

LONDON'S GLOBAL UNIVERSITY



**Annual Report and Financial Statements
for the year ended 31 July 2015**

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COMMITTEE MEMBERSHIP

Council (Trustees)

Lay Members:	Mr Ven Balakrishnan ♦* Lord (Tim) Clement-Jones ♦ Ms Philippa Foster-Back* (to 30/09/14) Dame DeAnne Julius ♦* (Chair from 01/10/2014) Ms Carol Lake (to 31/12/2014) Ms Nahid Majid (from 01/10/2014) Mr Simon Melliss Ms Lindsay Nicholson (from 01/10/14) Ms Vivienne Parry*	Ms Katharine Roseveare* (to 30/09/2014) Dr Gill Samuels Mr Philip Sturrock (from 01/01/2015) Professor Chris Thompson (to 30/09/2014) Baroness (Jo) Valentine (from 01/01/2015) Sir Stephen Wall♦** (Chair to 30/09/14) Baroness (Diana) Warwick
Academic Members:	Professor Michael Arthur♦** (Provost) Professor David Attwell Professor David Coen (from 01/10/2014) Dr Martin Fry	Dr Saladin Meckled-Garcia Dr Stephanie Schorge* Professor Nick Tyler* Professor Maria Wyke (to 30/09/2014)
UCL Union:	Mr Lukmaan Kolia	Mr Omar Khan

Finance Committee

Lay Members:	Mr Ven Balakrishnan Dr Ben Booth Mr Mark Clarke (to 30/09/2014) Mr Simon Melliss (Chair) Mr John Morgan	Dr Gill Samuels Mr Richard Smothers (from 01/10/2014) Sir Stephen Wall Ms Sarah Whitney (from 01/10/2014)
Academic Members:	Professor Michael Arthur (from 01/10/2013) (Provost) Dr Stephanie Bird Dr Liam Graham	Professor Sue Hamilton Professor Alan Smith Professor Alan Thompson

Audit Committee

Lay Members:	Lord (Tim) Clement-Jones Mr Nigel Smith	Mr Patrick Reeve Baroness (Diana) Warwick
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Investments Committee

Lay Members:	Mr Simon Melliss (Chair) Mr Nigel Thomas	Ms Sarah Whitney
Staff Members	Mr Philip Harding	

♦ denotes also member of Remuneration and Strategy Committee

* denotes also member of Nominations Committee

FINANCIAL SUMMARY

	2015	2014
	£m	£m
CONSOLIDATED INCOME & EXPENDITURE ACCOUNT		
Funding Council grants	187.4	182.4
Academic fees and support grants	364.2	292.8
Research grants and contracts	427.5	374.5
Other operating income	194.5	167.6
Endowment income and interest receivable	6.1	5.1
Total income	1,179.7	1,022.4
Less: Share of income from joint ventures	(2.2)	(2.8)
NET INCOME	1,177.5	1,019.6
TOTAL EXPENDITURE	1,146.4	1,008.2
Gain on acquisition of Institute of Education	1.4	-
Share of operating loss in joint ventures and associates	(2.0)	(0.9)
(Loss)/Profit on disposal of tangible fixed assets	(0.3)	20.6
Profit on disposal of fixed asset investments	0.1	0.4
Taxation	(4.2)	-
Transfer to accumulated income within specific endowments	(0.2)	(0.6)
SURPLUS FOR THE YEAR	25.9	30.9
Fixed assets	1,034.1	848.2
Endowment asset investments	103.6	90.5
Net current (liabilities) / assets	(40.8)	23.5
Total assets less current liabilities	1,096.9	962.2
Non-current liabilities	(74.9)	(69.9)
Provision for liabilities and charges	(1.6)	(1.8)
Net pension liability	(0.3)	(0.3)
TOTAL NET ASSETS	1,020.1	890.2
Represented by:		
Deferred grants	540.2	456.3
Endowments	103.6	90.5
Reserves	376.3	343.5
Minority interest	-	(0.1)
	1,020.1	890.2
OTHER KEY STATISTICS		
Consolidated total recognised gains	45.9	39.3
Increase/(decrease) in cash in the year	0.2	(3.0)
	2015	2014
	No.	No.
Average student numbers (excluding Institute of Education)	30,551	28,859
Average payroll numbers	12,964	11,972

OPERATING AND FINANCIAL REVIEW

Operating and Financial Review 2014-15

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 Memorandum of Assurance and Accountability which regulates the formal relationship between the Higher Education Funding Council for England (HEFCE) and UCL. HEFCE also acts on behalf of the Charity Commission as the principal regulator of UCL as an exempt charity, in accordance with the Charities Act 2006.

The financial statements include the consolidated results of UCL’s subsidiary companies, details of which are shown at Note 40, and the results of the Institute of Education since the merger in December 2014. 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 2014-15 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’s strategy, titled UCL2034, seeks to build on our success and ensure that our distinctive approach to research, education and innovation will further inspire our community of staff, students and partners to transform how the world is understood, how knowledge is created and shared and the way that global problems are solved. In pursuit of this vision, 6 principal themes are articulated:

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

In support of these themes it is recognised that strategically significant enabling activities must occur:

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

An action plan that supports each of the principal themes and key enablers is being implemented. Each is led by a member of the senior team and progress is monitored by the executive and by Council.

OPERATING AND FINANCIAL REVIEW

Performance in 2014-15

Research

The UCL Research Strategy presents 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. We are committed to the application of knowledge for the good of humanity. The UCL Research Strategy sets out three aims contributing to or enabling the delivery of 'wise solutions'.

1st Research Aim: Leadership founded in excellence

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

In December 2014 the results of the Research Excellence Framework 2014 (REF2014) were released, and in general exceeded our expectations. This was the deserved realisation of several decades of UCL research and significant organisational development and investment. The results will have a significant effect on UCL over at least the next six years, both in terms of reputation as a leading research-intensive university and of the amount of Quality Related funding received from 2015-16.

UCL was the top-rated university in the UK for 'research power', a measure of average research score multiplied by staff numbers submitted. UCL researchers received a 'grade point average' (GPA) of 3.22 (out of 4) and submitted over 2,500 staff to be assessed in REF2014, giving UCL an overall 'research power' greater than both Oxford and Cambridge. By this measure UCL was rated top not only for overall 'research power', but in each of the three assessed elements of REF2014: publications and other outputs, research environment and research impact.

Outstanding results were achieved across our 11 Faculties. UCL had a number of Units of Assessment (discipline areas), ranked in the top five nationally by various measures, including: 15 by 'research power' (GPA x FTE) and 19 by 'intensity-weighted' GPA (GPA x % of eligible staff submitted).

Our submission rate to REF2014 of eligible staff was relatively high, approximately 93%. In particular, our rate for eligible early career researchers is extremely high, more than 95%. This confirms that our academic recruitment standards across UCL match these challenging expectations. Overall, we submitted 2,491 staff at an FTE of 2347.12, an increase in headcount of 32.9% since the preceding exercise. According to HEFCE figures, UCL contributed 4.5% of all FTE submitted to REF2014.

Other examples of leadership include:

- the most credible subject-level world university rankings place us within the top 40 of almost all broad research fields, e.g. *THE* Subject Rankings 2014-15 (Clinical, Pre-clinical & Health 8th, Arts & Humanities 8th, Social Sciences 13th, Life Sciences 17th, Physical Sciences 38th and Engineering & Technology 53th. Our long-term target is to achieve top 20 rankings in all broad subject areas. The group of universities that achieve this is a plausible aspirational peer group for UCL, namely: Berkeley, Cambridge, Michigan, Oxford, Stanford and UCLA
- in 2014 UCL was the university that attracted the most funding by value and made the highest number of successful applications to the first year of the European Union's Horizon 2020 programme, with 55 projects funded to a value of €73.2m

OPERATING AND FINANCIAL REVIEW

- UCL's research grant spend was £397m in 2014-15, excluding both the UCL Institute of Education (which merged with UCL in 2014) and payments to third parties. This represents a 55.8% increase since 2009-10
- our number of research students continues to rise – our entry is now more than 1,700 per year, up from 1,000 in 2007-08. In 2014-15, UCL awarded more than 1,000 doctorates for the first time, a near doubling over the last decade.

2nd Research Aim: Cross-disciplinarity grounded in disciplinary expertise

A review of UCL Grand Challenges began to consider how this cross-disciplinary programme focused on societal benefit can best support the delivery of *UCL2034* over the next five years. In the meantime, it continued to go from strength to strength; in particular:

- 21 Small Grants (each up to £4k) were awarded to 42 researchers in 23 departments or divisions across ten Faculties. Over seven annual rounds, the programme has made possible 130 projects led by 346 investigators, providing a massive cross-disciplinary mobilisation for a total investment of less than £525,000
- the expansion of the UCL Grand Challenges Summer School for research students
- the launch of the UCL Institute of Digital Health, delivering transformational cross-disciplinary research across the health sciences, human sciences and data sciences, and the UCL Institute for the Physics of Living Systems, combining physics and biology to understand fundamental properties of living systems
- further development of the UCL Research Domains – large, cross-disciplinary research communities that span UCL and our partner organisations, fostering interaction and collaboration – of Environment, Neuroscience, Personalised Medicine and Populations & Lifelong Health
- in collaboration with eight other leading London institutions, the establishment of the London Natural Environment Research Council Doctoral Training Partnership, which will train 120 new environmental scientists over the next five years
- the admission of first cohorts to ten new Engineering & Physical Sciences Research Council Centres for Doctoral Training at UCL, including Bioprocess Engineering Leadership, Delivering Quantum Technologies and Science & Engineering in Arts, Heritage & Archaeology.

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

Within REF2014's overall assessment of research power, UCL achieved the greatest 'power' rating (GPA x FTE) for research impact: a newly assessed element worth 20% of the total result. UCL had 14 Units of Assessment (discipline areas) ranked in the top five nationally by this measure.

Thomson Reuters Essential Science Indicators report by citation volume UCL as the 12th ranked university. By highly cited papers, we are the sixth-ranked university, and based on article count in 70 *Nature*-branded journals in 2014-15, UCL is ranked 12th globally, third in Europe and third in the UK.

UCL Public Policy produced 22 Policy Briefings based on UCL research, organised nine policy placements in Government departments for UCL researchers, and held eight public events, alongside a number of policy discussion meetings between UCL academics and policy stakeholders such as Government departments.

Education

This year has seen an extended period of consultation on UCL's priorities for education for the next five years. An institutional Education strategy is being developed, responding to Theme 2 of *UCL2034*, and will be published in January 2016 after further consultation with the UCL community.

OPERATING AND FINANCIAL REVIEW

Academic Promotion and Reward

The Vice-Provost (Education & Student Affairs) has led a review of UCL's promotions criteria, including consultation across the community about how the existing promotions process might be revised to reward staff for the breadth of their activity and, particularly, to move towards parity of esteem for teaching and research. Proposals will be published in December before a formal consultation process, led by Human Resources, begins in the spring 2016.

Connected Curriculum

The Centre for Advancing Learning and Teaching launched its Connected Curriculum framework, which sets out how UCL will develop as an institution offering 'research-based', education, supporting students to develop as researchers, and to learn through collective inquiry and collaboration. Over the next five years, all UCL programmes will develop and implement a 'Connected Curriculum', and the quality assurance framework will monitor their progress.

UCL Arena

UCL's professional development programme continues to expand, with a particular focus on supporting early career academics with their teaching, and in guiding staff with applications for accreditation by the Higher Education Academy. Since 2014, 193 staff have gained accreditation.

UCL ChangeMakers

ChangeMakers supports student-led projects which scope and implement curriculum change in collaboration with staff in departments. In its first, pilot year, it has supported 10 projects, with significant expansion planned for 2015-16.

Student Surveys

UCL's performance in the National Student Survey (NSS) has dipped again after 2013-14's 2% rise. This year has seen a great deal of behind-the-scenes work to address concerns about UCL's performance. The Annual Student Experience Review process will now make NSS results reporting part of our quality assurance cycle, increasing accountability within departments. We have recruited a Student Experience Data Manager to oversee the NSS process and to ensure that the data generated informs UCL policy. A new co-ordinated promotions campaign for all surveys will be launched in September 2015, and the Student Experience Forum will become the institutional forum for receiving feedback through the internal Student Barometer survey, and for identifying where UCL needs to take action to respond to student feedback.

