

LONDON'S GLOBAL UNIVERSITY



**Annual Report and Financial Statements
for the year ended 31 July 2013**

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FINANCIAL SUMMARY

Council (Trustees)

Lay Members:	Mr Ven Balakrishnan (from 01/10/12) Ms Anne Bulford (to 30/09/12) Lord (Tim) Clement-Jones (from 01/10/12) Mr Rob Holden (to 30/09/12) Ms Philippa Foster-Back* Mr Mark Knight♦ Mr Simon Melliss♦	Ms Vivienne Parry*♦ (Vice-Chair) Ms Katharine Roseveare* Dr Gill Samuels Professor Chris Thompson♦ Sir Stephen Wall*♦ (Chair) Baroness (Diana) Warwick
Academic Members:	Professor Sir Malcolm Grant*♦(Provost) Professor David Attwell Dr Robert Barber	Dr Stephanie Schorge* Dr Sarah Snyder Professor Nick Tyler* Professor Maria Wyke
UCL Union:	Ms Natasha Gorodnitski Mr Edwin Clifford-Coupe	

Finance Committee

Lay Members:	Mr Ven Balakrishnan Dr Ben Booth Ms Anne Bulford (Chair to 30/09/12) Mr Mark Clarke	Mr Simon Melliss (Chair from 01/10/12) Mr John Morgan Dr Gill Samuels Sir Stephen Wall Professor David Ingram (to 30/09/12) Professor Alan Thompson (from 01/10/12) Dr Andrea Townsend-Nicholson Professor Jonathan Wolff
Academic Members:	Dr Robert Barber (to 30/09/13) Professor Dame Hazel Genn (to 30/09/12) Professor Sue Hamilton (from 01/10/12) Professor Sir Malcolm Grant (Provost)	

Audit Committee

Lay Members:	Mr Rob Holden (to 30/09/12) Mr John Hustler (to 30/09/12) Lord (Tim) Clement-Jones (from 01/10/12, chair from 01/10/13)	Mr Mark Knight (Chair to 30/9/13) Mr Nigel Smith Mr Patrick Reeve (from 01/10/12) Baroness (Diana) Warwick (from 01/10/13)
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Investments Committee

Lay Members:	Ms Anne Bulford (Chair to 30/09/12) Mr Simon Melliss (Chair from 01/10/12) Mr Ven Balakrishnan (to 30/09/12)	Ms Susannah Lloyd Mr Nigel Thomas Mr Mark Clarke
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♦ denotes also member of Remuneration Committee

* denotes also member of Nominations Committee

FINANCIAL SUMMARY

	2013 £m	2012 £m
CONSOLIDATED INCOME & EXPENDITURE ACCOUNT		
Funding Council grants	191.2	198.3
Academic fees and support grants	240.9	208.5
Research grants and contracts	334.7	300.7
Other operating income	167.9	156.8
Endowment income and interest receivable	5.3	6.9
Total income	940.0	871.2
Less: Share of income from joint ventures	(2.8)	(2.5)
NET INCOME	937.2	868.7
TOTAL EXPENDITURE	917.4	843.4
Share of operating loss in joint ventures and associates	(1.1)	(1.5)
Gain on acquisition	-	4.8
Loss on disposal of tangible fixed assets	-	(1.0)
Loss on disposal of fixed asset investments	-	(0.3)
Minority interest	-	(0.1)
Transfer to accumulated income within specific endowments	(0.5)	(0.9)
SURPLUS FOR THE YEAR	18.2	26.4
Fixed assets	753.3	686.5
Endowment asset investments	85.9	72.4
Net current assets	45.6	67.5
Total assets less current liabilities	884.8	826.4
Non-current liabilities and provisions	(72.6)	(75.4)
Provision for liabilities and charges	(0.4)	(0.6)
Net pension liability	(0.1)	-
TOTAL NET ASSETS	811.7	750.4
Represented by:		
Deferred grants	417.1	394.5
Endowments	85.9	72.4
Reserves	308.7	283.5
OTHER KEY STATISTICS		
Consolidated recognised gains	38.7	23.1
Increase in cash in the year	12.7	29.0
	2013 No.	2012 No.
Student numbers	26,698	*24,859
Average payroll numbers	11,024	10,097

* excludes School of Pharmacy students

OPERATING AND FINANCIAL REVIEW

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

The financial statements include the consolidated results of UCL’s subsidiary companies, details of which are shown at Note 39. These accounts have been prepared on a going concern basis as described in Note 1 of the Accounting Policies.

The Operating and Financial Review is organised into five sections covering: UCL’s strategy and long-term objectives; performance in 2012-13 in pursuit of those objectives in the core areas of research, education and enterprise; the financial review and outlook; our approach to risk management; and how we deliver public benefit.

Strategy and long term objectives

UCL has enjoyed a period of sustained success and growth under the 10 years of leadership of Professor Sir Malcolm Grant who left the university in September 2013 to take up the role of Chair of NHS England. A thorough process was undertaken to find a successor, involving search consultants and a committee comprising lay members and a cross-section of university staff, chaired by Sir Stephen Wall. UCL is delighted to have been able to appoint an extremely able, experienced and distinguished successor in Professor Michael Arthur, formerly Vice Chancellor of the University of Leeds. The new provost will lead a review of the vision and strategy for UCL, which was most recently published as a White Paper in 2011.

UCL nevertheless remains committed to the aims as described in that document, namely:

- maintaining the qualities of a comprehensive university, committed to excellence in the arts, humanities, social sciences, physical, biological and medical sciences, engineering and the built environment;
- maintaining its openness as an institution, attracting wholly on merit the most talented students from the United Kingdom and from around the world;
- providing education of the highest academic quality, rigorous in its demands, distinctive in its character, imbued with UCL’s world-leading research and delivered by academic staff at the top of their field;
- enhancing its position as one of the world’s leading research institutions with a continued focus on single and multi-disciplinary research and a commitment to the application of new knowledge to address major societal challenges;
- becoming a global leader in enterprise and open innovation, supporting and promoting effective knowledge exchange, innovation, entrepreneurship and collaboration with commercial and social enterprises;
- attracting, rewarding and retaining outstanding staff from diverse backgrounds;
- securing long-term financial sustainability and sustaining the level of capital investment necessary to achieve its academic objectives;
- operating at the highest levels of efficiency, reducing overheads and eliminating waste;
- improving the quality, accessibility and sustainability of its estate and its use, upgrading its built environment and making optimal use of space.

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Performance in 2012-13

Research

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

We are pleased to report the following examples of progress against the UCL Research Strategy's three aims contributing to the delivery of a Culture of Wisdom.

First Research Aim: Leadership founded in excellence

- the most credible subject level university rankings place us within the top 40 of all broad research fields, while our long-term target is to achieve top 20 rankings in all broad subject areas;
- as of July 2013, UCL had won 69 highly-prestigious European Research Council Investigator awards – third among all European universities – including the highest number of awards in the Social Sciences & Humanities category ;
- a 2013 RAND Report, 'Analysis of research and education indicators to support designation of Academic Health Science Centres in England', highlighted UCL's dominance in UK biomedical research – contributing more than 10% of the UK's highly cited papers in 16 fields, the most of any university;
- our share of the Engineering & Physical Sciences Research Council's grant portfolio has now risen to 7.6%, second only to Imperial, and up from sixth in 2007-08;
- our submission rate to the 2014 Research Excellence Framework will be approximately 93% of eligible staff. In particular, our rate for eligible early career researchers is extremely high, more than 95%. Overall, we expect to submit more than 2,260 FTE, a substantial 26% increase on the 1,793 submitted for the 2008 Research Assessment Exercise;
- our number of research students continues to rise – our entry is now more than 1,600 per year, up from 1,000 in 2007-08. Our number of doctorates awarded has risen to more than 850 per year, from 650 in 2007-08, and will continue to rise as growing intake comes through the system. There are now more than 5,000 research students, up from 3,200 in 2006-07;
- our level of research grant applications is over £1.1bn per year, with a success rate steady between 38% and 40%. We have had particular success recently with UK Research Councils and EU Government, whilst medium-term growth in UK Government funding is also very strong. UCL's research grant spend was £334.7m in 2012-13, an 11% increase on 2011-12, and a 58% increase since 2007-08.

Second Research Aim: Cross-disciplinarity grounded in expertise

- the UCL Grand Challenges – of Global Health, Sustainable Cities, Intercultural Interaction and Human Wellbeing – saw continued success in bringing together concentrations of specialist expertise in order to address aspects of the world's key problems. In particular, the 89 small grants awards from 2010–14 have included 265 formal participants, distributed across all 10 faculties, providing a massive cross-disciplinary mobilisation for a £375k investment;
- UCL continued to have particular success in cross-disciplinary funding calls, including winning 18 (of a total of 43) multidisciplinary ESRC studentships worth an estimated £1.6m, covering research themes including population health, public policy and natural resource management;
- we are establishing a small number of major Research Domains – initially Neuroscience, Personalised Medicine, Lifelong Health and Environment –

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communities with a strategy for the development and promotion of UCL cross-disciplinary research strengths.

Third Research Aim: Realising the impact of a global university

- UCL continues to be the 15th most-cited university in the world and 2nd most-cited in Europe, according to Thomson Essential Science Indicators. Over 2009–2013, ESI reports 30,100 papers, with 10.02 citations per paper. Our work with Academic Analytics, a US-based bibliometrics consultancy, suggests that we generate more publications than any US university (6,700 per year between 2008–2011) and more citations than any US university except Harvard;
- UCL has seen a dramatic expansion of its public policy academic activities, including the new Department of Science, Technology, Engineering and Public Policy, Centre for the Advancement of Sustainable Medical Innovation and Institute for Global Governance, complemented by the institution-wide UCL Public Policy programme.

Education

UCL's strategic goal of placing all its educational offerings within a framework of Education for Global Citizenship continues to be developed with all academic departments developing an international dimension to their curricula and ensuring that all students explore their subject from an international perspective. UCL set itself the strategic goal of establishing itself as an international centre of excellence for teaching, learning and assessment. Work has begun on establishing this hub through creating partnerships with existing strategic partners, building on short exchanges arranged between UCL and international partners.

Students

A comprehensive plan to enhance the student experience is being implemented at university, faculty and departmental level. This will address shortcomings that have been highlighted in the National Student Survey (NSS) and from other sources. UCL's performance in the NSS is not where it should be and, although this is not yet reflected in our student recruitment, progress in improving this must be made and will be monitored by the senior management team and the Council.

There were two major changes affecting student recruitment for 2012-13. The first was the introduction of the £9,000 tuition fee for new UK/EU undergraduates and the other was the Government's relaxation of the cap on the recruitment of UK/EU undergraduates with A level grades of AAB or higher. Undergraduate applications to UCL were buoyant and although we were slightly under target for the year, the changes had little impact on our intake of UK/EU undergraduate students, with 2,822 recruited in 2012-13 compared with 2,751 in the previous year. For those places still subject to number control, UCL was comfortably within its quota having recruited 463 students with qualifications falling outside of the classification used by HEFCE. A small increase in new international undergraduates meant that total undergraduate numbers across all years of study increased from 14,478 in 2011-12 to 14,785. Over the past five years, including the merger of the School of Pharmacy in 2012, there has been an increase of 2,629 undergraduates, or 22%.

UCL's success in winning doctoral training awards together with the continuation of UCL's IMPACT studentship scheme again led to a modest increase of 3% in research postgraduate student numbers. UK/EU postgraduate taught student numbers were slightly down on the previous year but a further increase in international masters students left overall postgraduate taught student numbers down 70 compared with 2011-12, a difference of less than 1%.

The overall profile of students has not changed significantly when compared to 2011-12 with total numbers divided between undergraduates and postgraduates in the ratio 55:45, although the shift towards postgraduates over time is noticeable when compared to the ratio of 60:40 five years ago. International students now account for 30% of the total student population,

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having increased from 23% of the total student population five years ago, with a similar pattern at both undergraduate and postgraduate level.

Global Citizenship Programme

Two pilot courses for first-year students ran in June 2012. Although the cohort was small, feedback was very positive. The programme will be expanded this year to a third course, as well as enterprise, volunteering and employability activity for students in Years 2 and 3. The project team is prioritising direct communication with students and expects substantial interest from across the university.

