LONDON'S GLOBAL UNIVERSITY

UCL

Annual Report and Financial Statements for the year ended 31 July 2016

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COMMITTEE MEMBERSHIP

Council (Trustees)

Lay Members:	Mr Ven Balakrishnan ◆* Mr Dominic Blakemore (from 01/10/15) Lord (Tim) Clement-Jones◆ Dr Andrew Gould (from 01/10/15) Dame DeAnne Julius ◆* (Chair) Ms Nahid Majid Mr Simon Melliss◆	Ms Lindsay Nicholson* Ms Vivienne Parry (to 30/09/15) Dr Gill Samuels (to 30/09/15) Mr Philip Sturrock Baroness (Jo) Valentine◆ Baroness (Diana) Warwick*
Academic Members:	Professor Michael Arthur◆* (Provost) Professor David Attwell (to 30/09/15) Professor Lucy Clapp (from 01/10/15) Professor David Coen Dr Martin Fry	Dr John Hurst* Dr Saladin Meckled-Garcia Professor Nigel Titchener-Hooker* (from 01/10/15 to 31/05/16) Professor Nick Tyler (to 30/09/15)
UCL Union:	Ms Wahida Samie (to 15/07/16 Ms Halima Begum (from 16/07/16)	Mr Mahammed Ali Mumtaz (to 15/07/16) Mr Zakariya Mohran (from 16/07/16)

Finance Committee

Lay Members:	Mr Ven Balakrishnan (to 30/09/15) Dr Ben Booth Dame DeAnne Julius Mr Simon Melliss (Chair)	Mr John Morgan (to 30/09/15) Dr Gill Samuels Mr Richard Smothers Ms Sarah Whitney
Academic Members:	Professor Michael Arthur (Provost) Dr Stephanie Bird Dr Liam Graham (to 30/09/15)	Professor Sue Hamilton Professor Alan Smith Professor Alan Thompson (to 30/09/15)

Audit Committee

Lay Members:	Mr Dominic Blakemore (from 01/10/15) Lord (Tim) Clement-Jones (Chair) Baroness (Jo) Valentine (from 19/11/15)	Mr Patrick Reeve Mr Nigel Smith (to 30/09/15) Baroness (Diana) Warwick (to 18/11/15)

Investments Committee

Lay Members:	Mr Chris Hills Mr Simon Melliss (Chair)	Ms Sarah Whitney
Staff Members	Mr Philip Harding	

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

FINANCIAL SUMMARY

	2016 £m	2015 £m
CONSOLIDATED INCOME & EXPENDITURE ACCOUNT		
Tuition fees and education contracts	421.1	364.2
Funding body grants	192.1	195.2
Research grants and contracts	530.4	427.3
Other income	181.2	246.5
Investment income	6.9	6.7
Donations and endowments	25.1	20.3
NET INCOME	**1,356.8**	**1,260.2**
TOTAL EXPENDITURE	**1,233.9**	**1,215.2**
Loss on disposal of fixed assets	(1.0)	(0.4)
Gain on investments	0.3	0.1
Loss on acquisition of Institute of Education	-	(5.1)
Share of operating loss in joint ventures and associates	(3.1)	(2.6)
Unrealised surplus on revaluation of investments	5.9	11.1
Actuarial loss in respect of pension schemes	(0.1)	(0.1)
Taxation	(3.9)	(4.2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**121.0**	**43.8**
Fixed assets	1,600.5	1,514.2
Investments	206.3	199.3
Net current liabilities	(82.1)	(148.1)
Total assets less current liabilities	1,724.7	1,565.4
Non-current liabilities	(373.4)	(355.4)
Pension provisions	(158.0)	(142.0)
Other provisions	(5.9)	(1.6)
TOTAL NET ASSETS	**1,187.4**	**1,066.4**
Represented by:		
Endowments	100.9	104.1
Reserves	1,086.3	962.4
Minority interest	0.2	(0.1)
	1,187.4	**1,066.4**
OTHER KEY STATISTICS		
Increase/(decrease) in cash in the year (£m)	5.6	(45.2)
Average student numbers (2015 excl. Institute of Education)	38,313	30,551
Average payroll numbers	14,237	12,964

These financial statements have, for the first time, been prepared in accordance with FRS102 (the new financial reporting standard for the UK). Transition from former UK GAAP has had a significant effect both on profit and loss and the balance sheet position, and a full explanation of the impact on previously reported financials is set out in Note 29.