Teaching and the Estate

We are running a number of pilot projects to explore how an algorithm-based approach to timetabling might alleviate some of our most pressing space constraints, without detriment to the student experience. We expect these pilots to report in the autumn of 2015. We have also co-ordinated a pilot of new furniture types in designated teaching rooms to consider whether these might be adopted more widely across UCL.

Global Citizenship Programme

Around 750 students completed the Global Citizenship programme, UCL's two-week interdisciplinary programme for undergraduates, which runs in the period after summer examinations. Further expansion of activity is planned for 2015-16 with a steady-state target of 100 students per year across six academic and three vocational/employability strands.

Student numbers

There was a sizeable increase in student recruitment in 2014-15, even excluding the numbers joining UCL from the Institute of Education part way through the financial year, with headcount reaching 30,551, an increase of 6% on 2013-14. The largest increase was in postgraduate taught numbers, which were up 8.1%, with smaller increases in undergraduate and research postgraduate student numbers of approximately 5% for each.

OPERATING AND FINANCIAL REVIEW

Undergraduate applications to UCL remained buoyant and although we were slightly under our targets for the year for both UK/EU and international students, the intakes for both groups exceeded those in the previous year. Approximately 15% of new undergraduates were admitted despite having dipped one A-level grade below the offer made to them, although no student was admitted with grades lower than ABB. This reflected a national trend where the proportion of students achieving A or A* was down on previous years.

The recruitment of UK/EU postgraduate taught students also fell below our target for the year but represented sizeable increases on the numbers recruited in 2013-14 for both UK/EU (+9.2%) and international students (+6.4%). Research postgraduate numbers were also up on the previous year with a larger increase in international students (+8.8%) compared with UK/EU (+2.5%).

The inclusion of students joining from the Institute of Education increases the UCL student headcount by circa 5,600 and takes UCL's total headcount for 2014-15 above 36,000. The overall UCL profile of students shows a shift in the undergraduate to postgraduate ratio from 54:46 in 2013-14 to 46:54 arising from the inclusion of around 2,000 students on Initial Teacher Training programmes at the IoE. These students, who are predominately UK/EU, have also altered the UK/EU to international student ratio from 69:31 last year to 72:28, with a similar pattern now existing at undergraduate and postgraduate level.

Enterprise

The Enterprise strategy was launched in 2011 and this is the fourth year of its implementation. A great deal has been achieved against our original objectives and this puts us in an excellent place to develop and implement a complementary strategy for the next five years.

Income and funding

A key ambition from the Enterprise strategy was to double enterprise income; the estimate of enterprise-related income at that time was approximately £40m-£50m per annum. Income from enterprise related activities as measured through the Higher Education Business and Community Interaction (HEBCI) survey now shows that £155m of UCL's operating (pre-merger) income is derived from enterprise activities.

UCL's active grant portfolio with industry continues to grow and a snapshot analysis taken in March 2015 showed that UCL's current, active grants held in collaboration with industrial partners had reached a total of £410m, 69% more than in the previous year.

UCL has been the recipient of the UK's second largest Impact Acceleration Account from the Engineering and Physical Sciences Research Council (EPSRC), £4.47m over three years, and recently received an eighteen month pro-rata extension to this award. These additional funds will support new and existing EPSRC enterprise activities as well as being made available to UCL academics for industry and policy secondments and more general translational and enterprise activity.

UCL continues to be one of the largest recipients of translational funding in the UK from a broad range of funders, but particularly from the Medical Research Council and the Wellcome Trust. Current Translational Research Office (TRO) managed translational funding has grown to stand at greater than £47m. A recent review of the TRO, carried out in the School of Life and Medical Sciences, identified that in its first five years it has contributed more than £90M of research income to UCL.

OPERATING AND FINANCIAL REVIEW

Supporting UCL's entrepreneurs

UCL Consultants (UCLC) continues to implement the strategy agreed in 2013, focusing on the four UCLC service offerings (Academic Consultancy, Testing & Analysis, Expert Witness, and Training & Short Courses). Great progress has been made, something that is reflected in both the volume and the value of consultancy activity, in particular in project consultancy involving teams of UCL academics, often inter-disciplinary and delivered in partnership with external organisations. Turnover for 2014-5 was £10.1m (prior year £8.6m, an increase of 17%). During 2014 UCL Consultants registered their 1000th consultant and by the end of the year had over 1100 consultants registered (an increase of 18% from the previous year).

Overall, UCLC has returned funds to UCL totalling £5.2m from its activities (in the prior year this was £4.6m, and so represents an increase of 17%).

UCL Business (UCLB) has continued to deliver on its mission of commercialising UCL's research. Its many high profile transactions during the year commenced with the creation of cancer immunotherapy company Autolus, which attracted £30m in investment. This was followed by a £25m investment into a new spin out, NewInc1354. The portfolio of assets is building up with an estimated £10m added to the market value of UCLB's holding over the last year. The market value of these assets is not shown on the UCL Balance Sheet. UCLB continues to support UCL translational activity and is helping UCL to deliver impact stories with every transaction it concludes.

UCL Advances continues to provide an extensive programme of support and training to students, including awarding a further round of eleven 'Bright Ideas Awards'; convertible loans awarded to the companies created by UCL students and recent alumni. Approximately 120 UCL students were placed in SMEs as part of the summer internships scheme, enabling them to develop their skills in new business environments. This included placements supported by Santander and UCL students working in Kenya to teach entrepreneurship skills.

In conjunction with TechCity, UCL Advances launched The Digital Business Academy in autumn 2015. This provides a national online platform for young people looking to develop their skills in digital businesses and currently offers eight free courses delivered by UCL, Cambridge Judge Business School and Founder Centric.

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

UCL enterprise made a substantial contribution to the successful outcome of the REF 2014; of the 272 impact case studies submitted by the pre-merger UCL, 69 were supported by Enterprise; of these, 57 involved UCLB or UCLC, and 23 projects were in receipt of enterprise funding. The Research Impact Curation & Support Team in the Office of the Vice-Provost (Research) have created a dedicated Impact website which includes a searchable database of case studies.

OPERATING AND FINANCIAL REVIEW

Financial review

UCL's summary consolidated Income and Expenditure results for the year ended 31 July 2015 are shown in the table below.

Results for the year ended 31 July 2015	2015 £m	2014 £m
Total income	1,177.5	1,019.6
Operating expenditure	(1,095.3)	(964.5)
Depreciation	(51.1)	(43.7)
Total expenditure	(1,146.4)	(1,008.2)
Surplus after depreciation and before tax	31.1	11.4
Joint ventures, associates, minority interests and tax	(6.1)	(0.9)
Exceptional items	1.1	21.0
Surplus on continuing operations	26.1	31.5
Transfer to accumulated income within specific endowments	(0.2)	(0.6)
Surplus retained within general reserves	25.9	30.9

The surplus for the year on continuing operations at £26.1m is consistent with the budget and equivalent to 2.2% of total income. The surplus after depreciation and before tax at £31.1m was 2.6% of total income and significantly above the £11.4m achieved in 2013-14. The surplus was impacted by a number of significant non-recurring factors. These include the full recognition of our investment over the next 5 years in the Alan Turing Institute, costs associated with the merger with the Institute of Education in December 2014 and higher than planned voluntary severance costs. These were offset by the amounts receivable in respect of a claim made to HMRC for Research and Development Expenditure Credits for 2013-14 and part of 2012-13. This has been recognised as research income of £18.4m and with a resultant tax charge of £4.2m. Income in respect of a possible claim for 2014-15 has not been included on the grounds that a decision to submit a claim has not yet been made.

UCL seeks to generate a surplus on its income and expenditure account in order to generate the cash necessary for investment in people, buildings and in technology, as well as to maintain a reserve that is sufficient to withstand the financial impact of operating in a higher risk environment than was the case in the past. The investment that is necessary to continue to sustain and expand our world-class academic output requires a higher level of surplus than we have generated in recent years and plans are being implemented to increase this over a period of time towards a sustainable level.

OPERATING AND FINANCIAL REVIEW

Our total income can be analysed as follows:

Source of income	2014-15		2013-14	
	£m	%	£m	%
Funding Council	187.4	16	182.4	18
Academic fees	364.2	31	292.8	29
Research contracts	427.5	36	374.5	37
Other operations	194.5	16	167.6	16
Interest	6.1	1	5.1	-
Share of income from JVs	(2.2)	-	(2.8)	-
Total	1,177.5		1,019.6	

Income from the Funding Council increased by £5m in the year (3%) to £187m. £9m related to the Institute of Education, netting off against a decrease in funding relating to the rest of UCL of £3m, however it continues to account for a year on year lower percentage of total income at only 16%. Whilst grant funding for teaching continues to fall reflecting the government's shift of funding towards tuition fees, research grant income from the Funding Council increased by £6m to £122m.

Academic fee income was up £71.4m (24%) to £364m, of which £23m related to eight months of fee income from the Institute of Education. The largest contributor was the fee income from full-time UK and EU students which increased by £32m and includes the further impact of new undergraduates paying £9,000. This compensates for the loss of government grant funding for teaching. Fee income from international students was also up by 8% to £162m with the majority of this accounted for by increased numbers of students.

Income from research contracts was up £53m (14%) over the previous year to reach £428m. Only £11m of this related to the Institute of Education with UCL once again having great success in funding from both research councils and government bodies in an era of "flat cash" funding. The contribution to overhead costs within this figure increased by 37% from £60m (19.2% of direct costs) to £83m (24.1%), reflecting particularly strong growth in funding from OST Research Councils which grew by 13%.

Staff expenditure rose by 10% in the year to £636m and is at 54% of total income (2013-14: 56%); the sector average for the previous year was 53%. This reflects a 9% increase in the number of staff, including around 700 joining UCL from the Institute of Education.

Other operating expenses increased by £71m (19%). The largest increases were recorded against research grants and contracts (£8m, 6%) reflecting our success in that area, in scholarships and educational support and expenditure (£19m, 29%) and in premises (£5m, 7%) which includes maintenance of the estate, refurbishment and the revenue costs of new premises acquired.

Other operating expenses also include audit fees and other fees paid to UCL's auditors. The non-audit fees have increased from £1.0m to £1.6m, and reflect the property advice provided by Deloitte LLP. Drivers Jonas were UCL's property advisers prior to their merger with Deloitte and have continued in this capacity as Deloitte LLP. 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.

OPERATING AND FINANCIAL REVIEW

Net assets increased in the year from £890m to £1,020m, with cash and short-term deposits significantly down from £215m to £142m, a decrease of 34%, as a result of the increase of spend on the capital programme. This represents 47 days' expenditure (excluding depreciation), compared to 81 at the previous year end. The value of UCL's endowment assets increased from £91m to £104m, primarily as a result of the rising market value of our investments. Total reserves increased from £343m to £376m.

Capital expenditure

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

With such an important role, the estate must be fit for purpose, efficient and effective in support of the academic mission of the institution, while being sustainable, financially, environmentally and socially sound. Over the next few years well over £1bn will be invested into UCL's infrastructure, mostly the estate. This will be funded from a combination of existing reserves, cash generated from operations, philanthropy and new debt. A 5-year revolving credit facility of £150m has been secured with a club of 4 banks, though not yet drawn, and negotiations are ongoing to secure a larger long-term debt facility to support this programme of investment.

The Bloomsbury Masterplan, adopted in 2012, has been further developed alongside an Estate and Funding Strategy to establish a 10 year programme of capital improvements across the whole UCL estate. This capital programme was confirmed last year and early stages of implementation are underway.

Three major projects within the central area of the Bloomsbury Campus have commenced construction: a new terrace to the rear of the Wilkins building over the unsightly "Physics Yard" (which will also provide a new entrance into a refurbished and reconfigured Lower Refectory), the refurbishment and extension of 22 Gordon Street for the Bartlett School of Architecture and the refurbishment and reconfiguration of the Kathleen Lonsdale Building for the Faculty of Maths and Physical Sciences. These projects are planned to complete during 2016 and early 2017.