Teaching Spaces

A strategy for the improvement of teaching spaces across UCL is now under development, including proposals for a rolling refurbishment programme and a more strategic approach to the funding of refurbishment works.

Grade Point Average

UCL has been asked to join the Higher Education Academy's Advisory Group on the GPA, and will be one of 20-25 institutions considering the implications of a move to the GPA system. The modelling work that UCL has already carried out puts it in a strong position to lead on sector policy in this area.

Bachelor of Arts and Sciences

A total of 87 students were admitted to the BASc programme in 2012-13 and 119 in 2013-14. The programme has been extremely well-received by students, and provides a useful model for activity in a number of areas, including the use of massive on-line open courses (MOOCs) and placements for undergraduate students.

Programme Review

A review of the process of annual monitoring is underway, with a view to simplifying and automating the process. The changes should also ensure that departments are asked to report on activity against institutional strategic objectives. The next stage of Programme Review is to develop a process to review all courses and programmes, including programme diets, with a view to streamlining provision.

UCL Academy

The Academy opened in 2012-13 with 180 Year 8 and 125 Year 12 students. A comprehensive programme of outreach and support activities has been coordinated through UCL and is being extended for 2013-14. Results at AS level at the Academy were disappointing, in part because of delay to the building programme. UCL has put in place measures to support Academy students applying to university this year, including a statement from the sponsor and governors explaining the mitigating circumstances, and a flag to UCL admissions tutors asking them to consider any Academy applications in the context of the difficulties.

Enterprise

This is the second year of implementation of UCL's Enterprise strategy 'Transforming Enterprise at UCL 2011-2015' and good progress is being made towards delivering that plan. Our original estimate of income derived from enterprise activity was around £40m-£50m per annum and our plan was to double that number. This encompasses a wide variety of activities involving an industry partner and would include collaborative research, consultancy, short courses, continuing professional development, spin-outs and new business ventures. Data derived from the Higher Education Business and Community Interaction survey (HEBCI) now confirms that over £100m of UCL's operating income is critically or solely dependent on enterprise activities. This is more than the income achieved from home and EU undergraduate fees.

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Income and funding

As one of the leaders in this area, UCL received an increased allocation from the Higher Education Innovation Fund to £3.35m for each of the years 2013-14 and 2014-15. UCL also received the UK's second largest Impact Acceleration Account from EPSRC, valued at £4.47m over 3 years. This was announced by Vince Cable at a launch event held at UCL spinout Space Syntax. UCL was also the largest recipient of translational funding in the UK from both the MRC and Wellcome Trust.

UCL's total industry contract portfolio increased to £83m, up by 15% from last year. Whilst this increase is welcome there is still considerable room for improvement. However it should be noted that more than 50% of UCL's EPSRC research grant portfolio of £287m includes an industrial collaborator – so it may be that our engagement with industry manifests itself more in collaborative research grants than direct industry contracts. UCL continues to see a dramatic increase in industry funded PhD students, with 330 students now funded in conjunction with industry. This represents a doubling of numbers over the last 2 years.

UCL Consultants has a new Managing Director and over the period we have seen an increase in activity. There are now more than 780 registered consultants up from 650 in 2011-12 and a contract value that has increased from £3.8m to £7.0m over the last year.

UCL Business (UCLB) continues to be one of the leaders in research commercialisation in the UK, delivering operating profits in excess of £700k in 2012-13. UCLB is also critically involved in a number of other activities which generate many tens of millions of translational and other grant income for UCL. It should also be noted that the UCLB balance sheet does not include a market valuation of the assets.

Supporting UCL's entrepreneurs

UCLB has helped four UCL projects successfully bid to the TSB/MRC Biomedical Catalyst for more than £6m in early stage projects. These include two UCL spin-out companies, Canbex and Domainex. In February, UCLB concluded a major licensing deal for Factor VIII gene therapy programme for haemophilia A to BioMarin. The current market for haemophilia A products is estimated at \$6bn worldwide.

UCL continues to play a lead role in supporting student entrepreneurs and in 2012-13 supported some 15 new student businesses. A further round of 10 Bright Ideas awards were funded, providing £80k of support for budding student entrepreneurs. For creative entrepreneurs, UCL has created Launchbox, UCL's first pop-up shop in Boxpark, in the heart of east London, where a wide range of exciting new designs and products from UCL's creative and design community are being showcased.

Translational research and industry collaboration

The translational research office continues to develop at a very impressive rate and has now established a portfolio of 22 projects with a total value of £22.5m, up from £7.7m in 2011. UCL is committed to major strategic partnerships and in 2013 formed a major new partnership with Eisai to investigate innovative new ways of treating neurological diseases.

In December 2012, the Prime Minister announced IDEALondon, an innovation 'hot-house' established by UCL, Cisco and DC Thomson as the Innovation and Digital Enterprise Alliance (IDEA). It is anticipated that IDEALondon – based in the heart of Tech City - will host around 25 digital and media companies. They will benefit from support, mentoring and access to UCL DECIDE, the world's largest 'living lab' for digital and media projects, a closed community for testing and evaluating digital products in pre-commercial development.

Publicity and Recognition

The UCL community has been widely recognised and highlighted as a leader in enterprise, and was recently ranked number 3 in the world for life science deals with industry in Nature Biotechnology. UCL spinouts have received a number of awards including Abcodia, a UCL cancer screening company, which picked up a total of 4 awards at the NatWest startups

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business of the year. Senceive won an international tunnelling award for its work with Halcrow on the Bond St development.

Financial review

UCL's summary consolidated Income and Expenditure results for the year ended 31 July 2013 are shown in the table below.

Results for the year ended 31 July 2013	2013 £m	2012 £m
Total income	937.2	868.7
Operating expenditure	(874.5)	(803.2)
Depreciation	(42.9)	(40.2)
Total expenditure	(917.4)	(843.4)
Surplus after depreciation and before tax	19.8	25.3
Share in joint ventures, associates, minority interests and tax	(1.1)	(1.6)
Exceptional items	-	3.6
Surplus on continuing operations	18.7	27.3
Transfer to accumulated income within specific endowments	(0.5)	(0.9)
Surplus retained within general reserves	18.2	26.4

The surplus for the year is consistent with plan at £18m, which is equivalent to 2% of total income. The surplus was lower than in 2011-12, with income and expenditure both up by over 8%. UCL seeks to generate a surplus on its income and expenditure account in order to generate the cash necessary for investment in people, buildings and in technology, as well as to maintain a reserve that is sufficient to withstand the financial impact of operating in a higher risk environment than was the case in the past. The investment that is necessary to continue to sustain and expand our world class academic output requires a higher level of surplus than we have generated in recent years and plans have been developed to increase this over a period of time towards a sustainable and achievable level.

Our total income can be analysed as follows:

Source of income	2012-13		2011-12	
	£m	%	£m	%
Funding Council	191.2	20.4	198.3	22.8
Academic fees	240.9	25.7	208.5	24.0
Research contracts	334.7	35.7	300.7	34.6
Other operations	165.1	17.6	154.3	17.8
Interest	5.3	0.6	6.9	0.8
Total	937.2		868.7	

Academic fee income was up £32m (16%) to £241m, following a similar scale of increase the previous year. The largest contributor was the fee income from full-time UK and EU students which increased by £17m and includes the impact of new undergraduates paying £9,000. This compensates for the loss of government grant funding for teaching. Fee income from

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international students was also up by 18% to £127m with the majority of this accounted for by increased numbers of students.

Income from the Funding Council fell, as expected, by £7m in the year (4%) to £191m. The most significant factor was the reduced level of grant funding for teaching which reflects the government's shift of funding towards tuition fees. Research grant income however rose by £4m (4%) in the year.

Income from research contracts was up £34m (11%) over the previous year to reach £335m, a remarkable achievement in an era of 'flat cash' funding from research councils and other government bodies. The contribution to overhead costs within this figure increased from £46m (18.2% of direct costs) to £54m (19.1%) reflecting a marginal shift in favour of UK and EU government funding sources. There were increases recorded for virtually all funders, though most notable was the 20% increase from the EU government, which now accounts for £33.5m or 10% of our total research contract income.

Staff expenditure rose by 9% in the year to £517m and is at 55% of total income (2011-12: 54%); the sector average for the previous year was 53%. This reflects a 9% increase in the number of staff, with the national pay settlement for the sector being at below inflation.

Other operating expenses increased by £28m (9%). This includes some elements of expenditure that reflect the increase in research and teaching activity, such as academic consumables and laboratory expenditure. The largest increases were recorded against research grants and contracts (£12m, 11%) reflecting our success in that area, and in premises (£9m, 14%) which includes maintenance of the estate, refurbishment (non-capitalised) and the full year cost of new premises acquired.

Other operating expenses also include audit fees and other fees paid to UCL's auditors. The non-audit fees have risen from £1.1m to £1.6m, reflecting the property advice provided by Deloitte LLP which has increased in scale. Drivers Jonas were UCL's property advisers prior to their merger with Deloitte and have continued in this capacity. The University's management and the Audit Committee continue to review this situation and are satisfied that robust arrangements are in place to secure the auditor's independence.

Net assets increased in the year from £750m to £812m, with cash and short-term deposits up 3% at £218m. This represents 90 days' expenditure (excluding depreciation), compared to 96 at the previous year end. The value of UCL's endowment assets increased from £72m to £86m, primarily as a result of the rising market value of our investments. Total reserves increased from £283 million to £309 million.

Capital expenditure

Work has continued in the year to improve the quality and capacity of the Bloomsbury properties, as well as the substantial UCL estate at other locations in and around London. Capital expenditure for the year was £97m of which £77m was in respect of building projects. The largest project currently in construction is the Sainsbury Wellcome Centre for Neural Circuits and Behaviour which topped out in June 2013 with completion due in June 2014.

A number of capital projects have been underway over the last 12 months, including:

- Octagon/Oculus – exhibition space and opening up the fine dome in the Wilkins building;
- Conference Centre at 188 Tottenham Court Road;
- The Engineering Makespace, a new interactive, visible and accessible student and public space;
- Physics Teaching Labs major refurbishment;
- Royal Free Hub and Learning Space;
- Leonard Wolfson Experimental Neurology Centre at the National Hospital in Queen Square;

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- Refurbishment of the Bernard Katz building - a new home for Biochemical Engineering opening early 2014;
- Cruciform student hub - a major reconfiguration and refurbishment for Medical Sciences opening early 2014;
- John Dodgson House - two storey rooftop extension/refurbishment, providing 48 additional beds;
- New Hall at Caledonian Road – a new development of 350 beds.

Detailed planning for substantial improvements to the Wilkins Building and the core of the Bloomsbury Campus are well developed including projects to provide a new public space over the Physics yard, major refurbishment and reconfiguration of the refectory, a major refurbishment of the Kathleen Lonsdale Building for the Faculty of Maths and Physical Sciences, a major refurbishment and extension of Wates House for the Bartlett School of Architecture and the refurbishment and extension of Bentham House for the Faculty of Laws. Plans are also advancing for a major new build Student Centre on the last vacant site on the Bloomsbury Campus, expected to open in 2016-17.

The summer works programme also involved a number of smaller projects aimed at enhancing the student experience by providing improved learning spaces and refurbished social facilities.

Responding to continuing needs for additional space to support academic activity, occupational interests have been acquired in new premises at 222 Euston Road (for Faculty of Population Health), 69 Wilson Street (for UCL Advances), 132-142 Hampstead Road (decant space to support major projects), the Podium at Euston (office space for Professional Services) and 1 Euston Square for a UCL/BBC collaboration.

Ambitious plans exist for a sustained programme of future estate investment over the next 10 years and beyond, including the identification of a major new development site for UCL in London. UCL has very low levels of borrowing and a secure financial base, which makes it well placed to raise funds to finance such a programme.

Fundraising and alumni relations

In the past year, the Development and Alumni Relations Office (DARO) has been coordinating fundraising activity for UCL and supporting academic departments to secure gifts for their research and activities. UCL secured a large number of philanthropic gifts and pledges in 2012-13 from individual philanthropists, trusts, foundations and corporates and hundreds of gifts from our alumni community. The office also successfully fundraised for the Professor Sir Malcolm Grant Scholarship Fund which has raised over £750,000 to date. It is estimated that UCL is in touch with 70% of all alumni, currently totaling over 160,000 people in over 180 countries. Over 90,000 UCL alumni live in the UK with approximately 30,000 based in London. The largest international communities reside in USA, Greece and China.

