCIL (MRC): In addition to the amount reported above under income, UCL received the following capital funding from the MRC in the year: £6.5m towards the renovation of the Courtauld Building to accommodate the MRC Prion Unit, and £1.5m towards refurbishment works undertaken at the Cruciform Building to house the interim Dementia Research Institute (DRI).

UCL HOSPITALS NHS FOUNDATION TRUST (UCLH): In addition to the tabulated expenditure, the University purchased part of the Eastman Dental Hospital site from UCLH for £28.56m. The acquired area is to be cleared of existing buildings to make way for the new Dementia Research Institute development.

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

	Balance 1 August 2017 £'000	Cash transfers £'000	Income/ (expenditure) £'000	Other £'000	Balance at 31 July 2018 £'000
Abcodia Limited	11	-	-	14	25
Amalyst Limited	3	-	1	-	4
Atocap Limited	3	(17)	16	-	2
Brainminer Limited	-	30	(40)	-	(10)
Canbex Therapeutics Limited	-	-	64	-	64
Domainex Limited	30	-	-	(30)	-
Endomagnetics Limited	1	(76)	75	-	-
Eurotempest Limited	16	(16)	20	-	20
Health Social Innovators LLP	-	-	-	(68)	(68)
Pentraxin Therapeutics Limited	12	(45)	45	-	12
Senceive Limited	23	(22)	24	-	25
Total debtors	**99**	**(146)**	**205**	**(84)**	**74**

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

	2018 £'000	2017 £'000
Abcodia Limited	**652**	652
Amalyst Limited	**25**	25
Domainex Limited	**300**	330
Health Social Innovators LLP	**210**	250
Helicon Health Limited	**43**	43
TCR Materials Limited	**5**	-
Total loans	**1,235**	**1,300**

NOTES TO THE ACCOUNTS

27 Subsidiary undertakings

The following UCL subsidiary companies which are incorporated and registered 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	Amount owed to/(from) UCL at 31 July 2018 £'000
Bloomsbury Bioseed Fund Ltd (BBSF)	Investment in bio-technology start ups.	75% owned	Ordinary	75% - UCL	-
Mapping for Change CIC	A social enterprise specialising in participatory and community mapping projects, which focuses on providing mapping services to public, private and non-governmental 'third sector' organisations that are value driven and which principally reinvest their surpluses to further social, environmental or cultural objectives.	97.5% owned	Ordinary	97.5% - UCL	-
Thiologics Ltd	Provision of goods and services in bio-technology.	100% owned	Ordinary	100% - UCL Buisness	-
UCL Business Plc	Exploitation of intellectual property.	100% owned	Ordinary	100% - UCL	3,759
			Ordinary 'A'	100% - UCL	
			Redeemable Preference	100% - UCL	
UCL Consultants Ltd	Provision of administrative support to staff engaged in consultancy.	100% owned	Ordinary	100% - UCL	5,446
UCL Cruciform Ltd	Exploitation of intellectual property in the field of bio-medicine.	100% owned	Ordinary	50% - UCL 50% - UCL Cruciform Trust	494
UCL Investments Ltd	Property investment.	100% owned	Ordinary	100% - UCL	5
UCL Properties Ltd	Property development and investment.	100% owned	Ordinary	100% - UCL	2,122
UCL Residences Ltd	Commercial lettings of accommodation.	100% owned	Ordinary	100% - UCL	(823)
UCL Trading Ltd	Contracting, consultancy and other commercial	100% owned	Ordinary	100% - UCL	31
UCLB Investments Ltd	Investing in intellectual property commercialisation opportunities arising from UCL's research base, focusing in particular on the physical and life sciences.	100% owned	Ordinary	100% - UCL Buisness	-
SmartTarget Ltd	Manufacture of computers and peripheral equipment.	75.45% owned.	Ordinary 'A'	75.45% - UCL Business	-
Somers Town Community Sports Centre	Operation of sports centre.	Limited by guarantee. UCL has the power to appoint 5 of the 9 trustees and so has effective control			-

The following subsidiary companies were dormant during the year:
UCL Developments (No1) Ltd
UCL Enterprises Ltd

UCLB Medical Devices Ltd (previously Evexar Medical 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.