OPERATING AND FINANCIAL REVIEW

Operating and Financial Review 2015-16

The financial statements of UCL are prepared in accordance with the "Statement of Recommended Practice: Accounting for Further and Higher Education 2015" and with reference to the 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 26. 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 2015-16 in pursuit of those objectives in the core areas of research, education, innovation 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 UCL 2034, 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, six 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, 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

A member of the senior team leads action in support of each of the principal themes and key enablers and progress is monitored by the executive and by Council.

Performance in 2015-16

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.

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The *UCL 2034* institutional strategy builds upon the same values and ambitions set out in the *UCL Research Strategy*, and incorporates goals closely related to the leadership, cross-disciplinarity and impact aims set out in the latter. 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 indeed is strengthening in many areas.

Results from the most recent Research Excellence Framework (REF), in 2014, in general exceeded our hopes and expectations. This was the deserved realisation of several decades of UCL research and significant organisational developments and investments. The results are having 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, 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 also in each of the three assessed elements of REF2014: research publications and other outputs; research environment; and research impact.

In this context, a key aim during 2015-16 was to sustain and further increase UCL's effectiveness as London's research powerhouse. We are pleased to report the following indicators:

- the most credible subject-level university rankings place us within the top 40 of almost all broad research fields. 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
- UCL retained and strengthened its position as the top performing university in Europe in the first two years of the major EU funding scheme Horizon 2020, having won funding for more than 260 projects worth in excess of €140m. UCL researchers were awarded nine highly prestigious European Research Council Consolidator Grants, the second-highest number, totaling around €15 million. UCL was also awarded 27 Marie Curie International Fellowships, worth around €6 million
- UCL's total research grant spend was £441m in 2015-16, excluding payments to third parties, an increase of 73% since 2009-10
- our number of postgraduate research students in 2015-16 rose to almost 5,800, and UCL awarded more than 1,000 doctorates, a near doubling over the last decade.

Clarivate Essential Science Indicators reported UCL was the 13th-ranked university by citation volume in 2006–2016. By highly cited papers, we were the 15th-ranked university, and by 'hot' papers we were the 10th-ranked university. Based on article count in *Nature*-branded journals in 2015, UCL is ranked 26th globally, 3rd in Europe and 3rd in the UK.

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

The review of the UCL Grand Challenges (GC) in 2015-16, involving extensive consultation with the research community, identified the need to expand the programme significantly, to renew its emphasis on achieving impact on global challenges and to increasing external engagement with and support for GC. The GC of Intercultural Interaction has been reframed as Cultural Understanding, and two new GCs will be launched:

OPERATING AND FINANCIAL REVIEW

- Transformative Technology, to encourage cross-disciplinary approaches leading to the translation of insights from advances in science and engineering into prototypes and products with the potential to transform society, and the development of novel technological solutions to societal challenges
- Justice & Equality, to examine the barriers that people face in securing adequate healthcare, safe living and working conditions, education and employment. It seeks to understand and overcome societal structures that limit access to just solutions or sustain persistent inequalities, whether by design or unintentionally.

A Working Group for each GC has been established, alongside a new strategic, overarching GC Executive Board. Priority Themes within each GC for 2016/17 have been identified, and each GC will also lead a pan-GC Flagship Activity addressing major topics to which multiple GCs can contribute.

Other progress includes:

- award of a Wellcome Trust Major Overseas Programme grant for the Africa Centre for Population Health, which (together with the KwaZulu-Natal Research Institute for TB-HIV) will form the new cross-disciplinary Africa Health Research Institute
- funding of 'African Voices @ UCL' in January 2016 as part of the launch of the UCL African Studies Research Centre, in collaboration with the UCL Institute of Advanced Studies
- 21 GC Small Grants (each up to £4k) awarded for 2016-17 activity, 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 Environment and eResearch Domains were launched, each with a Strategic Coordinator, academic Co-Chairs, a growing researcher community and momentum around broad impact-focused funding bids. The UCL Research Domains – large, cross-disciplinary research communities that span UCL and our partner organisations, fostering interaction and collaboration – already included Environment, Neuroscience, Personalised Medicine and Populations & Lifelong Health.