Since the year end, planning permission has been granted for a new student centre on the last vacant site on the Bloomsbury Campus. This is an exciting project to create around 1,000 student learning spaces. Enabling works are underway and construction will commence in early 2016 and open in 2017/18.

A number of capital projects have completed this year, examples include:

- The Sainsbury Wellcome Centre for Neural Circuits and Behaviour, a large new research building on Howland Street, which opened during the year
- Cruciform student hub, a major reconfiguration and refurbishment of this prominent listed building opened in September 2014
- Medical Sciences and Anatomy extension and refurbishment.

UCL is a partner in the construction of the Francis Crick building, which is due to become the central hub for multidisciplinary biomedical research in the UK when it opens in 2016.

Plans for a new 11 acre campus, part of the Mayor of London's "Olympicopolis" proposals at the Queen Elizabeth Olympic Park in Stratford East London, are progressing following completion of legal agreements with the London Legacy Development Corporation to secure land to construct large scale facilities, expected to open in 2019/20.

OPERATING AND FINANCIAL REVIEW

Following the acquisition of Bidborough House, a substantial office building near St. Pancras station, this has become the new home for many Professional Services staff releasing space elsewhere on the campus for academic and teaching use.

A significant issue for the University is the prospect of the development of the High Speed Two Terminus at Euston, which will result in the loss of a number of facilities, with construction activity risking significant impact on UCL operations.

Fundraising and alumni relations

UCL is currently in the momentum-building phase of a major new fundraising and supporter engagement Campaign, expected to launch publicly in late 2016. It will positively impact on our estate, our research, our staff, our students and our local, national and international communities.

UCL has completed a comprehensive audit of philanthropic projects across the institution and, with the help of UCL's Senior Management Team, we have clarified a number of themes for the Campaign. A small number of flagship projects, including a number of major capital projects, have been identified within each theme and these will form the bulk of our fundraising activity. We intend to contribute £120m towards the capital programme from philanthropic sources.

Campaign funding goes towards supporting research, buildings, facilities and equipment, scholarships and prizes (for undergraduates and postgraduates), academic posts and fellowships.

UCL recently added more than 35,000 alumni following the merger with the Institute of Education in December 2014, and we are in touch with 70% of our 220,000 alumni across 190 countries. Over 137,000 UCL alumni live in the UK with approximately 60,000 based in London. A third of the alumni community live overseas, with the largest international communities residing in USA, Greece and China.

According to the annual Ross-CASE survey, the benchmarking study for higher-education fundraising in the UK, UCL is now the top fundraising institution in the UK outside of Oxbridge. Philanthropic support for UCL has been steadily growing, and this result illustrates the progress we've made in recent years.

Financial outlook

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

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

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report in November 2015, although the impact for higher education will not become apparent for some months after that.

There are opportunities for increasing undergraduate student numbers as recruitment restrictions are progressively removed. UCL has increased its intake of both UK/EU and international undergraduate students in 2015, although capacity constraints will limit the rate at which this trend can continue.

Following the merger with the Institute of Education, around 54% of UCL students are postgraduates. HEFCE have preserved some funding to support both taught and research postgraduates, though their access to financial support is limited by comparison to undergraduates. The impact in future of higher levels of indebtedness (as a result of higher undergraduate tuition fees) on the propensity of graduates to return for postgraduate study remains uncertain.

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

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. These include the need to improve our performance in meeting student expectations and the management of potentially hazardous construction activities. The University also rates highly those risks associated with financial sustainability, maintenance of the estate, achieving research income targets, improving IT services, achieving a positive outcome from the QAA (Quality Assurance Agency for Higher Education) review that is provisionally scheduled for April 2016, the ongoing need for Tier 4 visa licence compliance in relation to overseas students and risks associated with work on the High Speed Two rail terminus at Euston.

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 £5.3bn (89% funding level) at the last valuation in April 2014. 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. UCL is playing an active role along with other employers and the trustees to agree a solution that will include benefit reform, to ensure USS remains both attractive and sustainable. UCL pays 16% of member employees' salaries into the scheme, as does every participating employer, and in 2014-15 this equated to £52.2m. We are not currently required to disclose our share of the USS deficit on our balance sheet but this will change from 2015-16 with the implementation of a new Financial Reporting Standard (FRS102). Under this Standard, a new liability is created where a university has committed to contribute to a deficit recovery plan, and tools have been made available to the sector to support quantification.

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The SAUL pension scheme was also in deficit at the last formal valuation date (£75m as at 31 March 2011) and the results of the 2014 valuation are awaited. UCL paid contributions of £8.0m into SAUL in 2014-15.

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 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 provides education to over 36,000 students at both undergraduate and postgraduate levels; 28% of UCL students come from outside the EU, attracted from countries around the globe.

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

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

The advancement of the arts, culture, heritage and science

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

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

Improving public policy

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

Over the past year, UCL Public Policy activities have included:

- **Policy Briefings:** 22 published and disseminated to stakeholders across a range of topics
- **Links with Government, Parliament and arms-length bodies:** nine policy placements for UCL researchers in Government departments; a number of roundtable policy discussion meetings; co-hosted away-days for the Department for Transport and the Office for Life Sciences; development of strategic activities, including a pilot partnership with DEFRA and a roundtable series on population health
- **Support for researchers and departments:** development of an alumni network for those who have been on a policy placement; six new Academic-Policy Conversation events for early career researchers; support for various interactions with government bodies and agencies
- **Policy Commissions and other research:** follow-up on the UCL Green Economy Policy Commission; preparation for the launch of the UCL Transport & Ethics Commission; preparation of Pathways to Impact for Engineering Research and Responsible Research Innovation, with UCL Science & Technology Studies
- **Public events:** eight public events, with average attendance now at around 150 people.

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 topics such as age and wellbeing, through cancer, cardiovascular and neuroscience to experimental and systems medicine. The UCL Medical School has a strong reputation for teaching informed by cutting-edge research. The School has a distinguished cadre of academic staff who are at the forefront of international research in medical sciences and clinical medicine.

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

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Environmental sustainability

UCL has been working to implement the objectives and targets set out in the Environmental Sustainability Strategy.

Whilst absolute carbon emissions have increased, our relative carbon performance is improving. The amount of carbon produced per person has reduced from 2.63 tCO₂e in 2005/6 to 1.7 tCO₂e. Similarly, relative performance has improved in terms of carbon per square metre of space. Energy efficiency projects have continued across the estate. During 2013-14, the Cruciform Hub and Bernard Katz buildings were refurbished, resulting in 75 tonnes of CO₂e saved per annum. Moreover, as part of routine maintenance and the replacement of broken or inefficient equipment, it has been possible to save approximately 3,000 tCO₂e per annum.

Despite a reduction from a recycling rate of 69% in 2012-13 to 62% in 2013-14 (data available one year in arrears), there has been a renewed push to collect higher quality, less contaminated recyclable materials from the UCL campus and student accommodation. It is estimated that over five tonnes of material was reused through UCL's 'WARPit' equipment and resource-sharing platform, with an approximate saving of around £50,000. Almost four tonnes of items were also collected from student residences at the end of the year as part of the student-led 'Junk in the Trunk' project, with these items going on to be reused by charities across London.

This year, 11 of UCL's building projects were shaped by BREEAM, the world's most widely-used method of certifying the sustainability credentials of buildings. At the design stage, 2 of these projects achieved BREEAM 'Outstanding', 7 'Excellent' and 2 'Very Good'. A large number of projects were also informed by the RICS SKA methodology. SKA is an environmental assessment method and benchmarking system that provides a robust and structured way to determine best practice in 'fit-out' projects. It ensures elements like FSC timber, low-energy lighting, occupant wellbeing, recycled furniture and over 99% of waste diverted from landfill are at the core of how these projects are designed and built. This year 13 projects were assessed at the design stage, receiving 9 SKA Gold and 4 SKA Silver rankings. A further 7 projects were assessed at handover stage, receiving 4 SKA Gold and 3 SKA Silver rankings.

Engagement with and support to UCL's departments increased in the last year. Over 40 teams took part in the Green Impact programme, which encourages the promotion of energy efficiency, sustainable procurement, and recycling. The UCL team also ran some major campaigns in order to encourage staff and student engagement: the Big Easter Switch Off saved over 50,000kwh of energy over the Easter period; and Student Switch Off also contributed to energy savings in the UCL residences.



Simon Melliss
Treasurer



Dame DeAnne Julius
Chair of Council

CORPORATE GOVERNANCE

UCL is committed to exhibiting best practice in all aspects of corporate governance and endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

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 2015 meeting, the Council carries out an annual assessment for the year ended 31 July 2015 by considering a report from the Audit Committee, and taking account of events since 31 July 2015. 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 2015, and up to the date of approval of the annual report and accounts, that the process has been subject to regular review, and that it accords with the internal control guidance for directors in the UK Corporate Governance Code, as deemed appropriate for higher education.

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

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

CORPORATE GOVERNANCE

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

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

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

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

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

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

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

RESPONSIBILITIES OF THE COUNCIL OF UNIVERSITY COLLEGE LONDON

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

The Council is responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of UCL and for ensuring that the financial statements are prepared in accordance with UCL's Charter and Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability 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 Memorandum of Assurance and Accountability with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- (ii) ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- (iii) safeguard the assets of UCL and prevent and detect fraud;
- (iv) secure the economical, efficient and effective management of UCL's resources and expenditure.

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

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

RESPONSIBILITIES OF THE COUNCIL OF UNIVERSITY COLLEGE LONDON

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

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

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

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

We have audited the financial statements of University College London (UCL) for the year ended 31 July 2015 which comprise the Statement of Principal Accounting Policies, the Consolidated Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Consolidated and Entity Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 42. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Council of UCL in accordance with the Memorandum of Assurance and Accountability effective August 2014. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governing body and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

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

In our opinion, in all material respects:

- income from the 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 2015 have been applied for the purposes for which they were received;

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

- income during the year ended 31 July 2015 has been applied in accordance with the University's statutes and, where appropriate, with the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England; and
- the requirements of the HEFCE's accounts direction have been met.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading
United Kingdom

26th November 2015

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. Basis of Preparation and Going Concern

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

UCL's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating and Financial Review. The financial position of UCL, its cash flows and liquidity position 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

Income in respect of claims made to HMRC for Research and Development Expenditure Credits is recognised as research income in the period to which it relates. The related tax charge is charged to taxation in the same period.

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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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.

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

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

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

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

5. Accounting for Research and Development

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

6. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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. Current tax is provided at the amounts expected to be paid (or received) using the tax rates and laws that have been substantively enacted by the balance sheet date.

8. Intangible Fixed Assets

UCL followed acquisition accounting rules to account for the business combinations with the School of Pharmacy and the Institute of Education, with the resulting negative goodwill, up to the amount of the fair value of the non-monetary assets acquired, treated as an intangible fixed asset. The benefit is being released to the income and expenditure account on a straight line basis over the lifetime of the non-monetary assets acquired. The negative goodwill in excess of the fair value of non-monetary assets acquired is released to the income and expenditure account as a gain on acquisition in the year of acquisition.

9. Land and Buildings

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

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

Major refurbishments	20 years
Fixtures and fittings	10 years

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

10. Equipment

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

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

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

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 cash at bank available within twenty four hours without penalty, and overdrafts.