NOTES TO THE ACCOUNTS

28 Pension schemes

Multi-employer plans

The Group contributes to three principal defined benefit multi-employer plans on behalf of its employees: the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) and the National Health service (NHS) Pension Scheme. A number of staff, transferred to UCL via historic business combinations, also belong on the Principal Civil Service Pension Scheme (PCSPS) and the Medical Research Council Pension Scheme (MRCPS). The schemes are externally funded and contracted out of the State Second Pension (S2P) and are valued every three years by professionally qualified independent actuaries using the projected unit method. 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 these five schemes and they are therefore accounted for as if they were defined contribution schemes, with contributions recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

Total costs for these schemes for the Group were:

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	**University**	Consolidated	University
	£'000	**£'000**	£'000	£'000
Contribution to USS	**70,824**	**70,535**	68,062	67,785
Contribution to SAUL	**12,535**	**11,756**	11,676	11,007
Contribution to NHS	**6,599**	**6,577**	6,564	6,537
Contribution to MRCPS	**1,240**	**1,240**	966	966
Contribution to PCSPS	**52**	**52**	52	52
Charge to staff costs in respect of UFMS	**-**	**-**	850	850
	91,250	**90,160**	**88,170**	**87,197**

Outstanding contributions to USS, SAUL, the NHS Pension Scheme, MRCPS and PCSPS was £11.6m at 31 July 2018 (2017 - £11.1m).

The Universities Superannuation Scheme

In November 2017, and following the results of the latest tri-ennial valuation, the USS Trustee advised that the scheme's deficit as at 31 March 2017 had increased to £7.5bn and that the cost of accruing benefits had increased by around one third compared to the previous 2014 valuation. Since that date, the key stakeholders and their representative bodies been working to develop a mutually acceptable set of proposals to address the challenge and have jointly instructed a separate, independent review of the original 2017 valuation. As at the date of these financial statements, that process is still ongoing with the result that the 2017 valuation has not yet formally concluded.

Various stages of consultation and negotiation remain before a set of proposals can be agreed, and an outcome endorsed by The Pensions Regulator. Until that point, and in light of the uncertainty surrounding the value of the past deficit, levels of contribution required, the period of the recovery plan and the level of asset performance over the period, UCL will continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 valuation.

Under that plan, commencing in April 2016 and designed to pay off a £5.3bn shortfall by March 2031, employer contributions were increased from 16% to 18%, with 2.1% of that higher rate specifically earmarked to repair the existing deficit. In accordance with the SORP, UCL recognises a provision for this obligation to fund past deficits and details of the provison, discounted at a rate of 2.16% as at 31 July 2018, are included in note 21 to the financial statements.

The 2014 valuation (unaudited) was carried out using the projected unit method, and the financial assumptions that had the most significant effect on the result were as follows:

Investment returns per annum	5.20%
Salary scale increases per annum - short term	3.50%
Salary scale increases per annum - long term	4.00%
Pension increases per annum - CPI	2.20%

The mortality assumptions included within the valuation are that male (female) members who retire at typical ages will live to approximately age 89 (91).

At the valuation date, the value of the assets of the scheme was £41.6bn and the value of the scheme's technical provisions was £46.9bn indicating a shortfall of £5.3bn. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

Details of the scheme and the 2014 valuation can be found at www.uss.co.uk

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The Superannuation Arrangements of the University of London

The latest actuarial valuation of the scheme was at 31 March 2017 (unaudited) using the projected unit method. The financial assumptions that had the most significant effect on the result of the valuation were as follows:

Investment returns per annum:	
- before retirement	4.03%
- after retirement	1.93%
Salary scale increases per annum	3.49%
Pension increases per annum	1.70%

The mortality assumptions included within the valuation are that male (female) members who retire at typical ages will live to approximately age 88 (91).

At the valuation date, the value of the assets of the scheme was £3.21bn and the value of the scheme's technical provisions was £3.15bn. The assets therefore were sufficient to cover 102% of the benefits which had accrued to members, after allowing for expected future increases in earnings. These results represent an elimination of the £59m deficit reported under the 2014 valuation and a return to surplus of £56m.