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

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

UCL continues to provide leadership on Open Access (OA). Based on our previous OA spend (publishing Research Councils-funded outputs), our RCUK OA block grant for 2016-17 was more than £1.6m, the largest amount and over 11% of the total block grant. Researcher awareness of the new requirements for OA around REF improved and the numbers of OA publications are growing.

Our flagship initiative in OA is UCL Press, the UK's first fully open access university press. In the year since its launch, its performance has been outstanding, with more than 49,000 downloads in 172 countries across the world. The quality and diversity of UCL Press publications are exhilarating, its publishing programme of books and journals continues to expand and its innovative dissemination and marketing programmes continue to bring research outputs to previously under-served readerships.

OPERATING AND FINANCIAL REVIEW

Education

Education Strategy
Academic Committee ratified the Education Strategy at the end of 2015 and work is underway against each of the nine objectives. Particular attention has been invested in reviews of the institutional taught postgraduate experience and our assessment practices in preparation for targeting these areas for significant improvements over the next four years. The government confirmed the introduction of the Teaching Excellence Framework (TEF) in October 2016, linking future fee increases to measures of teaching quality. UCL's Education Strategy is well aligned with the TEF and will support achievement of high ratings in future rounds.

Academic Promotion and Reward
The review of UCL's promotions criteria, led by the Vice-Provost (Education & Student Affairs) continued throughout 2015-16, with a programme of focus groups for staff at all points on the academic career ladder. Following drafting work in mid-2016, a new framework for academic promotions will be published for consultation with staff and with the unions in November 2016, for implementation in the 2017-18 academic year.

Connected Curriculum
The Centre for Advancing Learning and Teaching (CALT) continued to work with academic colleagues across the institution on the implementation of 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. Work has now begun to benchmark all undergraduate programmes against the framework, and programme leaders now have access to the 'Arena, Blended, Connected' tool which supports the development of new programmes.

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 (an important metric for university league tables). UCL is expecting to appoint its 500^{th} fellow early in 2017.

UCL ChangeMakers
ChangeMakers supports student-led projects that scope and implement curriculum change in collaboration with staff in departments. The scheme expanded from 10 projects in 2014-15 to 52 in 2015-16, and ChangeMakers scholars are now contributing to work with departments whose National Student Survey (NSS) scores require substantial improvement.

Student Surveys (including the NSS)
UCL registered a 1% overall increase in satisfaction in 2015-16, with a best-ever response rate of 79%, well-ahead of the sector average. Behind-the-scenes work to address concerns about UCL's performance has continued, with the successful first year of the Annual Student Experience Review process and the establishment of a Student Engagement team. A new, coordinated promotion campaign for all surveys was launched in September 2015, and the Student Experience Forum is now established as 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.

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 2016-17 towards a steady-state target of 1,000 students per year (across six academic, and four vocational / employability strands).

OPERATING AND FINANCIAL REVIEW

Student numbers
Total student headcount for 2015-16 was 39,327, representing an increase of 2,774 (7.6%) over the total for 2014-15. Most of this increase represents undergraduate and postgraduate taught students with postgraduate research student numbers expanding by only 1.5%.

Undergraduate applications to UCL remained buoyant for most subjects although the indications are that the market for UK students is becoming increasingly competitive with the result that EU students are accounting for an increasing proportion of the UK/EU intake, with 748 of the UK/EU undergraduate intake of 3,656 originating from the EU. The proportion of new undergraduates admitted despite having dipped one A-level grade below the offer made to them was 12.5%, a fall from the 15% in 2014-15. No student recruited was admitted with grades lower than ABB. More than half of the increase in the total undergraduate headcount was the result of an increased number of continuing students, partly because of growth in intakes over the previous few years and partly because of the higher number of four year programmes. Recruitment of overseas undergraduate students exceeded the target.

The number of UK/EU postgraduate taught and research students was below target, which may reflect improvement in the graduate job market as the slippage was particularly prevalent in the less vocationally orientated subjects. Part-time and block-release UK/EU postgraduate numbers increased by almost 10%, suggesting that this segment of the market will grow in relative importance. The numbers of overseas postgraduate taught students were substantially above the previous year level.