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 2015

	Note	2015 £'000	2014 £'000
INCOME			
Funding Council grants	1	187,441	182,437
Academic fees and support grants	2	364,248	292,771
Research grants and contracts	3	427,501	374,503
Other operating income	4	194,465	167,579
Endowment income and interest receivable	5	6,056	5,098
Total Income		<u>1,179,711</u>	<u>1,022,388</u>
Less: Share of income from joint ventures	16	<u>(2,173)</u>	<u>(2,776)</u>
Net Income		<u>1,177,538</u>	<u>1,019,612</u>
EXPENDITURE			
Staff costs	6	636,198	576,304
Other operating expenses	7	453,695	382,385
Interest payable	8	5,422	5,842
Depreciation	9	51,061	43,662
Total Expenditure		<u>1,146,376</u>	<u>1,008,193</u>
SURPLUS AFTER DEPRECIATION OF TANGIBLE FIXED ASSETS AT COST AND BEFORE TAX			
		31,162	11,419
Share of operating loss in joint ventures	16	(137)	(165)
Share of operating loss in associates	17	(1,937)	(917)
Taxation	10	(4,184)	(8)
Share of taxation in associates	17	73	129
SURPLUS AFTER DEPRECIATION OF ASSETS AT COST AND TAX		<u>24,977</u>	<u>10,458</u>
Minority interest	28	(37)	42
SURPLUS BEFORE EXCEPTIONAL ITEMS		<u>24,940</u>	<u>10,500</u>
Exceptional items: continuing operations			
Gain on acquisition	42	1,368	-
Profit on disposal of fixed asset investments	11	126	377
(Loss) / Profit on disposal of tangible fixed assets	11	(365)	20,643
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST, DISPOSAL OF ASSETS AND TAX		<u>26,069</u>	<u>31,520</u>
Surplus for the year transferred to accumulated income in endowment funds	26	(156)	(614)
SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES		<u>25,913</u>	<u>30,906</u>

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

STATEMENT OF GROUP HISTORICAL COST SURPLUSES AND DEFICITS

	Note	2015 £'000	2014 £'000
Surplus on continuing operations before taxation		30,180	31,399
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	27	550	550
Valuation gains realised on disposal of fixed asset investments	27	-	41
Historical cost surplus for the year before taxation		30,730	31,990
Historical cost surplus for the year after taxation		26,619	32,111

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

	Note	2015 £'000	2014 £'000
Surplus on continuing operations after depreciation of assets at cost and disposal of assets and tax		26,069	31,520
Appreciation of endowment asset investments	18	6,440	2,753
Endowments received in year	26	1,793	3,089
Endowments acquired on combination with Institute of Education	26	6,410	-
Adjustment to income and expenditure reserve for change in percentage holdings in associates		2,154	(380)
Unrealised surplus on revaluation of fixed asset investments	27	3,139	2,590
Actuarial losses in respect of pension schemes	38	(103)	(239)
		45,902	39,333

RECONCILIATION TO CLOSING RESERVES AND ENDOWMENTS

Opening reserves and endowments	434,002	394,669
Total recognised gains and losses for the year	45,902	39,333
Closing reserves and endowments	479,904	434,002

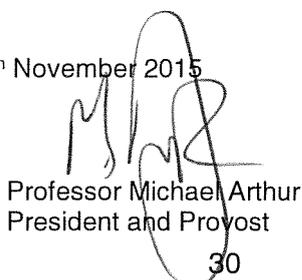
CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2015

	Note	2015 £'000	2014 £'000
FIXED ASSETS			
Intangible assets	12	(23,911)	(2,813)
Tangible assets	13	955,497	768,256
Investments	15	101,087	82,043
Investments in joint ventures:	16		
Share of gross assets		1,821	2,557
Share of gross liabilities		(1,351)	(1,888)
Investments in associates	17	969	-
		1,034,112	848,155
ENDOWMENT ASSET INVESTMENTS			
	18	103,606	90,542
CURRENT ASSETS			
Stock		692	820
Debtors	19	261,838	185,207
Current asset investments	20	57,379	127,691
Cash at bank and in hand		84,831	87,793
		404,740	401,511
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	21	(445,587)	(377,884)
Share of net liabilities in associates	17	-	(151)
		(40,847)	23,476
NET CURRENT (LIABILITIES) / ASSETS			
		(40,847)	23,476
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,096,871	962,173
Creditors: amounts falling due after more than one year	22	(74,872)	(69,863)
Provision for liabilities and charges	24	(1,605)	(1,816)
		1,020,394	890,494
NET ASSETS EXCLUDING PENSIONS LIABILITY			
Pension liability	38	(345)	(290)
		1,020,049	890,204
NET ASSETS			
DEFERRED CAPITAL GRANTS			
	25	540,217	456,311
ENDOWMENTS			
	26		
Expendable		84,788	76,907
Permanent		18,818	13,635
		103,606	90,542
RESERVES			
	27		
Income and expenditure account excluding pension reserve		338,695	308,391
Pension reserve		(345)	(290)
Income and expenditure account including pension reserve		338,350	308,101
Revaluation reserve		37,948	35,359
		376,298	343,460
Minority interest	28	(72)	(109)
		1,020,049	890,204
TOTAL FUNDS			

Approved by Council on 26th November 2015



Simon Melliss
Treasurer



Professor Michael Arthur
President and Provost



Phil Harding
Director of Finance

UCL BALANCE SHEET AS AT 31 JULY 2015

	Note	2015 £'000	2014 £'000
FIXED ASSETS			
Intangible assets	12	(23,911)	(2,813)
Tangible assets	13	954,470	767,127
Investments	15	106,337	87,916
		1,036,896	852,230
ENDOWMENT ASSET INVESTMENTS	18	103,606	90,542
CURRENT ASSETS			
Stock		620	775
Debtors	19	266,346	194,096
Current asset investments	20	57,379	127,691
Cash at bank and in hand		74,505	73,276
		398,850	395,838
Creditors: amounts falling due within one year	21	(436,090)	(370,938)
NET CURRENT (LIABILITIES) / ASSETS		(37,240)	24,900
TOTAL ASSETS LESS CURRENT LIABILITIES		1,103,262	967,672
Creditors: amounts falling due after more than one year	22	(74,872)	(69,863)
Provision for liabilities and charges	24	(1,605)	(1,816)
NET ASSETS EXCLUDING PENSIONS LIABILITY		1,026,785	895,993
Pension liability	38	(345)	(290)
NET ASSETS		1,026,440	895,703
DEFERRED CAPITAL GRANTS	25	538,279	454,337
ENDOWMENTS	26		
Expendable		84,788	76,907
Permanent		18,818	13,635
		103,606	90,542
RESERVES	27		
Income and expenditure account excluding pension reserve		347,902	316,654
Pension reserve		(345)	(290)
Income and expenditure account including pension reserve		347,557	316,364
Revaluation reserve		36,998	34,460
		384,555	350,824
TOTAL FUNDS		1,026,440	895,703

Approved by Council on 26th November 2015



Simon Melliss
Treasurer



Professor Michael Arthur
President and Provost



Phil Harding
Director of Finance

CONSOLIDATED CASH FLOW STATEMENT

	Note	2015 £'000	2014 £'000
Net cash inflow from operating activities	31	44,110	41,259
Returns on investments and servicing of finance	33	(36)	(1,450)
Taxation	10	(4,184)	(8)
Capital expenditure and financial investment	34	(111,925)	(47,961)
Acquisitions and disposals	35	5,351	-
Cash (outflow)/inflow before use of liquid resources and financing		(66,684)	(8,160)
Management of liquid resources	32	70,312	7,645
Financing	36	(3,454)	(2,459)
Increase/(decrease) in cash in the year		174	(2,974)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2015 £'000	2014 £'000
Increase/(decrease) in cash in the period	174	(2,974)
Decrease in deposits repayable at short notice	(70,312)	(7,645)
(Increase)/decrease in debt	(5,905)	2,458
Change in net funds	(76,043)	(8,161)
Net funds at 1 August	143,344	151,505
Net funds at 31 July	32	67,301
		143,344

NOTES TO THE ACCOUNTS

1. FUNDING COUNCIL GRANTS	2015	2014
	£'000	£'000
HEFCE recurrent grant:		
Teaching	42,522	46,632
Research	121,603	115,625
Other (including special funding)	8,434	5,988
Deferred Capital Grants released in year:		
Buildings	13,587	12,633
Equipment	1,295	1,559
	187,441	182,437
2. ACADEMIC FEES AND SUPPORT GRANTS	2015	2014
	£'000	£'000
Full-time home and EU students	130,140	98,826
Full-time international students	162,287	150,490
Part time students	17,450	11,109
Other fees	12,082	7,529
Research training support grants	27,927	19,467
Short course fees	14,362	5,350
	364,248	292,771
3. RESEARCH GRANTS AND CONTRACTS	2015	2014
	£'000	£'000
Source of income:		
BIS research councils	148,315	131,112
UK based charities	106,537	99,277
UK central government, local/health authorities, hospitals	61,520	54,150
UK industry, commerce and public corporations	16,200	15,232
EU government bodies	45,531	42,769
EU other	9,611	7,889
Other overseas	19,669	22,931
Other sources	1,730	1,143
Research and development expenditure credits	18,388	-
	427,501	374,503
Research income relating to direct expenditure incurred during the year	344,566	314,032
Contribution towards overhead costs	82,935	60,471
	427,501	374,503

Income from research grants and contracts includes deferred capital grants released in the year of £7,884,000 (2014 - £6,788,000).

Income recognised in respect of research and development expenditure credits relates to claims made for the period 1 April 2013 to 31 July 2014. No income has been recognised in respect of a possible claim for the period 1 August 2014 to July 2015 on the grounds that a decision to submit a claim has not yet been made.

NOTES TO THE ACCOUNTS

4. OTHER OPERATING INCOME	2015	2014
	£'000	£'000
Residences and catering	41,046	33,919
Other services rendered	67,543	51,688
Health authorities	35,311	36,376
Donations and sundry grants	23,838	20,334
Benefit on combination with other institutions—release to income	959	65
Released from deferred capital grants	3,752	3,611
Other income	19,845	18,814
Share of joint venture income	2,171	2,772
	194,465	167,579

Income from residences and catering includes deferred capital grants released in the year of £159,000 (2014 - £126,000).

5. ENDOWMENT AND INVESTMENT INCOME	Note	2015	2014
		£'000	£'000
Income from expendable endowments	26	2,263	1,973
Income from permanent endowments	26	470	345
Other interest receivable and investment income		3,321	2,776
Share of joint venture income		2	4
		6,056	5,098

6. INFORMATION REGARDING EMPLOYEES	Note	2015	2014
		£'000	£'000
Staff costs:			
Salaries and wages		526,368	473,421
NI contributions		41,688	38,876
Other pension costs	38	68,142	64,007
		636,198	576,304

	2015	2014
	£	£

Emoluments of the Provost and President:

Professor M Arthur (started 01/09/13)

Salary	358,020	330,750
Benefits	1,175	-
	359,195	330,750

Relocation expenses	-	9,000
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Professor M Grant (01/08/13-30/09/13)

Salary	-	52,509
Pensions contribution	-	8,401
	-	60,910

Compensation for loss of office in respect of five higher paid employees totalled £568,000 (2014 - £50,000 in respect of one employee).

NOTES TO THE ACCOUNTS

No trustee has received any remuneration in respect of trustee duties from the group during the year (2014 - £nil).

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

No expenses were paid to or on behalf of any trustee (2014 - £10 to one trustee).

Remuneration of higher paid staff:

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

	2015	Restated
	No.	2014
		No.
£100,001 - £110,000	106	83
£110,001 - £120,000	58	51
£120,001 - £130,000	53	47
£130,001 - £140,000	34	41
£140,001 - £150,000	42	43
£150,001 - £160,000	30	23
£160,001 - £170,000	28	22
£170,001 - £180,000	20	18
£180,001 - £190,000	28	27
£190,001 - £200,000	16	12
£200,001 - £210,000	10	12
£210,001 - £220,000	8	7
£220,001 - £230,000	3	4
£230,001 - £240,000	3	2
£240,001 - £250,000	3	1
£260,001 - £270,000	-	1
£270,001 - £280,000	2	1
£320,001 - £330,000	-	1

The UCL Senior Management Team has 19 members. Their salaries are included in the table.

Figures for 2014 have been restated to exclude new starters in the year, following a change in HEFCE accounts direction.

The average number of individuals paid through the payroll during the year was 12,964 (2014 – 11,915).