Within the 2017 valuation, contribution strain (the rate at which the cost of future benefits exceeds contributions) has increased to 6.7% of members' salaries. SAUL has sufficient surplus to meet this contribution strain over the next few years however and no further benefit changes or contribution changes have been proposed.

Employer contributions will remain at the 16% agreed in March 2016 (as part of a recovery plan designed to address the 2014 deficit) and, in line with that agreement, will not be reduced before 31 March 2020 irrespective of SAUL's funding level. The accompanying employer commitment to fund past deficits through a 3% earmarking of contribution through to 31 March 2018 has been satisfied however. As such, there is no further requirement to account for future costs and the related provision has been released in full.

Details of the scheme and the 2017 valuation can be found at www.saul.org.uk

National Health Service Pension Scheme

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

The latest actuarial valuation of the scheme was 31 March 2012 using the projected unit method, with results published in June 2014. The financial assumptions that had the most significant effect on the result of the valuation were as follows:

Investment returns per annum	3.00%
Long term salary growth per annum	4.75%
Pension increases per annum	2.00%

The mortality assumptions included within the valuation are that male (female) members who retire at typical ages will live to approximately age 90 (92).

At the valuation date, the value of the assets of the scheme was £230.1bn and the value of the scheme's technical provisions was £240.4bn indicating a shortfall of £10.3bn. The assets therefore were sufficient to cover 96% of the benefits which had accrued to members after allowing for expected future increases in earnings.

As a result of this valuation, the trustees determined that the employer contribution rate payable for the four year period from 1 April 2015 will be 14.3%.

Medical Research Council Pension Scheme

The latest actuarial valuation of the scheme was at 31 December 2016 (unaudited) using the projected unit method. The financial assumptions underpinning this valuation are not currently available.

At the valuation date, the value of the assets of the scheme was £1.41bn and the value of the scheme's technical provisions was £1.25bn indicating a surplus of £160m. The assets therefore were sufficient to cover 113% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Following this valuation, the trustees determined that the present employer contribution rate of 14.9% would increase to 15.9% from April 2018.

NOTES TO THE ACCOUNTS

Principal Civil Service Pension Scheme

The PCSPS is an unfunded defined benefit scheme available to staff who were already members immediately prior to their appointment at UCL.

The latest actuarial valuation of the scheme was at 31 March 2012 (unaudited) using the projected unit method. The financial assumptions that had the most significant effect on the result of the valuation were as follows:

Investment returns per annum	3.00%
Long term salary growth per annum	4.75%
Pension increases per annum	2.00%

The mortality assumptions included within the valuation are that male (female) members who retire at typical ages will live to approximately age 89 (91).

At the valuation date, the value of the assets of the scheme was £127.3bn and the value of the scheme's technical provisions was £132.7bn indicating a shortfall of £5.5bn. The assets therefore were sufficient to cover 96% of the benefits which had accrued to members after allowing for expected future increases in earnings.

As a result of this valuation, the trustees determined that the average employer contribution rate payable for the four year period from 1 April 2015 will be 20.9%.

Defined benefit plans

Within the year, UCL contributed to one funded, defined benefit pension scheme: the UCL Former Medical Schools (UFMS) Pension Scheme. The underlying assets and liabilities relating to UCL's members could be identified and those assets were held in separate, trustee administered funds.

As a defined benefit plan, current service costs, past service costs, losses on settlement and actuarial losses are recognised in the Consolidated Statement of Comprehensive Income and Expenditure. The interest cost and the expected return on assets are shown as a net amount of other finance costs.

Scheme assets are measured at fair value. Liabilities are measured on an actuarial basis using the projected unit method and are discounted at a rate of return based on a high quality corporate bond of equivalent currency and term to the scheme liabilities. 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 as a pension asset or liability in the Consolidated Balance Sheet.

UCL (Former Medical Schools) Pension Scheme

The UFMS Pension Scheme is a single-employer defined benefit plan, acquired under the merger with the Middelsex Hospital Medical School in August 1987. The scheme was closed to new entrants at the point of merger, and with effect from 30 June 2012 all active members consented to a transfer of their benefits to SAUL. Deferred and pensioner liabilities remained with the UFMS scheme.