The planning for the global launch of UCL's fundraising campaign in 2015 is continuing. This includes identifying priorities for philanthropic support and building an extensive network of contacts, as well as expanding the capacity of the team. New appointments are being made, including a dedicated proposal writer, communications manager and new executive heads for leadership gifts, insight and supporter engagement. The scale of ambition for our fundraising efforts is significant but realistic, and is a vital part our future investment plans.

Financial outlook

The outlook for UCL remains positive, despite a degree of risk and uncertainty in the UK higher education market. The university's finances are continuing to strengthen and we will be able to sustain a substantial programme of investment to ensure we remain globally successful.

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

There are opportunities for increasing undergraduate student numbers as the recruitment controls for applicants with good A level grades (or equivalent) are removed. The threshold for 2013 entry, above which student numbers are not controlled, has reduced to ABB. Despite a slight decline in A-level grades in 2013, UCL has increased its intake of both UK/EU and international undergraduate students. Again it would be unwise to assume that we can continue to gain market share in this way, especially as the demographic trend suggests there could be up to 12-15% fewer applicants from UK nationals by 2020.

Around 45% of UCL students are postgraduates. HEFCE have preserved some funding to support both taught and research postgraduates, though their access to financial support is extremely limited by comparison to undergraduates. The impact in future of higher levels of indebtedness (as a result of higher undergraduate tuition fees) on the propensity of graduates to return for postgraduate study remains uncertain.

UCL has weathered the initial impact of cuts in government funding, however there is more to come. Capital funding for universities has shrunk dramatically and it is now almost entirely the responsibility of universities to source funding for capital investment. UCL has an ambitious plan to transform the University's estate on an unprecedented scale, with future expenditure of around £100m per annum. This will create the scale and quality of facilities commensurate with a world-leading university.

Managing risk

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

Action is being taken in respect of all strategic risks but most urgently in respect of those with the highest severity rating. Those include the risk of non-compliance with the terms of our Access Agreement (regulated by the Office for Fair Access), a shortfall in the implementation of UCL's transformative estates strategy and the failure to meet rising levels of student expectation. Other risks identified include issues associated with staff diversity, estate maintenance, improvements in IT services and pensions.

The University participates in a number of pension schemes, the most significant of which are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements for the University of London (SAUL). Both are defined benefit schemes and are substantially in deficit. USS reported a scheme deficit of £2.9bn (92% funding level) at the last valuation in April 2011. The latest interim valuation in April 2013 had seen this deficit swell to £11.5bn (77% funding), although by June 2013 it had fallen back to £7.9bn. Investment performance has generally been satisfactory but the historically low gilt yields have swollen the value of the liabilities as this is the basis used for discounting future scheme payments. The next formal valuation is in April 2014 and UCL is playing an active role along with other employers and the trustees to identify solutions to ensure USS remains both attractive and sustainable. UCL pays 16% of member employees' salaries into the scheme, as does every participating employer, and in 2012-13 this equated to £42.3m. We are not currently required to

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disclose our share of the USS deficit on our balance sheet but this will change from 2015-16 with the advent of a new Financial Reporting Standard.

The SAUL pension scheme was also in deficit at the last formal valuation date (£75m as at 31 March 2011) and the Trustees are in dialogue with the Pension's Regulator. Scheme benefit changes were introduced in 2011.

Delivering public benefit

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

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

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

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

The advancement of education

UCL was founded in 1826 to provide education to all who could benefit by it. UCL was the first university to admit students regardless of their race, class or religion and the first to admit women students on equal terms with men.. UCL continues to provide education to over 24,000 students at both undergraduate and postgraduate levels; 34% of UCL students come from outside the UK, attracted from countries around the globe.

UCL's widening participation strategy aims to raise awareness of higher education, to assist in the preparation for higher education by addressing the academic, social and cultural issues underlying historic levels of low participation, to enhance the diversity of UCL's student body by recruiting the brightest students regardless of their background and to improve the retention of students at UCL. In line with our Access Agreement UCL continues to set aside £5m per annum to provide enhanced bursaries for students from low income families and to support outreach activities.

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

OPERATING AND FINANCIAL REVIEW

The advancement of the arts, culture, heritage and science

As well as providing education in these areas, for example through the UCL Centre for Museums, Heritage and Material Cultural Studies, UCL's outstanding collections cover a wide variety of disciplines, reflecting the range of the university's academic work. Three collections - the Petrie Museum, the Grant Museum and UCL Art Museum – are open to the public. Other collections are primarily for teaching and research but can be seen and studied by appointment.

Improving public policy

UCL is committed to ensuring that the insights generated from our research are widely disseminated and communicated to policymakers; supporting engagement between policymakers and researchers; and contributing to evidence-informed policymaking. The institution-wide 'UCL Public Policy Strategy' draws on the breadth of our disciplines to ensure a multifaceted approach to developing solutions to aspects of complex real-world policy challenges, of both immediate and long-term concern.

Among UCL Public Policy highlights this year were:

Engagement with Government – a programme of strategic engagement with Government departments, parliament, Chief Scientific Advisors and others to understand better policy needs and to communicate UCL research and insights in ways that can inform the development of policy.

UCL Policy Commissions – the UCL Green Economy Policy Commission and the UCL Communicating Climate Science Policy Commission. The latter held an experimental event to test a novel theory aimed at enhancing climate scientists' effectiveness at engaging with the public, the media, policymakers and others, and provided written and oral evidence to the House of Commons Science and Technology Committee Inquiry. The dissemination programme for both Commissions will include a public launch, accompanying policy briefing, implementation-focused workshops, media activity and continued policy engagement.

Policy impact – the allocation of a significant portion of UCL's EPSRC Impact Acceleration Account funding has enabled us to support two projects aimed at increasing the policy impact of research at UCL: Transport Research, a targeted engagement programme of policy-focused high-impact seminars on a number of transport policy issues; and Pathways to Impact for Engineering Research, exploring the best routes to achieving impact for engineering research at UCL.

Policy placements – an expansion our policy placements scheme to include, so far: seven placements to the Department for Business, Innovation & Skills and one in the Department for Health; and three forthcoming placements in BIS, the Department for Transport and the Department for International Development.

Student Volunteering

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

The advancement of health and the saving of lives

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

OPERATING AND FINANCIAL REVIEW

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

Environmental sustainability

UCL approved and published its Environmental Sustainability Strategy in 2013, setting out high level objectives for the institution and specific targets to achieve these objectives. We also published our first Annual Report for Environmental Sustainability. Key highlights included: a 3% reduction in carbon emissions from baseline; Scope 3 carbon emissions calculated for first time; non-residential waste reduced; waste recycling rate increased to 72% from 61%; reduced potable water use; EcoCampus Silver Award achieved; successful bid to the Green Academy to support development of Education for Sustainable Development (ESD); launched the Biodiversity Strategy and Action Plan and actively seeking to increase the biodiverse open space.

A review of the UCL Carbon Management Plan is underway and is focussing on the impact of carbon on all areas of UCL and how budgeting for carbon, like finance, is the responsibility of all departments. A Carbon Appraisal Methodology is being rolled out across the capital projects programme, comparing capital and operational costs of investment options and the carbon they contribute to allow better decision making.

UCL has adopted the RICS Ska programme to assess the sustainability of its capital projects. The team now has 2 in-house Ska assessors and is supporting 18 capital projects in achieving Ska Gold. This represents a significant step forward in delivering sustainability in our capital programme, capturing ethical procurement as well as operational energy and waste savings. Feedback from the teams is that these higher standards are being achieved without an increase in capital investment.

The Green Impact Awards attracted 27 departments (15 previous year) and provided the opportunity to demonstrate the following outcomes:

- Energy: over 2,000 people reached by teams putting up awareness raising notices and posters encouraging people to switch off lights and equipment when not needed, potentially saving 7,038kg CO₂ per year;
- Waste: an estimated 1,920 people have been reached by teams raising awareness to print and photocopy double-sided, potentially saving over 100,000kg CO₂ and £40,000 on resource costs;
- Waste: an estimated 1,280 people have been reached by teams raising awareness around how to recycle different materials, potentially saving 40,000kg CO₂.

UCL has signed up to an online student engagement programme, which applies the principles used by Green Impact to influence individual student behaviour. In addition to its on-going training activities, UCL has launched an online environmental awareness training package, available via Moodle, for all staff and students. This emphasises the relevance of sustainability to UCL's teaching and research as well as how staff and students can be more sustainable themselves.



Simon Melliss
Treasurer



Sir Stephen Wall
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).

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

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

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

At its November 2013 meeting, the Council will carry out an annual assessment for the year ended 31 July 2013 by considering a report from the Audit Committee, and taking account of events since 31 July 2013. The Council is of the view that there is an on-going process for identifying, evaluating and managing the Group's key risks and internal controls, and that it has been in place for the whole of the year ended 31 July 2013, and up to the date of approval of the annual report and accounts, that the process has been subject to regular review, and that it accords with the internal control guidance for directors in the UK Corporate Governance Code, as deemed appropriate for higher education.

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

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

CORPORATE GOVERNANCE

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

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

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

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

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

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

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

RESPONSIBILITIES OF THE COUNCIL OF UNIVERSITY COLLEGE LONDON

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

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

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

- (i) suitable accounting policies are selected and applied consistently;
- (ii) judgments and estimates are made that are reasonable and prudent;
- (iii) applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (iv) financial statements are prepared on the going concern basis. The Council is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:

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

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

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

RESPONSIBILITIES OF THE COUNCIL OF UNIVERSITY COLLEGE LONDON

- (iv) regular reviews of financial performance and key business risks, and termly reviews of financial forecasts including variance reporting and updating;
- (v) a comprehensive planning process for the short to medium term supported by detailed income, expenditure, capital and cash flow budgets and forecasts, including review and refresh of strategic objectives, the key risks affecting their achievement and key performance indicators of progress;
- (vi) embedded risk management policies and procedures incorporating identification, monitoring and review of internal controls moderating and mitigating key risks, covering all categories of risk at all levels of the organisation;
- (vii) clearly defined procedures for the approval and control of expenditure, with investment decisions involving capital or recurrent expenditure being subject to formal detailed review according to levels set by the Council.

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

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

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

We have audited the financial statements of University College London for the year ended 31 July 2013 which comprise the Statement of Principal Accounting Policies, the Consolidated Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Consolidated and Entity Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 39. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Council of UCL in accordance with financial memorandum effective August 2010. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governing body and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the University's and Group's affairs as at 31 July 2013 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

In our opinion:

- in all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2013 have been applied for the purposes for which they were received; and

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

- in all material respects, income during the year ended 31 July 2013 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England.

Matter on which we are required to report by exception

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

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

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading
United Kingdom

27 November 2013

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. Basis of Preparation

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

UCL's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating and Financial Review on pages 3 to 14. The financial position of UCL, its cash flows, liquidity position and borrowing facilities are also described here. UCL has considerable financial resources, along with funding from HEFCE, for research grants and other teaching contracts across different geographic areas and industries. As a consequence, Council believes that UCL is well placed to manage its risks successfully despite the current uncertain economic outlook. The members of Council have a reasonable expectation that UCL has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Basis of Consolidation

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

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

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

3. Income and Expenditure Account

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

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

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

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

4. Pension Arrangements

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

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

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

5. Accounting for Research and Development

Expenditure on pure and applied research is expensed, and is treated as part of the continuing activities of the Institution. Expenditure on development activities is carried forward and amortised over the period expected to benefit, where the conditions of SSAP 13 are met.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

6. Foreign Currencies

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

7. Taxation

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

Subsidiary companies are liable to corporation tax.

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

8. Intangible Fixed Assets

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

9. Land and Buildings

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

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

Major refurbishments	20 years
Fixtures and fittings	10 years

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

10. Equipment

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

Equipment and furniture costing more than £25,000 is capitalised at cost, and depreciated over its expected useful life as follows:

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

11. Acquisition with the aid of specific grants

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

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

12. Leased Assets

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

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

13. Heritage Assets

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

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

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

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

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

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

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

15. Investments

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

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

16. Stocks

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

17. Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash.

Cash includes cash in hand and overdrafts. Liquid resources comprise assets held as a readily disposable store of value. They include current asset investments.