NOTES TO THE ACCOUNTS

7. OTHER OPERATING EXPENSES	2015	2014
	£'000	£'000
Residences and catering	21,541	15,752
Furniture, computer and other equipment costs	46,396	35,305
Academic consumables and laboratory expenditure	41,070	45,280
Books, publications and periodicals	13,858	13,489
Scholarships and prizes	77,843	59,269
General educational expenditure	7,177	6,511
Rents, rates and insurance	18,423	15,386
Heat, light, water and power	13,126	11,826
Service charges	8,275	6,116
Repairs and general maintenance	12,160	13,661
Long term maintenance	13,121	12,281
Telephone	2,306	1,445
Advertising and recruitment	4,488	2,706
Printing, postage, stationery and other office costs	6,298	7,716
Conference, travel and training	37,470	27,415
Professional fees	20,734	22,076
Audit Fees	213	183
Other fees paid to auditors	295	727
Grants to Students Union and other student bodies	2,740	2,572
Payments to non-contract staff and agencies	31,180	20,123
Other costs	74,981	62,546
	453,695	382,385

In addition to that noted above, other fees paid to auditors of £1.3m were capitalised during the year (2014 - £284,000). Figures for 2014 have been restated to reclassify £10.6m of student awards out of general educational spend into scholarships and prizes.

8. INTEREST PAYABLE		2015	2014
		£'000	£'000
Bank loans and other loans wholly repayable within five years		147	11
Loans not wholly repayable within five years		3,331	3,268
Finance leases		1,869	2,505
Net charge on pension scheme assets and liabilities	38	75	58
		5,422	5,842

NOTES TO THE ACCOUNTS

9. ANALYSIS OF EXPENDITURE BY ACTIVITY

2015	Staff Costs £'000	Other Operating Expenses £'000	Interest Payable £'000	Depreciation £'000	Total £'000
Academic departments	302,956	77,269	-	6,846	387,071
Academic services	45,696	33,029	-	1,103	76,938
Research grants and contracts	200,233	136,449	-	7,884	344,566
Residences and catering	2,587	21,541	1,922	3,797	29,847
Premises	3,447	84,553	2,360	30,072	119,629
Administration	52,831	61,961	-	1,234	119,719
Other expenses	28,448	38,893	1,140	125	68,606
	636,198	453,695	5,422	51,061	1,146,376

The depreciation charge has been funded from:	£'000
Deferred capital grants released (Note 25)	26,678
General income	24,383
	51,061

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

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

NOTES TO THE ACCOUNTS

10. TAXATION

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

	2015 £'000	2014 £'000
UCL Trading Ltd	17	7
UCL Consultants Ltd	-	1
UCL Properties Ltd	1	-
Relating to Research and Development Expenditure Credit (note 3)	4,166	-
Total tax charge	<u>4,184</u>	<u>8</u>

11. EXCEPTIONAL ITEMS

	2015 £'000	2014 £'000
Profit on disposal of fixed asset investments:		
Profit on disposal of shares held as fixed asset investments	12	373
Profit on disposal of interest in investment properties	114	4
	<u>126</u>	<u>377</u>
Profit/(loss) on disposal of tangible fixed assets:		
Profit on disposal of land and buildings	-	20,643
Loss on disposal of equipment	(365)	-
	<u>(365)</u>	<u>20,643</u>
Gain on combination:		
Institute of Education (note 42)	<u>1,368</u>	<u>-</u>

12. INTANGIBLE ASSETS (Consolidated and UCL)

	£'000
Fair value	
At 1 August 2014	(2,981)
Additions at fair value (note 42)	(22,057)
As at 31 July 2015	<u>(25,038)</u>
Released to income and expenditure account	
At 1 August 2014	168
Release for the year	959
At 31 July 2015	<u>1,127</u>
Net Book Value	
At 31 July 2015	<u>(23,911)</u>
At 31 July 2014	<u>(2,813)</u>

Intangible assets relate to negative goodwill arising on the combination with the School of Pharmacy on 1 January 2012 and the Institute of Education on 2 December 2014. They are being amortised over the lifetime of the non-monetary assets acquired.

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 2014	634,630	283,872	155,946	141,779	1,216,227
Institute of Education at 2 December 2014	16,844	95,852	6,867	1,508	121,071
Additions at cost	40,865	12,581	25,083	70,277	148,806
Transfers	28,012	15,965	6,636	(50,613)	-
Disposals	(741)	-	(3,975)	-	(4,716)
At 31 July 2015	719,610	408,270	190,557	162,951	1,481,388
Depreciation					
At 1 August 2014	225,215	99,519	123,237	-	447,971
Institute of Education at 2 December 2014	2,109	23,983	5,110	-	31,202
Transfers	(9,936)	9,936	-	-	-
Charge for year	23,688	11,607	15,766	-	51,061
Disposals	(446)	-	(3,897)	-	(4,343)
At 31 July 2015	240,630	145,045	140,216	-	525,891
Net Book Value At 31 July 2015	478,980	263,225	50,341	162,951	955,497
At 31 July 2014	409,415	184,353	32,709	141,779	768,256
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 2014	634,630	282,772	154,505	141,779	1,213,686
Institute of Education at 2 December 2014	16,844	95,852	6,867	1,508	121,071
Additions at cost	40,865	12,581	25,057	70,277	148,780
Transfers	28,012	15,965	6,636	(50,613)	-
Disposals	(741)	-	(3,856)	-	(4,597)
At 31 July 2015	719,610	407,170	189,209	162,951	1,478,940
Depreciation					
At 1 August 2014	215,279	108,972	122,308	-	446,559
Transfers	2,109	23,983	5,110	-	31,202
Charge for year	23,688	11,579	15,669	-	50,936
Disposals	(446)	-	(3,781)	-	(4,227)
At 31 July 2015	240,630	144,534	139,306	-	524,470
Net Book Value At 31 July 2015	478,980	262,636	49,903	162,951	954,470
At 31 July 2014	419,351	173,800	32,197	141,779	767,127

NOTES TO THE ACCOUNTS

The declared value of buildings for insurance purposes (day one basis) as at 1 August 2015 was £3.1bn (2014 - £2.8bn).

At 31 July 2015, freehold land and buildings included £54.3m (2014 - £49.2m) in respect of freehold land which is not depreciated.

The above includes assets held under finance leases. At 31 July 2015 the net book value of the assets held under finance leases was £22.1m (2014- £22.7m) with a depreciation charge for the year of £0.6m (2014 - £0.7m).

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 2015 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

Consolidated	Monies held on long term deposit £'000	Other Investments £'000	Investment in subsidiaries £'000	Total £'000
At 1 August 2014	14,526	67,517	-	82,043
Institute of Education at 2 December 2014	-	8,846	-	8,846
Additions	1,333	9,146	-	10,479
Revaluations	-	3,370	-	3,370
Impairments	-	(45)	-	(45)
Disposals	-	(3,606)	-	(3,606)
At 31 July 2015	15,859	85,228	-	101,087
UCL				
At 1 August 2014	14,526	64,978	8,412	87,916
Institute of Education at 2 December 2014	-	8,846	-	8,846
Additions	1,333	8,574	-	9,907
Revaluations	-	3,319	-	3,319
Impairments	-	(45)	-	(45)
Disposals	-	(3,606)	-	(3,606)
At 31 July 2015	15,859	82,066	8,412	106,337

Included in monies held on long term deposits is £15.9m (2014 - £14.5m) over which there is a legal charge. The deposit represents a security fund to meet the obligations under finance leases (Note 22).

Other investments are categorised as follows:	2015 £m	2014 £m
Portfolio of fixed interest securities, equities and cash	44.4	36.2
Investment properties	6.8	6.3
Shares in The Francis Crick Institute Ltd	29.8	22.0
Credit facility fee	0.6	-
Shares in other limited companies and partnerships	3.6	3.0
	85.2	67.5

Included in shares in other limited companies and partnerships is a £250,000 (2014 - £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.

NOTES TO THE ACCOUNTS

16. JOINT VENTURES

The UCL group has interests in the following joint ventures:

- (a) **EuroTempest Ltd** is a joint venture company of Benfield, Royal & Sun Alliance and UCL 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 2014 plus management accounts to 31 July 2015 are included in the consolidated financial statements.
- (b) **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 2015 plus management accounts to 31 July 2015 are included in the consolidated financial statements.

Bio-Nano Centre is no longer a joint venture company, having been the subject of a management buy out during the year.

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

	2015	2014
	£'000	£'000
Share of income:		
Bio-Nano	-	480
EuroTempest	66	73
Imanova	2,107	2,223
	2,173	2,776
Share of operating (loss)/profit:		
Bio-Nano	-	(16)
EuroTempest	(23)	3
Imanova	(114)	(152)
	(137)	(165)
Share of gross assets:		
Bio-Nano	-	413
EuroTempest	34	43
Imanova	1,787	2,101
	1,821	2,557
Share of gross liabilities:		
Bio-Nano	-	(351)
EuroTempest	(19)	(5)
Imanova	(1,332)	(1,532)
	(1,351)	(1,888)
Share of reserves:		
Bio-Nano	-	62
EuroTempest	15	38
Imanova	455	569
	470	669

NOTES TO THE ACCOUNTS

17. ASSOCIATES

The UCL group has interests in the following associate companies:

- (a) 24.41% holding in ordinary shares in **Abcodia Ltd**, reduced from 47.75% following a share issue. The company develops biomarkers. The company prepares accounts to 31 December, and accounts to 31 December 2014 plus management accounts to 31 July 2015 are included in the consolidated financial statements.
- (b) 36.77% holding in ordinary shares of **Analyst Ltd**, reduced from 45.5% following a share issue. The company has been set up to commercially exploit the discovery of a class of catalysts which can replace expensive platinum in a range of hydrogen-based energy technologies. The company prepares accounts to 30 April and accounts to 31 April 2015 plus management accounts to 31st July 2015 are included in the consolidated financial statements.
- (c) 34.45% holding in ordinary shares in **Asio Ltd**, increased from 24.15% following a share issue. 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 2015 plus management accounts to 31 July 2015 are included in the consolidated financial statements.
- (d) 43.75% holding in the ordinary shares of **Atocap Ltd**. The company has been set up to commercially exploit the development of novel systems for the production of complex, multicomponent capsules and fibres primarily for use in the healthcare sector. The company prepares accounts to 31 July, and accounts to 31 July 2015 are included in the consolidated financial statements.
- (e) 33.9% holding in preferred and ordinary shares of **Canbex Therapeutics Ltd**. The principal activity of the company is research and development on two novel chemical series aimed at cannabinoid receptors. The disease targets are spasticity and pain. The company prepares accounts to 31 July, and accounts to 31 July 2015 are included in the consolidated financial statements.
- (f) 29.91% holding in **Domainex Ltd**, reduced from 30.15% 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 2015 plus management accounts to 31 July 2015 are included in the consolidated financial statements.
- (g) 25.44% holding in **Endomagnetics Ltd**, reduced from 27.98% following a share issue. The company develops medical devices. The company prepares accounts to 30 April, and accounts 30 April 2015 plus management accounts to 31 July 2015 are included in the consolidated financial statements.
- (h) 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 2015 are included in the consolidated financial statements. The directors have given assurance that there are no material transactions up to 31 July 2015.

NOTES TO THE ACCOUNTS

- (i) 45.0% holding in ordinary 'A' shares of **Pentraxin Therapeutics Ltd**. The company has been established for the purpose of developing and commercially exploiting certain technology for designing, synthesizing and developing novel therapeutic drugs. The company prepares accounts to 31 July, and accounts to 31 July 2015 are included in the consolidated financial statements.
- (j) 30.54% holding in ordinary shares of **Senceive Ltd**, reduced from 34.97% following a share issue. The company provides information delivery services and products to industry. The company prepares accounts to 31 October, and accounts to 31 October 2014 plus management accounts to 31 July 2015 are included in the consolidated financial statements.

Charing Systems Ltd was dissolved on 2 December 2014.