The UCL Institute of Education recruited particularly well on overseas students, increasing its headcount across all levels from 717 in 2014-15 to 1,215, suggesting that the merger with UCL has assisted its international profile. Overseas students as a proportion of the total increased from 28.9% to 30.1%. The UCL profile of students by level shows no material change with postgraduates accounting for 52.3% (previous year 52.8%).

Innovation and Enterprise

Dr. Celia Caulcott joined UCL in October 2015 as the new Vice-Provost (Enterprise). During 2016, the departments of the Office of the Vice-Provost (Enterprise) and UCL Advances were merged to create UCL Innovation and Enterprise. Within this department, teams have been created to support Business and Enterprise Partnerships, Entrepreneurship, Innovation Projects (focusing on development of UCL 2034 London strategy implementation) and Innovation Planning.

In summer 2016, the Entrepreneurship team moved to Base KX, UCL's incubator space in King's Cross. Base KX is now the home of the Hatchery, UCL's student business incubator, and entrepreneurship training and student business advice. Student business highlights in 2015-16 included Bento Lab, whose founders invented a miniature laboratory for DNA testing, raising over £150,000 through crowd funding.

In January 2016, UCL launched the UCL Technology Fund to invest £50 million in commercialising its world-leading research emerging over the next five years. The Fund will be used to support academics in all areas of the university, including life sciences, engineering and information communication technology whose research has commercial potential, with funding for early stage proof of concept, licensing projects and new spinout companies. Funding was secured from the European Investment Fund (EIF), one of the largest providers of venture investment in Europe, and from Imperial Innovations, who have each committed £24.75 million to the Fund. EIF's contribution to the UCL Technology Fund is supported by the Investment Plan for Europe. The Fund will be managed by Albion Ventures, one of the UK's largest independent venture capital investors, who are also contributing to the Fund. Albion will draw on the experience of UCL Business to ensure the Fund meets financial targets as well as objectives set by UCL for broader society and economic impact.

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In a complementary initiative, also launched in January 2016, AstraZeneca, GlaxoSmithKline, and Johnson & Johnson Innovation and the technology transfer offices of UCL, Imperial College and University of Cambridge joined to create the Apollo Therapeutics Fund. This pioneering new joint venture will invest £40m by supporting the translation of groundbreaking academic science from within these universities into innovative new medicines for a broad range of diseases.

Spin-out highlights for 2015-16 included the launch of Orchard Therapeutics, a biotechnology company that will develop transformative gene therapies for life threatening orphan diseases. Orchard Therapeutics has secured £21 million in Series A financing led by F-Prime Capital Partners. Autolus Limited, a biopharmaceutical company focused on the development and commercialisation of next-generation engineered T-cell therapies for haematological and solid tumours, raised £40 million of new capital in a Series B financing round which augments the previous £30 million Seed and Series A investment from founding investor Syncona LLP. Autolus' founder, Dr. Martin Pule, was named BBSRC Most Promising Innovator 2016 in May.

Financial review

UCL's consolidated comprehensive income and expenditure results for the year ended 31 July 2016 are summarised in the table below.

This reflects the University's results as accounted for under the Statement for Recommended practice (SORP): Accounting for Further and Higher Education 2015 and Financial Reporting Standard 102 (FRS102).

Results for the year ended 31 July 2016	**2016 £m**	**2015 £m**
Total income	**1,356.8**	**1,260.2**
Operating expenditure	(1,172.3)	(1,164.2)
Depreciation	(61.6)	(51.1)
Total expenditure	**(1,233.9)**	**(1,215.3)**
Surplus before other gains and losses and tax	**122.9**	**44.9**
Share in joint ventures, associates and minority interests	(3.1)	(2.6)
Other gains and losses and tax	(4.6)	(9.5)
Surplus for the year	**115.2**	**32.8**
Other unrealised gains and losses	5.8	11.0
Total comprehensive income for the year	**121.0**	**43.8**

Transition to FRS102 and the subsequent adoption of new accounting policies, particularly surrounding the timing of revenue recognition, has contributed significantly to the reported surplus for the 2015-16 financial year (£70m of a total £121m). Most notably, recognition within the year of £83.2m in non-government capital grant funding that would have previously been recognised over the lives of the funded assets. This is offset by a £15.8m charge for increases in the value of UCL's future commitments to fund deficits within the USS and SAUL pension schemes. Further detail on those pension commitments is set out in Note 21.