18. Provisions and contingent liabilities

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

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT YEAR ENDED 31 JULY 2013

	Note	2013 £'000	2012 £'000
INCOME			
Funding Council grants	1	191,160	198,333
Academic fees and support grants	2	240,874	208,452
Research grants and contracts	3	334,733	300,734
Other operating income	4	167,926	156,800
Endowment income and interest receivable	5	5,326	6,891
Total Income		940,019	871,210
Less: Share of income from joint ventures	16	(2,777)	(2,475)
Net Income		937,242	868,735
EXPENDITURE			
Staff costs	6	516,611	472,843
Other operating expenses	7	351,848	323,636
Interest payable	8	5,982	6,774
Depreciation	9	42,946	40,172
Total Expenditure		917,387	843,425
SURPLUS AFTER DEPRECIATION OF TANGIBLE FIXED ASSETS AT COST AND BEFORE TAX			
		19,855	25,310
Share of operating loss in joint ventures	16	(211)	(210)
Share of operating loss in associates	17	(1,086)	(1,296)
Taxation	10	(50)	(5)
Share of taxation in associates	17	163	28
SURPLUS AFTER DEPRECIATION OF ASSETS AT COST AND TAX		18,671	23,827
Minority interest	27	23	(116)
SURPLUS BEFORE EXCEPTIONAL ITEMS		18,694	23,711
Exceptional items: continuing operations	11		
Gain on acquisition		-	4,805
Profit/(loss) on disposal of fixed asset investments		16	(253)
Profit/(loss) on disposal of tangible fixed assets		13	(950)
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST, DISPOSAL OF ASSETS AND TAX		18,723	27,313
Surplus for the year transferred to accumulated income in endowment funds	25	(506)	(886)
SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES		18,217	26,427

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

STATEMENT OF GROUP HISTORICAL COST SURPLUSES AND DEFICITS

	Note	2013 £'000	2012 £'000
Surplus on continuing operations before taxation		18,773	27,318
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	26	550	550
Historical cost surplus for the year before taxation		19,323	27,868
Historical cost surplus for the year after taxation		19,273	27,863

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

	Note	2013 £'000	2012 £'000
Surplus on continuing operations after depreciation of assets at cost and disposal of assets and tax		18,723	27,313
Appreciation of endowment asset investments	18	11,551	33
Net realised loss from sale of endowment asset investments	18	-	(1,414)
Endowments received in year	25	2,885	969
Endowments acquired on combination with School of Pharmacy	25	-	473
Subsidiary reserves acquired on combination with School of Pharmacy		-	(50)
Adjustment to income and expenditure reserve for change in percentage holdings in associates		790	84
Unrealised surplus on revaluation of fixed asset investments	15	5,010	85
Deficit of Essex Pension Fund transferred in 1 March 2013	37	(225)	-
Actuarial losses in respect of pension schemes		(11)	(4,367)
		38,723	23,126

RECONCILIATION TO CLOSING RESERVES AND ENDOWMENTS

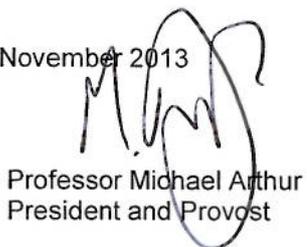
Opening reserves and endowments	355,946	332,820
Total recognised gains and losses for the year	38,723	23,126
Closing reserves and endowments	394,669	355,946

CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2013	Note	2013 £'000	2012 £'000
FIXED ASSETS			
Intangible assets	12	(2,878)	(2,943)
Tangible assets	13	688,408	635,161
Investments	15	65,964	53,389
Investments in joint ventures:	16		
Share of gross assets		2,740	2,419
Share of gross liabilities		(1,906)	(1,499)
Investments in associates	17	956	-
		753,284	686,527
ENDOWMENT ASSET INVESTMENTS			
	18	85,945	72,358
CURRENT ASSETS			
Stock		557	560
Debtors	19	164,935	157,379
Short term deposits		135,336	139,987
Cash at bank and in hand		82,291	70,866
		383,119	368,792
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	20	(337,555)	(300,909)
Share of net liabilities in associates	17	-	(394)
		45,564	67,489
NET CURRENT ASSETS			
		45,564	67,489
TOTAL ASSETS LESS CURRENT LIABILITIES			
		884,793	826,374
Creditors: amounts falling due after more than one year	21	(72,599)	(75,355)
Provision for liabilities and charges	23	(387)	(578)
		811,807	750,441
NET ASSETS EXCLUDING PENSIONS LIABILITY			
Pension liability	37	(111)	-
		811,696	750,441
NET ASSETS			
		811,696	750,441
DEFERRED CAPITAL GRANTS			
	24	417,094	394,539
ENDOWMENTS			
Expendable	25	72,787	61,161
Permanent		13,158	11,197
		85,945	72,358
RESERVES			
Income and expenditure account excluding pension reserve	26	275,475	254,688
Pension reserve		(111)	-
Income and expenditure account including pension reserve		275,364	254,688
Revaluation reserve		33,360	28,900
		308,724	283,588
Minority interest	27	(67)	(44)
		811,696	750,441
TOTAL FUNDS			
		811,696	750,441

Approved by Council on 27 November 2013



Simon Melliss
Treasurer



Professor Michael Arthur
President and Provost



Phil Harding
Director of Finance

UCL BALANCE SHEET AS AT 31 JULY 2013	Note	2013 £'000	2012 £'000
FIXED ASSETS			
Intangible assets	12	(2,878)	(2,943)
Tangible assets	13	685,687	633,166
Investments	15	74,683	62,143
		757,492	692,366
ENDOWMENT ASSET INVESTMENTS	18	85,945	72,358
CURRENT ASSETS			
Stock		524	488
Debtors	19	168,734	160,635
Short term deposits		135,336	139,987
Cash at bank and in hand		70,459	60,071
		375,053	361,181
Creditors: amounts falling due within one year	20	(328,452)	(294,143)
NET CURRENT ASSETS		46,601	67,038
TOTAL ASSETS LESS CURRENT LIABILITIES		890,038	831,762
Creditors: amounts falling due after more than one year	21	(72,599)	(75,355)
Provision for liabilities and charges	23	(387)	(578)
NET ASSETS EXCLUDING PENSIONS LIABILITY		817,052	755,829
Pension liability	37	(111)	-
NET ASSETS		816,941	755,829
DEFERRED CAPITAL GRANTS	24	415,085	392,514
ENDOWMENTS	25		
Expendable		72,787	61,161
Permanent		13,158	11,197
		85,945	72,358
RESERVES	26		
Income and expenditure account excluding pension reserve		282,662	262,057
Pension reserve		(111)	-
Income and expenditure account including pension reserve		282,551	262,057
Revaluation reserve		33,360	28,900
		315,911	290,957
TOTAL FUNDS		816,941	755,829

Approved by Council on 27 November 2013



Simon Melliss
Treasurer



Professor Michael Arthur
President and Provost



Phil Harding
Director of Finance

CONSOLIDATED CASH FLOW STATEMENT

	Note	2013 £'000	2012 £'000
Net cash inflow from Operating Activities	30	61,619	44,617
Returns on investments and Servicing of Finance	32	(1,341)	(500)
Taxation	10	(50)	(5)
Capital expenditure and financial investment	33	(48,298)	(13,946)
Acquisitions and disposals	34	(1,543)	9,000
Cash inflow before use of liquid resources and financing		<u>10,387</u>	<u>39,166</u>
Management of liquid resources	31	4,651	(8,454)
Financing	35	(2,355)	(1,663)
Increase in cash in the year		<u>12,683</u>	<u>29,049</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2013 £'000	2012 £'000
Increase in cash in the period	12,683	29,049
(Decrease)/increase in deposits repayable at short notice	(4,651)	8,454
Decrease in debt	2,356	1,663
Change in net funds	<u>10,388</u>	<u>39,166</u>
Net debt at 1 August 2012	141,117	101,951
Net debt at 31 July 2013	31	<u>151,505</u>
		<u>141,117</u>

NOTES TO THE ACCOUNTS

1. FUNDING COUNCIL GRANTS	2013	2012
	£'000	£'000
HEFCE recurrent grant:		
Teaching	55,653	65,080
Research	114,674	110,684
Other (including special funding)	5,369	6,279
Deferred Capital Grants released in year:		
Buildings	12,532	11,878
Equipment	2,932	4,412
	191,160	198,333

2. ACADEMIC FEES AND SUPPORT GRANTS	2013	2012
	£'000	£'000
Full-time home and EU students	72,353	55,349
Full-time international students	126,757	107,155
Part time students	10,147	9,935
Other fees	6,804	7,036
Research training support grants	19,615	22,232
Short course fees	5,198	6,745
	240,874	208,452

3. RESEARCH GRANTS AND CONTRACTS	2013	2012
	£'000	£'000
Source of income:		
OST research councils	114,308	103,162
UK based charities	95,482	90,904
UK central government, local/health authorities, hospitals	48,574	42,394
UK industry, commerce and public corporations	12,808	11,014
EU government bodies	33,542	27,760
EU other	5,696	4,957
Other overseas	23,706	18,973
Other sources	617	1,570
	334,733	300,734
Research income relating to direct expenditure incurred during the year	281,162	254,495
Contribution towards overhead costs	53,571	46,239
	334,733	300,734

Income from research grants and contracts includes deferred capital grants released in the year of £10,049,000 (2012 - £8,120,000).

NOTES TO THE ACCOUNTS

4. OTHER OPERATING INCOME	2013	2012
	£'000	£'000
Residences and catering	29,713	29,428
Other services rendered	52,417	46,556
Health authorities	35,562	34,425
Donations and sundry grants	24,403	19,691
Benefit on combination with School of Pharmacy—release to income	65	38
Released from deferred capital grants	3,254	4,573
Other income	19,739	19,617
Share of joint venture income	2,773	2,472
	167,926	156,800

Income from residences and catering includes deferred capital grants released in the year of £145,000 (2012 - £145,000).

5. ENDOWMENT AND INVESTMENT INCOME	Note	2013	2012
		£'000	£'000
Income from expendable endowments	25	1,998	2,178
Income from permanent endowments	25	361	388
Other interest receivable and investment income		2,963	4,322
Share of joint venture income		4	3
		5,326	6,891

6. INFORMATION REGARDING EMPLOYEES	Note	2013	2012
		£'000	£'000
Staff costs:			
Salaries and wages		425,146	390,652
NI contributions		35,717	32,485
Other pension costs	37	55,748	49,706
		516,611	472,843

	2013	2012
	£	£
Emoluments of the Provost and President:		
Salary	315,028	279,616
Pension contributions	50,404	44,739
	365,432	324,355

The emoluments of the Provost are shown on the same basis as for higher paid staff. The NHS is recharged £65,000 for the Provost's role as Chair of NHS England.

Compensation for loss of office in respect of one higher paid employee totalled £186,000 (2012 - £30,000 in respect of one employee).

No trustee has received any remuneration from the group during the year (2012 - £nil).

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

The total expenses paid to or on behalf of one trustee was £827 (2012 - £148 to one trustee).

NOTES TO THE ACCOUNTS

Remuneration of higher paid staff:

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

	2013	2012
	No.	No.
£100,001 - £110,000	68	64
£110,001 - £120,000	61	56
£120,001 - £130,000	46	46
£130,001 - £140,000	36	27
£140,001 - £150,000	37	34
£150,001 - £160,000	30	34
£160,001 - £170,000	16	18
£170,001 - £180,000	27	17
£180,001 - £190,000	18	11
£190,001 - £200,000	13	17
£200,001 - £210,000	12	11
£210,001 - £220,000	6	1
£220,001 - £230,000	2	1
£230,001 - £240,000	2	3
£240,001 - £250,000	-	1
£260,001 - £270,000	2	2
£270,001 - £280,000	-	1
£310,001 - £320,000	1	-

The average number of individuals paid through the payroll during the year was 11,024 (2012 - 10,097).