A valuation of the scheme as at 31 July 2018 has been carried out by an independent qualified actuary, using the projected unit method, and is based on the results of the full Scheme Funding Assessment as of March 2016.

The financial assumptions that had the most significant effect on the result of the valuation were as follows:

Investment returns per annum	2.70%
Future statutory revaluation of pensions in deferment	2.20%
Increase on post 1997 pension	
- for pre 2006 leavers	2.25%
- for post 2006 leavers	3.10%

At the valuation date, the value of the assets of the scheme was £3.26m and the value of the scheme's defined benefit obligation was £2.92m. As UCL does not currently have the ability to recover the resulting surplus of £0.3m (2017 - £0.5m) either through reduced contributions in the future or through refunds from the scheme, the corresponding net defined benefit asset is not recognised in the Consolidated Balance Sheet.

It is the intention of both UCL and the Trustee to wind-up the scheme, and arrangements are being made with various insurance providers to take on the remaining liabilities. As the scheme employer, UCL will be liable to those insurers for the projected deficit against the fund's assets and, as at 31 July 2018, the value of this 'buy-out' payment has been estimated by an independent actuary as £0.85m (2017 - £0.85m). UCL expects to have completed the process during the financial year to 31 July 2019 and provision has been made for the expected £0.85m cost of discharging its financial obligations (Note 21).

The pension expense over the year to 31 July 2018 was £67,000. On the basis that surplus is not recognised, this solely reflects the administration cost borne by the scheme over the year, and interest on the net defined benefit liability is restricted to zero.

The estimated amounts of employer contributions expected to be paid to the scheme during the year ending 31 July 2019 is £132,000.

NOTES TO THE ACCOUNTS

29 Events after the End of the Reporting Period

No events after the reporting period have had a material impact on the financial statements as presented.

30 Significant Estimates and Judgements

In the process of applying its accounting policies, the University is required to make certain estimates, judgements and assumptions that management believe are reasonable based on the information available. These are reviewed on a regular basis by senior management. Significant estimates and material judgements used in the preparation of the financial statements are as follows:

Research Income
Income from research grants and contracts is recognised on entitlement and when the performance related conditions under each grant funding award have been met. The level of revenue recognised is based on management's judgement as to the extent to which those performance related conditions have been satisfied, whether any contract specific (i.e. milestone) performance related conditions are in existence and whether there is any indication that a failure to meet future output requirements has given rise to the requirement for a provision or contingent liability.

Impairments
Management make judgements as to whether any indicators of impairment are present for any of the University's assets. Within the year, the decision was taken to impair the carrying value of the UCL East project by £3.56m. This relates to the cost of early stage planning and design activities that were not carried through to the final design and construction strategy approved by Council in June 2018 (note 8).

Retirement Benefit Obligations
The University operates within two defined benefit schemes, the Universities Superannuation Scheme (USS) and The Superannuation Arrangements of the University of London (SAUL), which are accounted for as defined contribution schemes as insufficient information is available to identify the University's share of the underlying assets and liabilities.

In the case of USS, the University is contractually bound to fund a scheme deficit in line with an agreed recovery plan, and this obligation is recognised as a liability on the balance sheet. The USS recovery plan defines the deficit payment required as a percentage of future salaries until 2031, and the respective provision is based on management's estimate of expected future salary inflations, changes in staff numbers and the prevailing rate of discount. This contribution is reassessed within each triennial valuation of the scheme.

The 2017 acturial valuation of USS has been undertaken but has not yet been formally completed and there remains significant uncertainty surrounding key factors such as the value of the deficit, the level of future contributions and the period of any revised recovery plan: which in aggregate may have a material affect on the value of the liability. In lieu of any revised agreement, the legal obligation to pay 18% employer contributions (including 2.1% deficit contributions until 2031) remains and the University has concluded that this is the basis upon which the year-end provision should be calculated. Further detail on the status of the 2017 valuation is set out in note 28.