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

	2015	2014
	£'000	£'000
Share of operating profit/(loss):		
Abcodia	(347)	(289)
Amalyst	(93)	(83)
Asio	(101)	(44)
Atocap	(6)	(2)
Canbex	(627)	(224)
Domainex	(219)	89
Endomagnetics	(255)	(565)
Multilyte	(2)	(10)
Pentraxin Therapeutics	(356)	260
Senceive	69	(49)
	(1,937)	(917)
Share of taxation:		
Abcodia	15	33
Asio	4	6
Canbex	7	28
Domainex	11	30
Endomagnetics	63	61
Pentraxin Therapeutics	(27)	(29)
	73	129
Share of net assets/(liabilities):		
Abcodia	931	(272)
Amalyst	85	47
Asio	(99)	(120)
Atocap	(1)	5
Canbex	(373)	247
Charing Systems	-	(11)
Domainex	105	269
Endomagnetics	361	(559)
Multilyte	61	63
Pentraxin Therapeutics	63	446
Senceive	(164)	(266)
	969	(151)

NOTES TO THE ACCOUNTS

	2015	2014		
	£'000	£'000		
Share of Reserves:				
Abcodia	931	(272)		
Amalyst	85	47		
Asio	(99)	(120)		
Atocap	(1)	5		
Canbex	(373)	247		
Charing Systems	-	(11)		
Domainex	105	269		
Endomagnetics	361	(559)		
Multilyte	61	63		
Pentraxin Therapeutics	63	446		
Senceive	(164)	(266)		
	969	(151)		
Purchase of investments in associates:				
Amalyst	250	-		
Asio	66	-		
Canbex	75	-		
Endomagnetics	400	-		
	791	-		
18. ENDOWMENT ASSET INVESTMENTS (Consolidated and UCL)	2015	2014		
	£'000	£'000		
At 1 August 2014	90,542	85,945		
Net purchase of investments	7,525	1,175		
Increase in market value of investments	6,440	2,753		
(Decrease)/increase in cash balances held for endowment funds	(901)	669		
Balance at 31 July 2015	103,606	90,542		
Represented by:				
Fixed interest securities and equities	94,779	80,814		
Cash	8,827	9,728		
Total endowment asset investments	103,606	90,542		
Endowment assets at cost	91,713	84,051		
19. DEBTORS	Consolidated	UCL		
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Invoiced debtors	18,572	9,411	15,984	7,845
Research grants and contracts	160,685	123,350	160,685	123,350
Local health authorities/hospitals	22,581	14,635	22,581	14,635
Halls of residence debtors	760	834	760	834
Advances to members of staff	7,609	7,285	7,596	7,274
Intercompany debtors	-	-	10,598	13,677
Other debtors and prepayments	50,838	29,089	48,142	26,481
Amounts falling due after one year:				
Loans to associate companies	793	603	-	-
	261,838	185,207	266,346	194,096

NOTES TO THE ACCOUNTS

20. CURRENT ASSET INVESTMENTS	2015	2014
	£'000	£'000
General funds invested in securities	20,450	40,120
Short term deposits	36,929	87,571
	57,379	127,691

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

21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	Consolidated		UCL	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Bank loans	1,629	1,278	1,629	1,278
Salix Revolving Green Fund	179	-	179	-
Private Finance Initiative loans	675	520	675	520
Overdrafts	5,108	9,145	5,108	9,145
Research grants received on account	244,278	220,169	244,278	220,169
Purchase ledger creditors	34,843	18,572	33,264	17,652
Other creditors including taxation and social security	57,459	52,303	57,131	51,140
Obligations under finance leases	1,273	1,062	1,273	1,062
Accruals and deferred income	100,143	74,835	91,275	68,976
Inter-company creditors	-	-	1,278	996
	445,587	377,884	436,090	370,938

NOTES TO THE ACCOUNTS

22. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Consolidated and UCL)	2015	2014
	£'000	£'000
Obligations under finance leases	37,668	39,248
Cruciform building – Private Finance Initiative	14,743	15,418
Long-term bank loan	21,758	14,697
Salix Revolving Green Fund	703	500
	74,872	69,863
Analysis of Loan repayments:		
In less than one year:		
Finance leases	1,273	1,062
Loans	2,483	1,798
In more than one year but no more than two years:		
Finance leases	1,349	1,185
Loans	2,625	1,953
In more than two years but no more than five years:		
Finance leases	15,069	4,711
Loans	8,921	7,048
In more than five years:		
Finance leases	21,250	33,352
Loans	25,658	21,614
	78,628	72,723
In less than one year (Note 21)	(3,756)	(2,860)
	74,872	69,863

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 £3.4 per annum. Security is provided to the lessors by way of annual payments into a security deposit (Note 15).

Included in bank loans are the following:

Lender	Amount	Due<1 year	Term	Interest Rate		
	£'000	£'000		%		
Royal Bank of Scotland	14,697	1,278	2026	5.8	Fixed/ Variable	UCL
Barclays	2,680	126	2036	0.6	Variable	Institute of Education
Barclays	2,565	121	2036	5.7	Fixed	Institute of Education
Barclays	1,753	40	2037	1.0	Fixed	Institute of Education
Barclays	1,692	64	2037	5.1	Fixed	Institute of Education
	23,387	1,629				

NOTES TO THE ACCOUNTS

23. OPERATING LEASES

At 31 July 2015 UCL had annual commitments under non-cancellable operating leases as set out below:

	2015		2014	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	6	80	984	70
In the second to fifth years inclusive	5,136	69	1,942	96
Over five years	6,510	-	3,300	25
Total	11,652	149	6,226	191

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

	2015			
	Dilapidations £'000	Redundancies £'000	Other £'000	Total £'000
At 1 August 2014	810	696	310	1,816
Transfer to income and expenditure account	410	75	-	485
Utilised in year	-	(696)	-	(696)
At 31 July 2015	1,220	75	310	1,605

	2014			
	Dilapidations £'000	Redundancies £'000	Other £'000	Total £'000
At 1 August 2013	387	-	-	387
Transfer to income and expenditure account	423	696	310	1,429
At 31 July 2014	810	696	310	1,816

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

NOTES TO THE ACCOUNTS

25. DEFERRED CAPITAL GRANTS

Consolidated	Funding Council £'000	Other Grants £'000	Total £'000
Balance at 1 August 2014:			
Freehold buildings	191,761	116,976	308,737
Leasehold buildings	50,938	46,913	97,851
Equipment	1,292	13,211	14,503
Investments	33,922	1,298	35,220
Total	277,913	178,398	456,311
IoE at 2 December 2014:			
Freehold buildings	7,166	718	7,884
Leasehold buildings	5,584	53,447	59,031
Equipment	897	-	897
Investments	-	-	-
Total	13,647	54,165	67,812
Cash receivable:			
Freehold buildings	13,633	5,110	18,743
Leasehold buildings	-	482	482
Equipment	-	15,488	15,488
Investments	8,067	-	8,067
Total	21,700	21,080	42,780
Disposals			
Equipment	-	(8)	(8)
Total		(8)	(8)
Released to income and expenditure account:			
Freehold buildings	(9,202)	(2,500)	(11,702)
Leasehold buildings	(4,385)	(3,020)	(7,405)
Equipment	(1,295)	(6,276)	(7,571)
Total	(14,882)	(11,796)	(26,678)
Balance at 31 July 2015:			
Freehold buildings	203,358	120,304	323,662
Leasehold buildings	52,137	97,822	149,959
Equipment	894	22,415	23,309
Investments	41,989	1,298	43,287
Total	298,378	241,839	540,217

NOTES TO THE ACCOUNTS

UCL	Funding Council £'000	Other Grants £'000	Total £'000
Balance at 1 August 2014:			
Freehold buildings	191,761	116,976	308,737
Leasehold buildings	50,938	46,237	97,175
Equipment	1,292	13,211	14,503
Investments	33,922	-	33,922
Total	277,913	176,424	454,337
IoE at 2 December 2014:			
Freehold buildings	7,166	718	7,884
Leasehold buildings	5,584	53,447	59,031
Equipment	897	-	897
Investments	-	-	-
Total	13,647	54,165	67,812
Cash receivable:			
Freehold buildings	13,633	5,110	18,743
Leasehold buildings	-	482	482
Equipment	-	15,488	15,488
Investments	8,067	-	8,067
Total	21,700	21,080	42,780
Disposals			
Equipment	-	(8)	(8)
Total		(8)	(8)
Released to income and expenditure account:			
Freehold buildings	(9,202)	(2,500)	(11,702)
Leasehold buildings	(4,385)	(2,984)	(7,369)
Equipment	(1,295)	(6,276)	(7,571)
Total	(14,882)	(11,760)	(26,642)
Balance at 31 July 2015:			
Freehold buildings	203,358	120,304	323,662
Leasehold buildings	52,137	97,182	149,319
Equipment	894	22,415	23,309
Investments	41,989	-	41,989
Total	298,378	239,901	538,279

NOTES TO THE ACCOUNTS

26. ENDOWMENTS (Consolidated and UCL)

	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2015 Total £'000	2014 Total £'000
At 1 August 2014						
Capital	978	11,830	12,808	74,250	87,058	82,531
Accumulated income	134	693	827	2,657	3,484	3,414
	1,112	12,523	13,635	76,907	90,542	85,945
Institute of Education at 2 December 2014 - capital	-	4,707	4,707	1,703	6,410	-
Reclassifications	-	(528)	(528)	528	-	-
Additions	-	16	16	1,777	1,793	3,089
Investment income	30	440	470	2,263	2,733	2,318
Expenditure						
- investment management fees	(5)	(74)	(79)	(373)	(452)	(387)
- other	(13)	(403)	(416)	(3,444)	(3,860)	(3,176)
	12	(37)	(25)	(1,554)	(1,579)	(1,245)
Increase in market value of investments	71	942	1,013	5,427	6,440	2,753
At 31 July 2015	1,195	17,623	18,818	84,788	103,606	90,542
Represented by:						
Capital	1,049	16,996	18,045	81,921	99,966	87,058
Accumulated income	146	627	773	2,867	3,640	3,484
	1,195	17,623	18,818	84,788	103,606	90,542

£1.7m of expendable capital has been spent during the year. A transfer of this amount has been made to the income and expenditure reserve (2014 - £1.9m)

NOTES TO THE ACCOUNTS

27. RESERVES	Consolidated		UCL	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Income and expenditure reserve				
At 1 August 2014	308,391	275,475	316,654	282,662
Surplus for the year	25,913	30,906	29,011	31,602
Adjustment for change in percentage holdings in associates	2,154	(380)	-	-
Transfer from revaluation reserve	550	591	550	591
Transfer from expendable endowment funds	1,735	1,859	1,735	1,859
Less pension surplus	(48)	(60)	(48)	(60)
At 31 July 2015	338,695	308,391	347,902	316,654
Pension reserve (Consolidated and UCL)				
			2015	2014
			£'000	£'000
At 1 August 2014			(290)	(111)
Actuarial loss			(103)	(239)
Surplus retained within reserves			48	60
At 31 July 2015			(345)	(290)
Revaluation reserve				
	Consolidated		UCL	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
At 1 August 2014	35,359	33,360	34,460	33,360
Revaluation of fixed asset investment property	740	240	681	240
Revaluation of fixed asset investments portfolio to market value	2,399	2,350	2,407	1,451
Transfer to general reserve in respect of disposal of fixed asset investment property	-	(41)	-	(41)
Transfer to general reserve in respect of depreciation of Examination Halls	(190)	(190)	(190)	(190)
Transfer to general reserve in respect of depreciation of Goldsmid House	(360)	(360)	(360)	(360)
Balance at 31 July 2015	37,948	35,359	36,998	34,460

NOTES TO THE ACCOUNTS

28. MINORITY INTEREST (Consolidated)

The minority interest relates to the following companies:

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

	2015	2014
	£'000	£'000
At 1 August 2014	(109)	(67)
Minority interest in subsidiary undertakings' results for the year	37	(42)
At 31 July 2015	(72)	(109)

29. CAPITAL COMMITMENTS (Consolidated and UCL)

	2015	2014
	£'000	£'000
Commitments contracted at 31 July	43,927	62,677
Authorised but not contracted at 31 July	214,162	200,793
	258,089	263,470

Commitments contracted at 31 July 2015 include £22.2m in respect of the refurbishment of Wates House. This commitment was entered into in 2014-15. During the year Council authorised expenditure on a number of major campus projects including a new student centre (£63.4m), data centre moves (£23.8m), and refurbishment of Bentham House (£16.2m). Other major projects previously authorised but not yet contracted include the refurbishment of Kathleen Lonsdale Building (£24.6m) and Wilkins Building lower refectory (£19.0m).

30. OTHER COMMITMENTS

UCL has a commitment to purchase shares in The Francis Crick Institute Limited. At 31 July 2015, this commitment had a value of £3.8m (2014 - £11.6m).