7. OTHER OPERATING EXPENSES

	2013	2012
	£'000	£'000
Residences and catering	14,523	14,802
Furniture, computer and other equipment costs	31,244	28,163
Academic consumables and laboratory expenditure	43,456	41,643
Books, publications and periodicals	10,228	8,000
Scholarships and prizes	42,310	42,096
General educational expenditure	14,176	15,781
Rents, rates and insurance	11,506	10,344
Heat, light, water and power	13,294	11,468
Service charges	5,347	6,246
Repairs and general maintenance	12,521	10,322
Long term maintenance	10,824	11,784
Telephone	1,580	1,589
Advertising and recruitment	2,382	2,297
Printing, postage, stationery and other office costs	7,433	8,436
Conference, travel and training	24,795	21,451
Professional fees	19,136	16,704
Audit Fees	149	145
Other fees paid to auditors	1,466	1,073
Grants to Students Union and other student bodies	3,480	2,289
Payments to non contract staff and agencies	20,549	17,843
Other costs	61,449	51,160
	351,848	323,636

In addition to that noted above, other fees paid to auditors of £97,000 were capitalised during the year (2012 - £34,000).

NOTES TO THE ACCOUNTS

8. INTEREST AND OTHER FINANCE COSTS	2013	2012
	£'000	£'000
Bank loans and other loans wholly repayable within five years	1	5
Loans not wholly repayable within five years	3,383	3,485
Finance leases	2,597	3,262
Net charge on pension scheme assets and liabilities	1	22
	5,982	6,774

9. ANALYSIS OF EXPENDITURE BY ACTIVITY

2013	Staff Costs £'000	Other Operating Expenses £'000	Interest Payable £'000	Depreciation £'000	Total £'000
Academic departments	265,011	59,843	-	5,584	330,438
Academic services	29,095	26,262	-	1,920	57,277
Research grants and contracts	149,722	121,391	-	10,049	281,162
Residences and catering	2,570	14,523	1,830	2,752	21,675
Premises	3,508	70,122	3,087	21,865	98,582
Administration	43,352	36,659	-	648	80,659
Other expenses	23,353	23,048	1,065	128	47,594
	516,611	351,848	5,982	42,946	917,387

The depreciation charge has been funded from:	£'000
Deferred capital grants released (Note 24)	28,912
General income	14,034
	42,946

2012	Staff Costs £'000	Other Operating Expenses £'000	Interest Payable £'000	Depreciation £'000	Total £'000
Academic departments	246,422	60,076	-	5,304	311,802
Academic services	21,650	22,676	-	1,897	46,223
Research grants and contracts	136,583	109,793	-	8,120	254,496
Residences and catering	2,738	14,802	1,833	2,757	22,130
Premises	5,470	61,393	3,773	21,490	92,126
Administration	39,925	32,904	-	526	73,355
Other expenses	20,055	21,992	1,168	78	43,293
	472,843	323,636	6,774	40,172	843,425

The depreciation charge has been funded by:	£'000
Deferred capital grants released	29,128
General income	11,044
	40,172

NOTES TO THE ACCOUNTS

10. TAXATION

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

	2013 £'000	2012 £'000
UCL Trading Ltd	(3)	(5)
UCL Consultants Ltd	(47)	-
Total tax charge	<u>(50)</u>	<u>(5)</u>

11. EXCEPTIONAL ITEMS

	2013 £'000	2012 £'000
Gain on combination with School of Pharmacy:	<u>0</u>	<u>4,805</u>
Profit/(loss) on disposal of fixed asset investments:		
Profit/(loss) on disposal of shares held as fixed asset investments	4	(253)
Profit on partial disposal of subsidiary	12	-
	<u>16</u>	<u>(253)</u>
Profit/(loss) on disposal of tangible fixed assets:		
Profit/(loss) on disposal of land and buildings	58	(540)
Loss on disposal of equipment	(45)	(410)
	<u>13</u>	<u>(950)</u>

12. INTANGIBLE ASSETS (Consolidated and UCL)

	£'000
<u>Fair value</u>	
At 1 August 2012	(2,981)
Additions at fair value	-
As at 31 July 2013	<u>(2,981)</u>
<u>Released to income and expenditure account</u>	
At 1 August 2012	38
Release for the year	65
At 31 July 2013	<u>103</u>
<u>Net Book Value</u>	
At 31 July 2013	<u>(2,878)</u>
At 1 August 2012	<u>(2,943)</u>

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

NOTES TO THE ACCOUNTS

13. TANGIBLE ASSETS

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 2012	617,373	232,636	116,392	37,114	1,003,515
Additions at cost	2,844	4,190	19,721	70,125	96,880
Disposals	-	(1,679)	(3,718)	-	(5,397)
At 31 July 2013	620,217	235,147	132,395	107,239	1,094,998
Depreciation					
At 1 August 2012	188,264	83,289	96,801	-	368,354
Charge for year	18,553	8,199	16,194	-	42,946
Disposals	-	(1,037)	(3,673)	-	(4,710)
At 31 July 2013	206,817	90,451	109,322	-	406,590
Net Book Value At 31 July 2013	413,400	144,696	23,073	107,239	688,408
At 1 August 2012	429,109	149,347	19,591	37,114	635,161
UCL					
	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 2012	617,373	231,536	115,233	36,193	1,000,335
Additions at cost	2,844	4,190	19,665	69,327	96,026
Disposals	-	(1,679)	(3,718)	-	(5,397)
At 31 July 2013	620,217	234,047	131,180	105,520	1,090,964
Depreciation					
At 1 August 2012	188,264	82,861	96,044	-	367,169
Charge for year	18,553	8,171	16,094	-	42,818
Disposals	-	(1,037)	(3,673)	-	(4,710)
At 31 July 2013	206,817	89,995	108,465	-	405,277
Net Book Value At 31 July 2013	413,400	144,052	22,715	105,520	685,687
At 1 August 2012	429,109	148,675	19,189	36,193	633,166

NOTES TO THE ACCOUNTS

The declared value of buildings for insurance purposes (day one basis) as at 1 August 2013 was £2.5bn (2012 - £2.5bn).

At 31 July 2013, freehold land and buildings included £49.2m (2012 - £49.2m) in respect of freehold land which is not depreciated.

The above includes assets held under finance leases. At 31 July 2013 the net book value of the assets held under finance leases was £23.4m (2012- £24.0m) with a depreciation charge for the year of £0.6m (2012 - £0.6m).

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

14. HERITAGE ASSETS

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

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

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

There are no heritage assets capitalised in the balance sheet for the year ended 31 July 2013 as the volume of items, the elapsed time since acquisition and the information available on acquisition methods render the cost of identifying the appropriate accounting treatment disproportionate to the benefit to be derived by users of the financial statements. No additions in the year under review met the capitalisation threshold of £25,000.

The principal collections are as follows:

Petrie Collection of Egyptian and Sudanese Archaeology.

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

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

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

NOTES TO THE ACCOUNTS

UCL Art Collections

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

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

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

Grant Museum of Zoology

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

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

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

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

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

Library Special Collections of Books and Manuscripts

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

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

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

NOTES TO THE ACCOUNTS

15. INVESTMENTS	Monies held on long term deposit £'000	Other Investments £'000	Investment in subsidiaries £'000	Total £'000
Consolidated				
At 1 August 2012	12,278	41,111	-	53,389
Additions	1,068	6,562	-	7,630
Investments reclassified as Associates	-	(65)	-	(65)
Revaluations	-	5,010	-	5,010
At 31 July 2013	13,346	52,618	-	65,964
UCL				
At 1 August 2012	12,278	41,453	8,412	62,143
Additions	1,068	6,462	-	7,530
Revaluations	-	5,010	-	5,010
At 31 July 2013	13,346	52,925	8,412	74,683

Included in monies held on long term deposits is £13.3m (2012 - £12.3m) over which there is a legal charge. The deposit represents a security fund to meet the obligations under finance leases (Note 21).

Included in other securities is a portfolio of fixed interest securities, equities and cash (£35.0m), investment properties (£2.0m), shares in The Francis Crick Institute Ltd (£14.3m) and shares in other limited companies and partnerships (£1.3m), which includes a £250,000 investment in Combined London Colleges University Challenge LP (CLCUC), of which UCL is one of four limited partners. Under the terms of the Partnership Agreement, a manager has been appointed to manage the partnership, and is responsible for setting operational procedures and for selecting, monitoring and realising investments. Consequently UCL has no significant influence over the operation of CLCUC and so does not account for it as an associate or joint venture.

16. JOINT VENTURES

The UCL group has interests in the following joint ventures:

- (a) **Bio-Nano Centre Ltd** is a joint venture company of Imperial College London (ICL) and UCL limited by guarantee. The company is a specialist research and development consultancy facilitating the development and commercialisation of new bio-medical and nano-technology based products. The company prepares accounts to 31 July, and accounts to 31 July 2013 are included.
- (b) **EuroTempest Ltd** is a joint venture company of Benfield, Royal & Sun Alliance and UCL Business Plc. The company transforms weather forecasts and observations into the specific information required to make successful live risk management decisions. The company prepares accounts to 31 December, and accounts to 31 December 2012 plus management accounts to 31 July 2013 are included.
- (c) **Imanova Ltd** is a joint venture company of UCL, Imperial College London (ICL), Kings College London (KCL) and The Medical Research Council (MRC). Imanova owns and manages the Clinical Imaging Centre (CIC) located at Imperial College London's Hammersmith Hospital campus. The company prepares accounts to 31 March, and accounts to 31 March 2013 plus management accounts to 31 July 2013 are included.

NOTES TO THE ACCOUNTS

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

	2013	2012
	£'000	£'000
Share of income:		
Bio-Nano	488	360
EuroTempest	59	61
Imanova	2,230	2,054
	2,777	2,475
Share of operating (loss)/profit:		
Bio-Nano	8	(96)
EuroTempest	(1)	6
Imanova	(218)	(120)
	(211)	(210)
Share of gross assets:		
Bio-Nano	568	580
EuroTempest	39	41
Imanova	2,133	1,798
	2,740	2,419
Share of gross liabilities:		
Bio-Nano	(490)	(510)
EuroTempest	(4)	(5)
Imanova	(1,412)	(984)
	(1,906)	(1,499)
Share of reserves:		
Bio-Nano	78	70
EuroTempest	35	36
Imanova	721	814
	834	920
Purchase of investments in joint ventures		
Imanova	125	375
	125	375

17. ASSOCIATES

The UCL group has interests in the following associate companies:

- (a) 47.75% holding in ordinary shares in **Abcodia Ltd**. The company develops biomarkers. The company prepares accounts to 31 December, and accounts to 31 December 2012 plus management accounts to 31 July 2013 are included.
- (b) 47.34% holding in ordinary shares of **Amalyst Ltd** acquired during the year. The company has been set up to commercially exploit the discovery of a class of catalysts which can replace expensive platinum in a range of hydrogen-based energy technologies. The company began trading in May 2013 and management accounts to 31 July 2013 are included.
- (c) 24.15% holding in ordinary shares in **Asio Ltd**. The company has been set up to commercially exploit the development of a protocol and set of applications which enables data to be easily shared between users of devices that generate and 'hear' audio e.g. smart phones and computers. The company prepares accounts to 30 June, and accounts to 30 June 2013 plus management accounts to 31 July 2013 are included.

NOTES TO THE ACCOUNTS

- (d) 43.75% holding in the ordinary shares of **Atocap Ltd**. The company was consolidated as a subsidiary in the previous year, but the Group's holding has been diluted by a share issue during the year. 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 2013 are included.
- (e) 27.9% holding in ordinary shares of **Bloomsbury DSP Ltd**. The principal activity of the company is the development and marketing of advanced sonar equipment. The company prepares accounts to 30 June, and accounts to 30 June 2012 are included. The company is in the process of being wound up and there have been no material transaction since 30 June 2012.
- (f) 33.31% holding in preferred and ordinary shares of **Canbex Therapeutics Ltd**, reduced from 49.8% 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 company prepares accounts to 31 July, and accounts to 31 July 2013 are included.
- (g) 46.2% holding in the ordinary shares of **Charing Systems Ltd**. The company was consolidated as a subsidiary in the previous year, but the Group's holding has been diluted by a share issue during the year. The company has been set up to commercially exploit the development of a software technology for electronic health records. The company prepares accounts to 31 July, and accounts to 31 July 2013 are included.
- (h) 30.37% holding in **Domainex Ltd** reduced from 32.5% following a share issue. The principal activity of the company is to exploit its technology platform in the field of protein domain hunting, gene expression and protein structure analysis. The company prepares accounts to 30 April, and accounts to 30 April 2013 plus management accounts to 31 July 2013 are included.
- (i) 27.98% holding in **Endomagnetix Ltd** reduced from 31.49% following a share issue. The company develops medical devices. The company prepares accounts to 30 April, and accounts 30 April 2013 plus management accounts to 31 July 2013 are included.
- (j) 34.8% holding in ordinary shares of **Multilyte Ltd**. The principal activity of the company is in development of a ubiquitous microanalytical technology (based on the use of microassays) for diagnostic applications in the medical research and other fields. The company prepares accounts to 28 February, and accounts to 28 February 2013 are included. The directors have given assurance that there are no material transactions up to 31 July 2013
- (k) 45.0% holding in ordinary 'A' shares of **Pentraxin Therapeutics Ltd** reduced from 47.4% following a share issue. 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 2013 are included.
- (l) 40.0% holding in ordinary 'A' 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 2012 plus management accounts to 31 July 2013 are included.
- (m) 20% interest in **UCL Partners Ltd**, a company limited by guarantee. The company promotes excellence in clinical care, health education and research. The company prepares accounts to 31 March, and accounts to 31 March 2013 plus management accounts to 31 July 2013 are included.