NOTES TO THE ACCOUNTS

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

	2015 £'000	2014 £'000
Operating surplus before tax	31,162	11,419
Items not involving cash movements:		
Depreciation	51,061	43,662
Benefit on combination with School of Pharmacy released to income	(959)	(65)
Deferred capital grants released to income	(26,678)	(24,717)
Impairment of fixed asset investments	68	-
Gain on dilution of holding in associate	-	(61)
Decrease/(increase) in stocks	158	(263)
Increase in debtors	(54,080)	(20,328)
Increase in creditors	44,344	29,551
(Decrease)/increase in provisions	(211)	1,429
Pension cost less contributions payable (Note 38)	(123)	(117)
Items which are not operating activities:		
Interest receivable	(3,321)	(2,775)
Interest payable	5,422	5,842
Investment income	(2,733)	(2,318)
	44,110	41,259

32. ANALYSIS OF CHANGES IN NET FUNDS

	1 August 2014 £'000	Cash Flows £'000	Other Changes £'000	31 July 2015 £'000
Cash at bank and in hand				
Endowment assets (Note 18)	9,728	(901)	-	8,827
Deposits repayable on demand	87,793	(2,962)	-	84,831
Overdrafts (Note 21)	(9,145)	4,037	-	(5,108)
	88,376	174	-	88,550
Current asset investments	127,691	(70,312)	-	57,379
Debt due within one year (Note 21)	(2,860)	3,519	(4,415)	(3,756)
Debt due after one year (Note 22)	(69,863)	5,297	(10,306)	(74,872)
	143,344	(61,322)	(14,721)	67,301

The increase in debt is due to the acquisition of Institute of Education loans at 2 December 2014 of £9.4m, plus capital repayments as follows: (a) finance leases £1.4m, (b) bank loan £1.3m (c) private finance initiative loan £0.5m and (d) Institute of Education loans £0.3m, giving a net increase in debt of £5.9m.

NOTES TO THE ACCOUNTS

33. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2015	2014
	£'000	£'000
Income from endowments	2,733	2,318
Other interest received	2,550	2,059
Interest paid	(3,252)	(3,111)
Interest element of finance lease rental payment	(2,067)	(2,716)
Net cash outflow from returns on investments and servicing of finance	(36)	(1,450)
34. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2015	2014
	£'000	£'000
Purchase of tangible fixed assets	(149,269)	(125,933)
Purchase of fixed asset investments	(9,656)	(10,803)
Net purchase of endowment asset investments	(1,115)	(1,175)
Total payments to acquire fixed and endowment assets	(160,040)	(137,911)
Proceeds from disposal of fixed asset investments	3,732	1,025
Proceeds from disposal of tangible fixed assets	-	21,851
Capital grants received towards the purchase of tangible assets	42,780	64,004
Net new loans to associate companies	(190)	(19)
Endowments received	1,793	3,089
Net cash outflow from capital expenditure and financial investment	(111,925)	(47,961)
35. ACQUISITIONS AND DISPOSALS	2015	2014
	£'000	£'000
Purchase of investment in associate - Abcodia Ltd	(250)	-
Purchase of investment in associate – Amalyst Ltd	(66)	-
Purchase of investment in associate – Asio Ltd	(75)	-
Purchase of investment in associate - Endomagnetics Ltd	(400)	-
Cash and short term deposits acquired on combination with Institute of Education	6,142	-
Total acquisitions and disposals	5,351	-
36. FINANCING	2015	2014
	£'000	£'000
Mortgages and loans acquired	65	-
Mortgage and loan capital repayments	(3,519)	(2,459)
Net cash outflow from financing	(3,454)	(2,459)

NOTES TO THE ACCOUNTS

37. HARSHIP AND ACCESS BURSARY FUNDS (Consolidated & UCL)

	2015 £'000	2014 £'000
At 1 August	2	14
Funding Council grants	-	243
Interest earned	-	1
	2	258
Disbursed to students	(2)	(256)
At 31 July	-	2

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. With effect from 2014-15 the Access to Learning Fund (ALF) has been subsumed within the Student Opportunity Fund which is not accounted for on an agency basis.

38. PENSION FUNDS

	2015 £'000	2014 £'000
The total pension costs for UCL were:		
Contribution to USS	52,213	48,429
Contribution to SAUL	7,980	7,577
Contribution to NHS	6,803	6,671
Contribution to MRCPS	1,070	1,244
Contribution to PCSPS	57	40
Charged to I&E staff costs in respect of Essex Pension Fund	19	46
	68,142	64,007

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 £345,000 (2014: £290,000) 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. As a result of transfers of units to UCL from other parties, a number of staff belong on Principle Civil Service Pension Scheme (PCSPS) and the Medical Research Council Pension Scheme (MRCPS) transferred to UCL. Assets of each scheme are held in separate trustee administered funds. It is not possible to identify UCL's share of the underlying assets and liabilities of either scheme and hence contributions are accounted for as if they were defined contribution schemes. The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P) and valued every three years by professionally qualified independent actuaries using the Projected Unit Method.

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

Outstanding contributions to USS, SAUL, the NHS pension scheme, PCSPS and MRCPS were £8.9m at 31 July 2015 (2014 - £8.5m)

NOTES TO THE ACCOUNTS

Universities Superannuation Scheme (USS)

The latest actuarial valuation of the scheme was at 31 March 2014 (unaudited) 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:

Investment returns per annum	5.2%
Salary scale increases per annum – short term	3.5%
Salary scale increases per annum – long term	4.0%
Pension increases per annum – CPI	2.2%
Market value of assets at last actuarial valuation date	£41.6bn
Proportion of members' accrued benefits covered by the actuarial value of assets	89%
Current Employer's contribution rate from	16.00%

UCL has 8,465 active members and 5,218 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.

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. A valuation has been carried out as at 31 March 2014, but the results have not been published. The assumption and other data (from the 31 March 2011 valuation) which have the most significant effect on the determination of the contribution levels are as follows:

Investment returns per annum	
- before retirement	6.80%
- after retirement	4.70%
Salary scale increases per annum – until 31 March 2014	3.75%
Salary scale increases per annum – after 31 March 2014	4.50%
Pension increases per annum	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 Employer's contribution rate	13.0%

Medical Research Council Pension Scheme (MRCPS)

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

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

NOTES TO THE ACCOUNTS

National Health Service Pension Scheme

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

The last valuation of the scheme took place as at 31 March 2012. Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The scheme had liabilities of £240.4bn and notional assets of £230.1bn. The employer contribution rate payable is 14.3%.

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

Principal Civil Service Pension Scheme (PCSPS)

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

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

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

UCL (Former Medical Schools) Pension Scheme (UFMS)

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

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

The last triennial valuation of the UFMS was undertaken on 31 March 2010. For the purposes of reporting under FRS17, "Retirement Benefits", a valuation of the scheme was undertaken on 31 July 2015, and details are given below:

UFMS

Valuation method	Projected Unit		
	2015	2014	2013
Valuation date (31 July)			
Inflation assumption - RPI	3.20%	3.20%	3.30%
Inflation assumption - CPI	2.20%	2.20%	2.60%
Increase for pre-1997 pensions in excess of GMP	-	-	-
Increase for pre-1997 pensions for pre-2006 leavers	2.00%	2.00%	2.20%
Increase for pre-1997 pensions for post-2006 leavers	3.00%	3.00%	3.10%
Increase for deferred pensions	n/a	n/a	n/a
Investment return	n/a	4.00%	4.17%
Salary scale increase per annum	n/a	n/a	n/a
Discount rate for liabilities	3.50%	4.10%	4.30%
Projected over-funding	£0.6m	£1.7m	£2.0m
Funding level	106%	119%	123%
Present value of liabilities	£10.9m	£9.0m	£9.0m
Fair value of the scheme assets	£11.5m	£10.7m	£11.0m
Current Employer's contribution rate	nil	nil	nil

NOTES TO THE ACCOUNTS

Disclosure of fair values of assets and expected rates of return

	2015			2014		
	Expected rate of return	Fair Value £'000	%	Expected rate of return	Fair Value £'000	%
Bonds	n/a	2,754	24	n/a	2,552	24
Insurance contracts	n/a	8,658	75	n/a	8,050	76
Cash	n/a	98	1	n/a	54	1
Total		11,510			10,656	

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

	2015 £'000	2014 £'000
Fair value of assets	11,510	10,656
Value of liabilities (defined benefit obligation)	10,886	8,957
Funded status	624	1,699
Recognised pension asset	-	-
Unrecognised pension asset	624	1,699
Total expense recognised in the income and expenditure	2015 £'000	2014 £'000
Interest cost on obligation	358	370
Expected return on scheme assets	(285)	(312)
Total income and expenditure charge	73	58

Amounts for the current and previous four periods

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	Restated 2011 £'000
Fair value of scheme assets	11,510	10,656	11,000	15,596	18,040
Value of liabilities (funded obligations)	10,886	8,957	8,967	8,889	10,950
Surplus	624	1,699	2,033	6,707	7,090
Experience gain on liabilities	-	-	-	-	451
Experience gain/(loss) on assets	875	(70)	(4,704)	160	931

The estimated amounts of employer contributions expected to be paid to the scheme during the year ending 31 July 2016 is £132,000.

During 2012-13, 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 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	2015	2014
	£'000	£'000
Opening defined benefit obligation	8,957	8,967
Interest cost on obligation	358	370
Actuarial loss on obligation	2,009	338
Benefits paid	(438)	(718)
Closing defined benefit obligation	10,886	8,957
Changes in the fair value of scheme assets	2015	2014
	£'000	£'000
Opening fair value of scheme assets	10,656	11,000
Expected return	285	312
Actuarial gain / (loss)	875	(70)
Employer contributions	132	132
Benefits paid	(438)	(718)
Closing fair value of scheme assets	11,510	10,656
Total amounts recognised in the statement of total recognised gains and losses	2015	2014
	£'000	£'000
Recognised pension asset at the start of the year	-	-
Income and expenditure credit	(73)	(58)
Actuarial losses in STRGL	(59)	(74)
Employer contributions	132	132
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 (2014 - net loss of £6.1m).

Essex Pension Fund

The Essex Pension Fund is a defined benefit scheme administered in accordance with the Local Government Pension Scheme Regulations 2007/08. The scheme transferred to UCL on 1 May 2013 at which date the net liabilities of the scheme were £225,000. As at 31 July 2015 the net liabilities were £345,000 (2014: £290,000) with an actuarial loss of £44k recognised in the year.

NOTES TO THE ACCOUNTS

39. RELATED PARTY TRANSACTIONS

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

Michael Arthur, UCL President and Provost, sits on the board of the Russell Group of Universities, of which UCL is a member and to which a £59k subscription was paid in the year. He also serves on the Academic Advisory Board of Hot Courses, with whom UCL engaged in purchase transactions totalling £9k.

Along with Baroness Warwick of Undercliffe, he is a commissioner of the US-UK Fulbright Commission. UCL awarded Fulbright-UCL scholarships of £13,500 to two students in the year.

Dame DeAnne Julius became Chair of the UCL Council on 1st October 2014. She is a non-executive director of Roche, who funded research of £99k in 2014-15. UCL also engaged in purchase and sales transactions with Roche to the value of £798k and £155k respectively. Dame DeAnne further serves as a non-executive director of Jones Lang LaSalle (JLL), who act as landlord's agents in respect of a property leased by UCL at 66 – 72 Gower Street at an annual rent of £529k.

David Price chairs a sub-panel of the HEFCE Research Excellence Framework (REF) and was a non-executive director of the North Middlesex University Hospital NHS Trust until May 2015. UCL received £187.4m of funding from HEFCE and engaged in a number of transactions with NHS Trusts, all of which were conducted at arm's length and in the normal course of business. Additionally, he sits on the council of the Science & Technology Facilities Council (STFC) and serves as the Chair of Governors of the UCL Academy. UCL received grants to the value of £10m from the STFC and undertook £71k worth of sales transactions. It also contributed £7k towards a mentoring scheme taking place at the Academy.