NOTES TO THE ACCOUNTS

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

	2013	2012
	£'000	£'000
Share of operating profit/(loss):		
Abcodia	(216)	(360)
Amalyst	(23)	-
Asio	(80)	(3)
Canbex Therapeutics	(299)	(354)
Charing Systems	(11)	-
Domainex	(263)	(220)
Endomagnetics	(266)	(475)
Multilyte	(10)	16
Pentraxin Therapeutics	172	143
Senceive	(116)	(43)
UCL Partners	26	-
	(1,086)	(1,296)
Share of taxation:		
Abcodia	62	-
Asio	1	-
Domainex	-	29
Endomagnetics	110	(1)
Pentraxin Therapeutics	(9)	-
UCL Partners	(1)	-
	163	28
Share of net assets/(liabilities):		
Abcodia	(16)	138
Amalyst	130	-
Asio	(82)	(4)
Atocap	7	-
Bloomsbury DSP	1	1
Canbex Therapeutics	443	(738)
Charing Systems	(11)	-
Domainex	12	233
Endomagnetics	463	27
Multilyte	73	83
Pentraxin Therapeutics	215	54
Senceive	(307)	(191)
UCL Partners	28	3
	956	(394)
Share of Reserves:		
Abcodia	(16)	138
Amalyst	130	-
Asio	(82)	(4)
Atocap	7	-
Bloomsbury DSP	1	1
Canbex Therapeutics	443	(738)
Charing Systems	(11)	-
Domainex	12	233
Endomagnetics	463	27
Multilyte	73	83
Pentraxin Therapeutics	215	54
Senceive	(307)	(191)
UCL Partners	28	3
	956	(394)

NOTES TO THE ACCOUNTS

	2013	2012
	£'000	£'000
Purchase of investments in associates:		
Analyst	50	-
Asio	-	95
Canbex Therapeutics	911	45
Endomagnetics	457	386
	1,418	526

18. ENDOWMENT ASSET INVESTMENTS (Consolidated and UCL)	2013	2012
	£'000	£'000
At 1 August 2012	72,358	72,681
Net purchase/(disposal) of investments	778	(2,905)
Net realised loss from sale of investments	-	(1,414)
Increase in market value of investments	11,551	33
Increase in cash balances held for endowment funds	1,258	3,963
At 31 July 2013	85,945	72,358
Represented by:		
Fixed interest securities and equities	76,886	64,557
Cash	9,059	7,801
Total endowment asset investments	85,945	72,358
Endowment assets at cost	75,749	71,392

19. DEBTORS	Consolidated		UCL	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Invoiced debtors	12,596	12,891	10,163	10,247
Research grants and contracts	104,647	102,553	104,647	102,553
Local health authorities/hospitals	16,907	13,969	16,907	13,969
Halls of residence debtors	810	609	810	609
Advances to members of staff	5,432	4,217	5,423	4,207
Intercompany debtors	-	-	9,999	8,927
Other debtors and prepayments	23,986	22,772	20,785	20,123
Amounts falling due after one year:				
Loans to associate companies	557	368	-	-
	164,935	157,379	168,734	160,635

NOTES TO THE ACCOUNTS

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	Consolidated		UCL	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Bank loans	1,278	1,278	1,278	1,278
Private Finance Initiative loans	386	270	386	270
Research grants received on account	195,544	157,595	195,544	157,595
Purchase ledger creditors	25,555	26,011	24,754	25,051
Other creditors including taxation and social security	44,753	43,643	44,492	41,909
Obligations under finance leases	918	634	918	634
Accruals and deferred income	69,121	71,478	60,570	66,700
Inter-company creditors	-	-	510	706
	337,555	300,909	328,452	294,143

21. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Consolidated and UCL)	2013 £'000	2012 £'000
Obligations under finance leases	40,186	41,278
Cruciform building – Private Finance Initiative	15,938	16,324
Long-term bank loan	15,975	17,253
Salix Revolving Green Fund	500	500
	72,599	75,355

Analysis of Loan repayments:

In less than one year:		
Finance leases	918	634
Loans	1,664	1,548
In more than one year but no more than two years:		
Finance leases	1,038	780
Loans	1,798	1,664
In more than two years but no more than five years:		
Finance leases	3,911	3,377
Loans	6,424	5,883
In more than five years:		
Finance leases	35,237	37,121
Loans	24,191	26,530
	75,181	77,537
In less than one year (Note 20)	(2,582)	(2,182)
	72,599	75,355

It is anticipated that UCL will exercise options under the leasing arrangements between 20 and 25 years into the term of each lease. The obligations under these long term liabilities will be met from payments which amount to approximately £3.7m per annum. Security is provided to the lessors by way of annual payments into a security deposit (Note 15).

The loan facility of £17.3m (of which £16.0m is repayable after more than one year and £1.3m in less than one year) has a fixed rate of interest of 5.66% for the remaining term of the loan, until August 2026.

NOTES TO THE ACCOUNTS

22. OPERATING LEASES

At 31 July 2013 UCL had annual commitments under non-cancellable operating leases as set out below:

	2013		2012	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	182	84	36	56
In the second to fifth years inclusive	2,709	113	1,550	152
Over five years	3,201	2	3,071	-
Total	6,092	199	4,657	208

23. PROVISIONS FOR LIABILITIES AND CHARGES (Consolidated and UCL)

	2013 £'000	2012 £'000
At 1 August 2012	578	-
Transfer (to)/from income and expenditure account	(191)	578
At 31 July 2013	387	578

The provision represents our best estimate, based on expert advice, of sums payable in respect of dilapidations on the termination of various building leases.

24. DEFERRED CAPITAL GRANTS

	Funding Council £'000	Other Grants £'000	Total £'000
Consolidated			
Balance at 1 August 2012:			
Freehold buildings	209,372	52,943	262,315
Leasehold buildings	57,655	47,123	104,778
Equipment	1,368	9,670	11,038
Investments	15,130	1,278	16,408
Total	283,525	111,014	394,539
Reclassification:			
Equipment	3,836	(3,836)	-
Total	3,836	(3,836)	-
Cash receivable:			
Freehold buildings	1,967	26,183	28,150
Leasehold buildings	2,223	334	2,557
Equipment	180	7,814	7,994
Investments	12,766	-	12,766
Total	17,136	34,331	51,467
Released to income and expenditure account:			
Freehold buildings	(9,123)	(3,198)	(12,321)
Leasehold buildings	(3,409)	(2,287)	(5,696)
Equipment	(2,932)	(7,983)	(10,915)
Investments	-	20	20
Total	(15,464)	(13,448)	(28,912)

NOTES TO THE ACCOUNTS

Balance at 31 July 2013:

Freehold buildings	202,216	75,928	278,144
Leasehold buildings	56,469	45,170	101,639
Equipment	2,452	5,665	8,117
Investments	27,896	1,298	29,194

Total	289,033	128,061	417,094
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	Funding Council £'000	Other Grants £'000	Total £'000
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UCL

Balance at 1 August 2012:

Freehold buildings	209,372	52,943	262,315
Leasehold buildings	57,655	46,376	104,031
Equipment	1,368	9,670	11,038
Investments	15,130	-	15,130

Total	283,525	108,989	392,514
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Reclassification:

Equipment	3,836	(3,836)	-
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Total	3,836	(3,836)	0
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Cash receivable:

Freehold buildings	1,967	26,183	28,150
Leasehold buildings	2,223	334	2,557
Equipment	180	7,814	7,994
Investments	12,766	-	12,766

Total	17,136	34,331	51,467
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Released to income and expenditure account:

Freehold buildings	(9,123)	(3,198)	(12,321)
Leasehold buildings	(3,409)	(2,251)	(5,660)
Equipment	(2,932)	(7,983)	(10,915)

Total	(15,464)	(13,432)	(28,896)
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Balance at 31 July 2013:

Freehold buildings	202,216	75,928	278,144
Leasehold buildings	56,469	44,459	100,928
Equipment	2,452	5,665	8,117
Investments	27,896	-	27,896

Total	289,033	126,052	415,085
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NOTES TO THE ACCOUNTS

25. ENDOWMENTS (Consolidated and UCL)

	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2013 Total £'000	2012 Total £'000
At 1 August 2012						
Capital	810	9,752	10,562	58,531	69,093	70,408
Accumulated income	88	547	635	2,630	3,265	2,273
	898	10,299	11,197	61,161	72,358	72,681
School of Pharmacy at 1 January 2012						
Capital	-	-	-	-	-	367
Accumulated Income	-	-	-	-	-	106
Additions	-	91	91	2,794	2,885	1,051
Disposals	-	-	-	-	-	(82)
Investment income	28	333	361	1,998	2,359	2,566
Expenditure						
- investment management fees	(4)	(51)	(55)	(301)	(356)	(302)
- other	-	(202)	(202)	(2,650)	(2,852)	(2,648)
	24	80	104	(953)	(849)	(384)
Net realised loss from sale of investments	-	-	-	-	-	(1,414)
Increase in market value of investments	135	1,631	1,766	9,785	11,551	33
At 31 July 2013	1,057	12,101	13,158	72,787	85,945	72,358
Represented by:						
Capital	945	11,474	12,419	70,112	82,531	69,093
Accumulated income	112	627	739	2,675	3,414	3,265
	1,057	12,101	13,158	72,787	85,945	72,358

£1.3m of expendable capital has been spent during the year. A transfer of this amount has been made to the income and expenditure reserve (2012 - £1.3m)

NOTES TO THE ACCOUNTS

26. RESERVES	Consolidated		UCL	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Income and expenditure reserve				
At 1 August 2012	254,688	235,461	262,057	243,972
Surplus for the year	18,217	26,427	18,825	25,319
Subsidiary reserves acquired on combination with School of Pharmacy	-	(50)	-	-
Adjustment for change in percentage holdings in associates	790	84	-	-
Transfer from revaluation reserve	550	550	550	550
Transfer from expendable endowment funds	1,355	1,270	1,355	1,270
Less pension surplus	(125)	(9,054)	(125)	(9,054)
At 31 July 2013	275,475	254,688	282,662	262,057
Pension reserve (Consolidated and UCL)				
			2013	2012
			£'000	£'000
At 1 August 2012			-	(4,687)
Deficit relating to Essex Pension Fund transferred in 1 May 2013			(225)	-
Actuarial loss			(11)	(4,367)
Surplus retained within reserves			125	9,054
At 31 July 2013			(111)	-
Revaluation reserve (Consolidated and UCL)				
			2013	2012
			£'000	£'000
At 1 August 2012			28,900	29,365
Revaluation of fixed asset investment property			91	71
Revaluation of fixed asset investments portfolio to market value			4,919	14
Transfer to general reserve in respect of depreciation of Examination Halls			(190)	(190)
Transfer to general reserve in respect of depreciation of Goldsmid House			(360)	(360)
At 31 July 2013			33,360	28,900

NOTES TO THE ACCOUNTS

27. MINORITY INTEREST (Consolidated)

The minority interest relates to the following companies:

- (a) Bloomsbury Bioseed Fund Ltd (BBSF). 25% owned outside of the Group.
- (b) Proaxon Ltd. 16.94% owned outside of the Group.
- (c) Evexar Medical Ltd. 0.32% owned outside of the Group.
- (d) Helicon Health Ltd. 40% owned outside of the Group.