UCL is a founding member of The Francis Crick Institute. Sir John Tooke and David Lomas serve on the board of the Institute and Geraint Rees is a member of its Executive Management Team. Vivienne Parry is a council member of the MRC, another of the Institute's founding partners. In 2014-15 UCL purchased additional shares in The Francis Crick Institute to the value of £7.8m, bringing its total investment to £29.8m. UCL was granted £69.7m of research funding from the MRC, and engaged in sales and purchase transactions to the value of £560k and £2.7m respectively.

David Lomas additionally chairs the Population and Systems Medicines Board of the MRC.

Sir John Tooke is also the Academic Director of UCLPartners, of which UCL is a member organisation and Alan Thompson chairs the Neuroscience Programme at the UCLPartners Academic Health Science Centre. Sales worth £931k were made to UCLPartners in the year, and purchases totalled £1.7m.

NOTES TO THE ACCOUNTS

Sir John Tooke also served as a non-executive director of University College London Hospitals NHS Foundation Trust, and is the President of the Academy of Medical Sciences. UCL was awarded research funding of £158k by the Academy, and made purchases from it to the value of £42k.

Vivienne Parry is also the Head of Engagement at Genomics England, a subsidiary company of the Department of Health (DoH). UCL received £2.6m of research funding from the DoH and undertook £262k and £373k worth of sales and purchase transactions respectively.

Alan Thompson is a Senior Investigator for the National Institute for Health Research (NIHR), and Graham Hart serves on a grant-funding panel of the NIHR. Research monies totalling £7.8m were received from the NIHR, and £48k worth of sales generated by UCL in the year.

Alan Thompson is also the chair of the Eisai-UCL Joint Steering Committee for Neuroscience, and the Editor-in-Chief of the Multiple Sclerosis Journal, a SAGE publication. Eisai provided £1.1m of grant funding and made £5k worth of purchases from UCL. Acquisitions from SAGE in the year totalled £84k.

Graham Hart is additionally a non-executive director of the Whittington NHS Health Trust and serves on a grant-awarding panel of the MRC.

Rex Knight has a loan under the UCL staff house loan scheme; the amount outstanding at the year-end was £64k. He also has an investment under the UCL Shared Appreciation Mortgage Investment scheme of £135k. Lori Houlihan has a loan under the UCL staff house loan scheme; the amount outstanding at the year-end was £129k. 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.

Lori Houlihan's husband provided consultancy services to UCL to the value of £80k.

Sir Mark Pepys has a 45% interest in associate company Pentraxin Therapeutics Ltd, which transacts with both UCL and UCL Business. His wife is a director of PharmResource Ltd, which provided consultancy services worth £59k to UCL, and his daughter's company, Vered Consulting, supplied services to the value of £50k.

Stephanie Schorge is a member of the Science Advisory Committee to Epilepsy Research UK, from which UCL received funding of £185k.

Anthony Finkelstein is a member of council of the Engineering & Physical Sciences Research Council (EPSRC), which awarded £70.2m of funding. He is a director of company Satalia (NP Complete Ltd) from which UCL procured £72k worth of services in the year. Furthermore, his brother-in-law is a partner in marketing consultancy firm Hype!, which provided approximately £84k worth of services to UCL.

Paul Ayrís chairs the Electronic Information Resources Working Group of JISC, from which UCL made purchases in the sum of approximately £1.6m and received £88k of research funding. He is also the chairman of the League of European Research Universities' (LERU's) Community of Chief Information Officers. UCL subscribes to LERU, and paid a fee of £13k in the year. He also chairs the European Library Advisory Board for ProQuest, with acquisitions from the ProQuest group totalling £193k.

Dame Hazel Genn sits on the Leverhulme Trust's Research Centres Committee. The Trust awarded research funding of £2.85m to UCL in the year. In addition, Dame Hazel's sister provided services worth £1k to UCL in July 2015, as a member of the UCL Judicial Institute's training team.

NOTES TO THE ACCOUNTS

Jack Foster is a trustee of The SAUL Pension Scheme. UCL contributes to this scheme and further details are available under Note 38. His daughter is employed as a Research Assistant on the UCL Life Study project

Baroness Jo Valentine is the Chief Executive Officer of London First, of which UCL is a member organisation and for which it paid an annual subscription of approximately £14k. She is also a non-executive director of HS2 Ltd, which made compensatory payments to UCL in the sum of £1.3m in the year in respect of the relocation of the UCL datacentre.

David Attwell advises on the awarding of grants for The Alzheimer's Society, from which UCL received £267k of research funding. Sales to the value of £25k were also made to the Society.

Nahid Majid has a daughter who attended UCL as an undergraduate student in the year. This was in line with normal UCL policies and procedures, and any transactions were conducted at arm's length.

Graham Lay holds a controlling interest in FirmAnswer Ltd and is also the company's principal. Evexar Medical Ltd received business consultancy services to the value of £125k from FirmAnswer Ltd.

Mark Leaning provided business development services worth approximately £75k to Helicon Health Ltd via his company PCF Enterprises Limited.

Patrick Reeve is a managing partner in Albion Ventures LLP, which holds a £2m investment in associate company Abcodia Ltd and which provided services to the company to the value of £38k.

John Pool's wife is engaged as the financial controller of Evexar Medical Limited via company Wellbeach Associates, in which she and her husband are equal partners. Her services in the year totalled £38k.

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 2014	Cash Transfers	Income	Expenditure	Other	Balance at 31 July 2015
Pentraxin Therapeutics Limited	32	(66)	43	-	-	9
Canbex Therapeutics Limited	1	(132)	142	-	-	11
Abcodia Limited	3	(31)	32	-	-	4
EuroTempest Limited	1	(35)	34	-	-	-
Endomagnetic Limited	6	(68)	63	-	-	1
Senceive Limited	11	(6)	24	-	(2)	27
Asio Limited	7	(8)	1	-	-	-
Amalyst Limited	42	(73)	31	-	-	-
Atocap Limited	10	(11)	5	-	-	4
	113	(430)	375	-	(2)	56

NOTES TO THE ACCOUNTS

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

	2015 £'0000	2014 £'000
Asio Limited	29	25
Domainex Limited	356	337
Endomagnetics Limited	10	10
Abcodia Limited	373	206
Analyst Ltd	25	25
Total loans	793	603

40. SUBSIDIARY UNDERTAKINGS

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

Company	Principal Activity	Status	Class of Shares	Proportion Held
UCL Trading Ltd	Contracting, consultancy and other commercial activities.	100% owned	Ordinary	100% - UCL
UCL Investments Ltd	Property investment.	100% owned	Ordinary	100% - UCL
UCL Properties Ltd	Property development and investment.	100% owned	Ordinary	100% - UCL
UCL Residences Ltd	Commercial lettings of accommodation.	100% owned	Ordinary	100% - UCL
UCL Enterprises Ltd	General commercial trading.	100% owned	Ordinary	100% - UCL
UCL Cruciform Ltd	Exploitation of intellectual property in the field of bio-medicine.	100% owned	Ordinary	50% - UCL 50% - UCL Cruciform Trust
UCL Consultants Ltd	Provision of administrative support to staff engaged in consultancy.	100% owned	Ordinary	100% - UCL
Somers Town Community Sports Centre	Operation of sports centre.	Ltd by guarantee. UCL has the power to appoint 5 of the 9 trustees and so has effective control	-	-
UCL Business Plc	Exploitation of intellectual property.	100% owned	Ordinary	100% - UCL
			Ordinary 'A'	100% - UCL
			Redeemable Preference	100% - UCL
Bloomsbury Bioseed Fund Ltd (BBSF)	Investment in biotechnology start-ups.	75% owned	Ordinary	75% - UCL
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
Thiologics Ltd	Provision of goods and services in biotechnology.	100% owned	Ordinary	100% - UCL Business
Helicon Health Ltd	Provision of web-based software, re-designed clinical service delivery, an accredited educational programme and a consulting service for chronic condition management.	57% owned	Ordinary	57% - UCL Business

Proaxon Ltd, UCLB Devices Ltd and Belsize Polymer Ltd were dissolved during the year.

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

41. CONTINGENT LIABILITY

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

NOTES TO THE ACCOUNTS

42. BUSINESS COMBINATION WITH INSTITUTE OF EDUCATION

On 2 December 2014 the Institute of Education joined with UCL. The assets and liabilities of the Institute of Education were transferred to UCL at fair value on 2 December 2014. There was a £nil consideration. UCL has used acquisition accounting to account for the combination, with the negative goodwill treated as an intangible fixed asset. The balance is being realised over the remaining lifetime of the non-monetary assets acquired.

	IoE Book Values 1 December 2014 £'000	Fair Value adjustments £'000	Reported fair values £'000
Fixed Assets:			
Intangible assets	248	(248)	-
Tangible assets	96,058	(6,189)	89,869
Investments	8,683	163	8,846
Endowment asset investments	6,410	-	6,410
Current assets:			
Stock	30	-	30
Debtors	22,413	-	22,413
Short term deposits	53	-	53
Cash at bank	6,252	(163)	6,089
Creditors : amounts falling due in one year	(27,216)	-	(27,216)
Creditors : amounts falling due in more than one year	(8,847)	-	(8,847)
Deferred capital grants	(74,556)	6,744	(67,812)
Endowments :			
Permanent	(1,703)	-	(1,703)
Expendable	(4,707)	-	(4,707)
Net assets acquired	<u>23,118</u>	<u>307</u>	<u>23,425</u>
Gain on acquisition			<u>(1,368)</u>
Negative goodwill			<u>22,057</u>

Fair value adjustments of £248,000 to intangible assets, £6.2m to fixed assets and £6.7m to deferred capital grants are as a result of aligning the capitalisation and depreciation policies of the Institute of Education with those of UCL. The adjustment of £163,000 to investments relates to portfolio cash being re-categorised from cash to investments.

The cost incurred in the period for the integration of the Institute of Education was £2.4m.

The Institute of Education has contributed income of £56.1m, delivering a deficit of £505k in the eight months to 31 July 2015. In the period from 1 August 2014 to the date of acquisition it reported a surplus of £1.1m (prior year to 31 July 2014: surplus of £1.4m).

FINANCIAL SUMMARIES (unaudited)

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
INCOME					
Funding Council grants	187,441	182,437	191,160	198,333	203,346
Academic fees and support grants	364,248	292,771	240,874	208,452	172,165
Research grants and contracts	427,501	374,503	325,645	300,734	283,383
Other operating income	194,465	167,579	167,926	156,800	138,286
Endowment income and interest	6,056	5,098	5,326	6,891	5,225
Total income	1,179,711	1,022,388	930,931	871,210	802,405
Less: Share of income from joint ventures	(2,173)	(2,776)	(2,777)	(2,475)	(848)
Net Income	1,177,538	1,019,612	928,154	868,735	801,557
EXPENDITURE					
Staff costs	636,198	576,304	516,611	472,843	449,012
Other operating expenses	453,695	382,385	342,760	323,636	280,686
Interest payable	5,422	5,842	5,982	6,774	6,960
Depreciation	51,061	43,662	42,946	40,172	40,762
Total expenditure	1,146,376	1,008,193	908,299	843,425	777,420
Surplus after depreciation of tangible fixed assets at cost and before tax	31,162	11,419	19,855	25,310	24,137
Share of operating loss in joint ventures	(137)	(165)	(211)	(210)	(226)
Share of operating loss in associates	(1,937)	(917)	(1,086)	(1,296)	(342)
Taxation	(4,184)	(8)	(50)	(5)	(9)
Share of taxation in associates	73	129	163	28	41
Surplus after depreciation of fixed assets at cost and tax	24,977	10,458	18,671	23,827	23,601
Minority interest	(37)	42	23	(116)	11
Surplus before exceptional items	24,940	10,500	18,694	23,711	23,612
Exceptional items : continuing operations					
Gain on acquisition	1,368	-	-	4,805	-
Profit/(loss) on disposal of fixed asset investments	126	377	16	(253)	(74)
Profit/(loss) on disposal of tangible fixed assets	(365)	20,643	13	(950)	5,938
Surplus on continuing operations after depreciation, disposals and tax	26,069	31,520	18,723	27,313	29,476
Surplus for the year transferred to accumulated income in endowment funds	(156)	(614)	(506)	(886)	(532)
Surplus for the year retained within general reserves	25,913	30,906	18,217	26,427	28,944