	2013	2012
	£'000	£'000
At 1 August 2012	(44)	(172)
Minority interest in subsidiary undertakings' results for the year	(23)	116
Adjustment to share capital acquired by the Group	-	12
At 31 July 2013	(67)	(44)

28. CAPITAL COMMITMENTS (Consolidated and UCL)

	2013	2012
	£'000	£'000
Commitments contracted at 31 July 2013	56,662	132,803
Authorised but not contracted at 31 July 2013	74,071	646
	130,733	133,449

Commitments contracted at 31 July 2013 include £38.7m (2012 - £79.4m) in respect of the Sainsbury Wellcome Centre and £3.8m (2012 - £16.8m) in respect of the Caledonian Road student residential development. Both of these commitments were entered into in 2010-11.

29. OTHER COMMITMENTS

UCL has a commitment to purchase shares in The Francis Crick Institute Limited. At 31 July 2013, this commitment had a value of £19.3m (2012 - £25.4m).

NOTES TO THE ACCOUNTS

30. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013 £'000	2012 £'000
Operating surplus after depreciation of tangible fixed assets at cost and before tax	19,855	25,310
Items not involving cash movements:		
Depreciation	42,946	40,172
Benefit on combination with School of Pharmacy released to income	(65)	(38)
Deferred capital grants released to income	(28,912)	(29,128)
Impairment of fixed asset investments	-	(232)
Decrease/(increase) in stocks	3	(231)
(Increase)/decrease in debtors	(7,386)	466
Increase in creditors	34,835	16,910
(Decrease)/increase in provisions	(191)	578
Pension cost less contributions payable	(126)	(2,458)
Settlement gains on pension transfers	-	(6,618)
Items which are not operating activities:		
Interest receivable	(2,963)	(4,322)
Interest payable	5,982	6,774
Investment income	(2,359)	(2,566)
	61,619	44,617

31. ANALYSIS OF CHANGES IN NET FUNDS

	1 August 2012 £'000	Cash Flows £'000	Other Changes £'000	31 July 2013 £'000
Cash at bank and in hand				
Endowment assets (Note 18)	7,801	1,258		9,059
Deposits repayable on demand	70,866	11,425		82,291
	<u>78,667</u>	<u>12,683</u>	-	<u>91,350</u>
Short term deposits	139,987	(4,651)	-	135,336
Debt due within one year (Note 20)	(2,182)	2,355	(2,755)	(2,582)
Debt due after one year (Note 21)	(75,355)	6,125	(3,369)	(72,599)
	141,117	16,512	(6,124)	151,505

The decrease in debt is due to capital repayments as follows: (a) finance leases £0.8m, (b) bank loan £1.3m and (c) private finance initiative loan £0.3m, giving a net decrease in debt of £2.4m.

NOTES TO THE ACCOUNTS

32. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2013	2012
	£'000	£'000
Income from endowments	2,359	2,566
Other interest received	2,322	3,720
Interest paid	(3,234)	(3,329)
Interest element of finance lease rental payment	(2,788)	(3,457)
Net cash outflow from returns on investments and servicing of finance	(1,341)	(500)
33. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2013	2012
	£'000	£'000
Purchase of tangible fixed assets	(95,429)	(55,152)
Purchase of fixed asset investments	(6,970)	(5,495)
Net purchase of endowment asset investments	(778)	-
Total payments to acquire fixed and endowment assets	(103,177)	(60,647)
Proceeds from disposal of fixed asset investments	16	498
Proceeds from disposal of tangible fixed assets	700	-
Net proceeds from sale of endowment assets	-	2,905
Capital grants received towards the purchase of tangible assets	51,467	42,363
Net new loans to associate companies	(189)	(34)
Endowments received	2,885	969
Net cash outflow from capital expenditure and financial investment	(48,298)	(13,946)
34. ACQUISITIONS AND DISPOSALS	2013	2012
	£'000	£'000
Purchase of investment in associate – Endomagnetics Ltd	(457)	(386)
Purchase of investment in associate – Canbex Ltd	(911)	(45)
Purchase in investment in subsidiary – Asio Ltd	-	(95)
Purchase of investment in Associate - Amalyst Ltd	(50)	-
Purchase of investment in joint venture – Imanova Ltd	(125)	(375)
Costs of combination with School of Pharmacy	-	(171)
Cash acquired on combination with School of Pharmacy	-	10,072
Total acquisitions and disposals	(1,543)	9,000
35. FINANCING	2013	2012
	£'000	£'000
Mortgage and loan capital repayments	(2,355)	(1,663)
Net cash outflow from financing	(2,355)	(1,663)

NOTES TO THE ACCOUNTS

36. HARDSHIP AND ACCESS BURSARY FUNDS (Consolidated & UCL)

	2013 £'000	2012 £'000
At 1 August 2012	15	15
Funding Council grants	193	218
Interest earned	1	1
	209	234
Disbursed to students	(195)	(219)
At 31 July 2013	14	15

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

37. PENSION FUNDS

	2013 £'000	2012 £'000
The total pension costs for UCL were:		
Contribution to USS	42,428	38,670
Contribution to SAUL	6,819	10,737
Contribution to NHS	6,487	6,516
Credited to I&E in respect of RFPS	-	(6,081)
Charged to I&E staff costs in respect of Essex Pension Fund	14	-
Credited to I&E in respect of UFMS	-	(136)
	55,748	49,706

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

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

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

Outstanding contributions to USS, SAUL and the NHS pension scheme were £7.7m at 31 July 2013 (2012 - £6.7m)

NOTES TO THE ACCOUNTS

Universities Superannuation Scheme (USS)

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

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

UCL has 6,578 active members and 3,711 deferred members within the scheme and details of the scheme can be found at www.uss.co.uk.

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

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

Superannuation Arrangement of the University of London (SAUL)

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

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

National Health Service Pension Scheme

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

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

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

NOTES TO THE ACCOUNTS

UCL (Former Medical Schools) Pension Scheme (UFMS)

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

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

The last triennial valuation of the UFMS was undertaken on 31 March 2010. For the purposes of reporting under FRS17, "Retirement Benefits", a valuation of the scheme was undertaken on 31 July 2013, and details are given below:

UFMS

Valuation method	Projected Unit		
	2013	2012	2011
Valuation date (31 July)			
Inflation assumption - RPI	3.30%	2.50%	3.40%
Inflation assumption - CPI	2.60%	1.80%	2.70%
Increase for pre-1997 pensions in excess of GMP	-	-	-
Increase for pre-1997 pensions for pre-2006 leavers	2.20%	1.90%	2.70%
Increase for pre-1997 pensions for post-2006 leavers	3.10%	2.50%	3.30%
Increase for deferred pensions	n/a	n/a	2.70%
Investment return	4.17%	3.13%	5.90%
Salary scale increase per annum	n/a	n/a	3.90%
Discount rate for liabilities	4.30%	3.90%	5.30%
Projected over-funding	£2.3m	£6.7m	£7.1m
Funding level	123%	175%	164%
Present value of liabilities	£9.0m	£8.9m	£10.9m
Fair value of the scheme assets	£11.0m	£15.6m	£18.0m
Current Employers contribution rate	nil	nil	nil

Disclosure of fair values of assets and expected rates of return

	2013			2012		
	Expected rate of return	Fair Value £'000	Holding %	Expected rate of return	Fair Value £'000	Holding %
Equities	n/a	-	-	5.80%	3,417	22
Gilts	3.40%	1,323	12	2.80%	4,289	28
Bonds	4.30%	1,263	11	3.90%	3,818	24
Insurance contracts	4.30%	8,356	76	n/a	-	-
Cash	0.5%	58	1	0.50%	4,072	26
Total		11,000			15,596	

NOTES TO THE ACCOUNTS

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

	2013	2012
	£'000	£'000
Fair value of assets	11,000	15,596
Value of liabilities (defined benefit obligation)	8,967	8,889
Funded status	2,033	6,707
Recognised pension asset	-	-
Unrecognised pension asset	2,033	6,707

Total expense recognised in the income and expenditure

	2013	2012
	£'000	£'000
Current service cost	-	184
Interest cost on obligation	340	560
Expected return on scheme assets	(403)	(1,056)
Settlement gain	-	(320)
Effect of restriction on expected return	63	312
Total income and expenditure (credit)/charge	-	(320)

Amounts for the current and previous four periods

	2013	2012	2011	Restated	2009
	£'000	£'000	£'000	2010	£'000
				£'000	
Fair value of scheme assets	11,000	15,596	18,040	17,111	19,836
Value of liabilities (funded obligations)	8,967	8,889	10,950	14,977	18,041
Surplus	2,033	6,707	7,090	2,134	1,795
Experience gain on liabilities	-	-	451	-	-
Experience gain/(loss) on assets	(4,704)	160	931	1,039	(2,391)

The estimated amounts of contributions expected to be paid to the scheme during the year ending 31 July 2013 is £132,000.

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

NOTES TO THE ACCOUNTS

Changes in the present value of the defined benefit obligation

	2013 £'000	2012 £'000
Opening defined benefit obligation	8,889	10,950
Interest cost on obligation	340	560
Current service cost	-	184
Actuarial loss on obligation	165	1,536
Settlements and curtailments	-	(320)
Members contributions	-	15
Benefits paid	(427)	(3,871)
Closing defined benefit obligation	8,967	9,054

Changes in the fair value of scheme assets

	2013 £'000	2012 £'000
Opening fair value of scheme assets	15,596	18,040
Expected return	403	1,056
Actuarial (loss)/gain	(4,704)	160
Employer contributions	132	196
Members contributions	-	15
Benefits paid	(427)	(3,871)
Closing fair value of scheme assets	11,000	15,596

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

	2013 £'000	2012 £'000
Recognised pension asset at the start of the year	-	389
Income and expenditure credit	-	320
Actuarial losses in STRGL	(132)	(905)
Employer contributions	132	196
Recognised pension asset at the end of the year	-	-

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses in respect of the UFMS Pension Scheme is a net loss of £6.1m (2012 - net loss of £6.0m).

The Royal Free Hospital School of Medicine Pension and Assurance Scheme (RFPS)

The Royal Free Hospital School of Medicine Pension and Assurance Scheme (RFPS) operated for non academic staff at the Royal Free Hospital School of Medicine. Since merger with UCL on 1 August 1998, this scheme has been closed to all new entrants. This scheme is a defined benefit scheme. On 30 June 2012, all assets and liabilities of the Scheme were transferred to SAUL, and SAUL has responsibility for meeting all future pension liabilities of members.

In accordance with the requirements of FRS 17, the valuation of the Scheme liabilities has been determined on the transfer date, 30 June 2012, using the projected unit method. The last triennial valuation of RFPS was carried out as at 1 August 2009 and updated by a qualified independent actuary to 30 June 2012 when the Scheme assets and liabilities were transferred to SAUL.

NOTES TO THE ACCOUNTS

Valuation method	Projected Unit		
	31 July 2013	30 June 2012	31 July 2011
Valuation date			
Inflation assumption - RPI	n/a	3.20%	3.40%
Inflation assumption - CPI	n/a	2.50%	2.70%
Increase for pensions	n/a	3.20%	3.40%
Increase for deferred pensions	n/a	2.50%	2.70%
Investment return	n/a	n/a	5.50%
Salary scale increase per annum	n/a	3.70%	3.90%
Discount rate for liabilities	n/a	4.50%	5.30%
Projected under-funding	n/a	n/a	£(5.1)m
Funding level	n/a	n/a	80%
Present value of liabilities	n/a	n/a	£25.7m
Fair value of the scheme assets	n/a	n/a	£20.5m
Current Employers contribution rate	n/a	n/a	33.6%
Total expense recognised in the income and expenditure		2013	2012
		£'000	£'000
Current service cost		-	217
Interest cost on obligation		-	1,236
Expected return on scheme assets		-	(1,030)
Gain on settlements and curtailments		-	(6,298)
Total income and expenditure charge		-	(5,875)

Amounts for the current and previous four periods

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Fair value of scheme assets	-	-	20,496	15,882	12,500
Value of liabilities (funded obligations)	-	-	(25,572)	(24,300)	(21,204)
Deficit	-	-	(5,076)	(8,418)	(8,704)
Experience (loss)/gain on liabilities	-	(239)	(207)	(359)	1,329
Experience (loss)/gain on assets	-	(292)	964	1,311	(1,844)

The estimated amounts of contributions expected to be paid to the scheme during the year ending 31 July 2013 is £nil.

NOTES TO THE ACCOUNTS

Changes in the present value of the defined benefit obligation	2013	2012
	£'000	£'000
Opening defined benefit obligation	-	25,572
Interest cost on obligation	-	1,236
Current service cost	-	217
Actuarial gain on obligation	-	(239)
Loss arising from changes in assumptions underlying the scheme liabilities	-	3,409
Member contributions	-	49
Benefits paid	-	(524)
Settlements and curtailments	-	(29,720)
Closing defined benefit obligation	-	-
Change in the fair value of scheme assets	2013	2012
	£'000	£'000
Opening fair value of scheme assets	-	20,496
Expected return	-	1,030
Actuarial (loss)/gain	-	(292)
Employers contributions	-	2,663
Members contributions	-	49
Benefits paid	-	(524)
Settlements and curtailments	-	(23,422)
Closing fair value of scheme assets	-	-
Total amounts recognised in the statement of total recognised gains and losses	2013	2012
	£'000	£'000
Recognised pension liability at the start of the year	-	(5,076)
Income and expenditure charge	-	(423)
Actuarial (losses)/gains in STRGL	-	(3,462)
Employer contributions	-	2,663
Gain on settlements	-	6,298
Recognised pension liability at the end of the year	-	-

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses in respect of the Royal Free Hospital School of Medicine Pension & Assurance Scheme is £nil (2012 - net loss of £9.2m).

Essex Pension Fund

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

NOTES TO THE ACCOUNTS

38. RELATED PARTY TRANSACTIONS

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

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

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

Sir Malcolm Grant, who served as the President and Provost until 30 September 2013, is a member of the HEFCE Board and also the Chair of NHS England. UCL received £191m from HEFCE in the year to 31 July 2013. UCL also has transactions with a number of NHS Trusts. All these transactions are conducted at arm's length and in the normal course of business.

Michael Arthur, who became President and Provost on 1 September, sits on the Council of the Medical Research Council (MRC) and is a commissioner of the US/UK Fulbright Commission. The MRC provided research funding of £34.4m. UCL offers one Fulbright-UCL scholarship and pays £10k to the UK/US Fulbright Commission towards the costs of the stipend.

Alan Penn and David Price both chair sub-panel of the HEFCE Research Excellence Framework. David Price is also a non-executive director of North Middlesex University Hospital NHS Trust and a board member of the Science & Technology Facilities Council (STFC), from which UCL received grants to the value of £9.4m during the year. Alan Penn is also a trustee of the Institute for Sustainability, which awarded £0.1m of research funding to UCL.

David Lomas chairs the Population and Systems Medicine Board of the MRC and Graham Hart chairs the MRC/DfID African Research Leader Panel of Experts and is a member of Population Health Sciences Group of the MRC. Both are associated with the Department of Health (DoH) from which UCL received £6.5m of research funding. David Lomas sits on the Scientific Advisory Committee of Genomics England (DoH) and Graham Hart is the chair of the DoH Policy Programme Commissioning Panel.

Graham Hart additionally chairs a Programme Grants for Applied Research sub-panel and is a Senior Investigator for the National Institute for Health Research. UCL received £21.5m of grant funding from the NIHR.

David Lomas also chairs the Respiratory Therapy Area Board of GlaxoSmithKline and Grants Committee of the British Lung Foundation. These bodies forwarded research funding to UCL in the sums of £2.3m and £0.3m in the year.

Anthony Finkelstein is a member of the council of the Engineering & Physical Sciences Research Council (EPSRC), who provided £38.9m of funding. Furthermore, his brother-in-law is a partner in marketing consultancy firm Hype, which provided approximately £66k worth of services to UCL.

UCL is a founding member of Francis Crick Institute. Sir John Tooke is a Board Member of the Institute. Vivienne Parry is a council member of the MRC, another of the Institute's founding members. In 2012-13 UCL purchased shares in the Francis Crick Institute with a value of £15.6m.

Sir John Tooke is also a non-executive director of University College London Hospitals NHS Foundation Trust.

NOTES TO THE ACCOUNTS

Mary Collin's husband sits on the Council of the European Research Council (ERC) which is part of the European Commission. UCL received £32.9m from the European Commission.

Jack Foster is a board member of The SAUL Pension Scheme and Phil Harding is a member of the USS Pension Scheme Joint Negotiating Committee. UCL participates in both schemes, the details of which can be found in Note 37.

Rex Knight has a loan under the UCL staff house loan scheme; the amount outstanding at year end was £80k. He also has an investment under the UCL Shared Appreciation Mortgage Investment scheme of £135k. Lori Manders has a loan under the UCL staff house loan scheme; the amount outstanding at the year-end was £144k. She also has an investment under the UCL Shared Appreciation Mortgage Investment scheme of £240k. Anthony Smith has an investment under the UCL Shared Appreciation Mortgage Investment scheme of £130k.

Sally MacDonald is a trustee of Heritage Without Borders, which was commissioned by the British Council to run a Cultural Heritage Fellowship Programme jointly with UCL in 2013. The British Council paid £48k to HWB in the year, with the payment being made via UCL. She is also trustee of the Bloomsbury Festival, of which UCL is a founding partner and towards which it made a £10k contribution in 2013.

Anne Bulford is a Trustee and Honorary Treasurer of the Motor Neurone Disease Associate which made a grant of £183k to UCL.

David Attwell co-chaired an Expert Review Group for the Wellcome Trust. UCL received grants of £37.9m from the Trust. He also has a child who attended UCL as a student in 2012-13. This was in line with normal UCL policies and procedures, and conducted at arm's length.

Stephanie Schorge is a member of the Science Advisory Committee of Epilepsy Research UK from which UCL received funding of £94k.

Patrick Reeve, a non-executive director of UCL Business, is a Managing Partner of Albion Ventures which holds an investment of £750k in Abcodia Ltd.

Andy Richards is a member of the Biotechnology and Biological Sciences Research Council (BBSRC) from which UCL received £10.9m of grant funding. He is also a director of Abcodia Ltd, Cancer Research Technologies Ltd, Ixicoi Ltd and there are contractual arrangements in place between these entities and either UCL or UCL Business.

Mark Leaning, chairman of Charing Systems Ltd and Helicon Health Ltd, provided consultancy services worth £72k to UCL Business through his company PCF Enterprises Limited.

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

NOTES TO THE ACCOUNTS

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

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

	Balance at 1 August 2012 £'000	Cash transfers £'000	Income £'000	Expenditure £'000	Other £'000	Balance at 31 July 2013 £'000
Pentraxin Therapeutics Limited	28	(69)	81	0	0	40
Canbex Therapeutics Limited	65	(131)	140	0	0	74
Abcodia Limited	2	(13)	13	0	0	2
Eurotempest Limited	1	(14)	14	0	0	1
Endomagnetic Limited	7	(31)	29	0	0	5
Senceive Limited	44	0	0	0	0	44
Asio Limited	6	0	0	0	0	6
UCL Partners Limited	280	0	0	0	0	280
Total debtors	433	(258)	277	0	0	452

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

	2013 £'000	2012 £'000
Canbex Therapeutics Limited	158	460
Asio Limited	108	0
Domainex Limited	308	0
Endomagnetics Limited	10	0
Total loans	584	460

NOTES TO THE ACCOUNTS

39. SUBSIDIARY UNDERTAKINGS

The following UCL subsidiary companies which are incorporated in Great Britain 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
UCL Trading Ltd	Contracting, consultancy and other commercial activities.	100% owned	Ordinary	100% - UCL
UCL Investments Ltd	Property investment.	100% owned	Ordinary	100% - UCL
UCL Properties Ltd	Property development and investment.	100% owned	Ordinary	100% - UCL
UCL Residences Ltd	Commercial lettings of accommodation.	100% owned	Ordinary	100% - UCL
UCL Enterprises Ltd	General commercial trading.	100% owned	Ordinary	100% - UCL
UCL Cruciform Ltd	Exploitation of intellectual property in the field of bio-medicine.	100% owned	Ordinary	50% - UCL 50% - UCL Cruciform Trust
UCL Consultants Ltd	Provision of administrative support to staff engaged in consultancy.	100% owned	Ordinary	100% - UCL
Somers Town Community Sports Centre	Operation of sports centre.	Ltd by guarantee. UCL has the power to appoint 5 of the 9 trustees and so has effective control	-	-
UCL Business Plc	Exploitation of intellectual property.	100% owned	Ordinary	100% - UCL
			Ordinary 'A'	100% - UCL
			Redeemable Preference	100% - UCL
Free Clinical Enterprises Ltd	Testing of new drugs in the final approval stage.	100% owned	Ordinary	100% - UCL Business
Bloomsbury Bioseed Fund Ltd (BBSF)	Investment in biotechnology start ups.	75% owned	Ordinary	75% - UCL
Proaxon Ltd	Developing and commercialising medical treatments.	83% owned	A Preferred	100% - BBSF
			Ordinary	72% - UCL Cruciform
Evexar Medical Ltd	Developing and commercialising medical and surgical devices.	99% owned.	Ordinary 'A'	83% - UCL Business
			Ordinary 'B'	100% - UCL Business
			Ordinary 'C'	100% - UCL Business

NOTES TO THE ACCOUNTS

Company	Principal Activity	Status	Class of Shares	Proportion Held
UCLB Devices Ltd	Evaluating potential medical devices, scientific instruments, and diagnostics for their technical feasibility and commercial viability.	100% owned	Ordinary	100% - UCL Business
Thiologics Ltd	Provision of goods and services in biotechnology.	100% owned	Ordinary	100% - UCL Business
Helicon Health Ltd	Provision of web-based software, re-designed clinical service delivery, an accredited educational programme and a consulting service for chronic condition management.	60% owned	Ordinary	60% - UCL Business

Free Clinical Enterprises Ltd is in the process of being wound up.

One new subsidiary company, Helicon Health Ltd, has been established during the year.

The status of Charing Systems Ltd and Atocap Ltd changed from subsidiary to associate companies 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.

FINANCIAL SUMMARIES (unaudited)

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
INCOME					
Funding Council grants	191,160	198,333	203,346	200,995	209,895
Academic fees and support grants	240,874	208,452	172,165	150,555	126,736
Research grants and contracts	334,733	300,734	283,383	275,061	254,285
Other operating income	167,926	156,800	138,286	133,801	124,026
Endowment income and interest	5,326	6,891	5,225	5,004	8,164
Total income	940,019	871,210	802,405	765,416	723,106
Less: Share of income from joint ventures	(2,777)	(2,475)	(848)	(3,032)	(3,725)
Net Income	937,242	868,735	801,557	762,384	719,381
EXPENDITURE					
Staff costs	516,611	472,843	449,012	442,666	417,236
Other operating expenses	351,848	323,636	280,686	242,086	237,649
Interest payable	5,982	6,774	6,960	7,325	12,722
Depreciation	42,946	40,172	40,762	40,284	39,921
Total expenditure	917,387	843,425	777,420	732,361	707,528
SURPLUS AFTER DEPRECIATION OF TANGIBLE FIXED ASSETS AT COST AND BEFORE TAX	19,855	25,310	24,137	30,023	11,853
Share of operating (loss)/profit in joint ventures	(211)	(210)	(226)	56	(312)
Share of operating loss in associates	(1,086)	(1,296)	(342)	(325)	(374)
Taxation	(50)	(5)	(9)	(11)	2
Share of taxation in associates	163	28	41	(1)	11
SURPLUS AFTER DEPRECIATION OF ASSETS AT COST AND TAX	18,671	23,827	23,601	29,742	11,180
Minority interest	23	(116)	11	(895)	(52)
SURPLUS BEFORE EXCEPTIONAL ITEMS	18,694	23,711	23,612	28,847	11,128
Exceptional items: continuing operations					
Gain on acquisition	-	4,805	-	-	-
Profit/(loss) on disposal of fixed asset investments	16	(253)	(74)	738	-
Profit/(loss) on disposal of tangible fixed assets	13	(950)	5,938	-	(6,149)
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST, DISPOSAL OF ASSETS AND TAX	18,723	27,313	29,476	29,585	4,979
Surplus for the year transferred (to)/from accumulated income in endowment funds	(506)	(886)	(532)	70	139
SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES	18,217	26,427	28,944	29,655	5,118