OPERATING AND FINANCIAL REVIEW

In relation to the 2014-15 financial year, a £71.6m charge arising on recognition of UCL's increased commitment to fund past deficits in The Universities Superannuation Scheme was largely offset by a £67.4m gain on conversion of UCL's accounting treatment surrounding its merger with the Institute of Education. This net gain incorporated a £73.9m increase to negative goodwill recognised in the year, as well as a £6.5m loss arising from decreases in the value of net monetary assets acquired.

Full detail surrounding the impact of transition on both profit and loss and the balance sheet position for previously reported financials is set out in Note 29 of these financial statements.

The surplus for the year on continuing operations, as would have been reported under previous UK GAAP and against which financial performance targets for the year had been set, was £51.0m (3.8% of total consolidated income). This was closely in line with budgeted surplus of £45.5m, equivalent to 3.5% of total income.

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

Our total income can be analysed as follows:

Source of income	2015-16		2014-15	
	£m	%	£m	%
Funding Council	192.1	14	195.2	15
Academic fees	421.1	31	364.2	29
Research contracts	530.4	39	427.3	34
Other operations	181.2	13	246.5	19
Interest	6.9	1	6.7	1
Donations and Endowments	25.1	2	20.3	2
Total	**1,356.8**		**1,260.2**	

Income from the Funding Council fell overall by £3m in the year (2%) to £192m and now accounts for less than 15% of total income. 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 £10m (8%) to £131m..

Academic fee income was up £57m (16%) to £421m, partially accounted for by the first full year's inclusion of fee income from the Institute of Education. The largest contributor was the fee income from full-time international (non EU) students which increased by £28m (17%), driven primarily by an increase in student numbers. Fee income from full-time UK and EU student numbers also rose by £17m (13%).

Income from research contracts was up £103m (24%) over the previous year, of which £83.2m relates to the recognition of non-recurrent capital grant funding. The underlying year-on-year increase of approximately £20m is a good achievement in an era of 'flat cash' funding from research councils and other government bodies, and reflective of UCL's strength in securing such funds. The contribution to overhead costs however decreased from £83m (24.1% of direct costs) to £69m (15.6%).

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Staff expenditure fell by 2% in the year to £693m, despite an increase in average headcount of approximately 10%, and now stands at 51% of total income (2014-15: 56%). This movement is primarily driven by the inclusion of a one-off £72m charge in 2014-15 arising on initial recognition of UCL's commitment to funding past deficits within the SAUL pension scheme.

Other operating expenses rose by £22m (5%) to £471m, with increases across most categories of spend - including scholarships and prizes (£6m, 8%), repairs and maintenance (£7m, 56%) and professional fees (£4m, 19%) - offset in part by a £13m (19%) reduction in other costs.

Other operating expenses also include audit fees and other fees paid to UCL's auditors. Non-audit fees have reduced from £0.3m to £0.2m and incorporate professional advice received from a non-audit division of Ernst & Young in relation to the University's transition to FRS102.

Net assets increased in the year from £1,066m to £1,187m, with cash and short-term deposits up 13% at £159m. This represents 50 days' expenditure (excluding depreciation), compared to 47 at the previous year end. The value of UCL's endowment assets at £101m (2014-15: £104m) remained broadly in line with prior year. Total reserves (excluding endowments) increased from £962m to £1,087 million.

Capital expenditure

The estate plays a vital role in the creation of a UCL sense of identity and place, contributes to UCL's world-class educational and research experience and is key to supporting the student experience. 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 10 years, £1.25bn will be invested in UCL's infrastructure, mostly the estate, and this will be funded from a combination of existing reserves, cash generated from operations, philanthropy and new debt. To support these ambitions, in March 2015, a five year revolving credit facility of £150m was secured with a club of four banks and, in February 2016, UCL concluded its negotiations with the European Investment Bank for a further £280m debt facility: the largest sum ever lent by the bank to a university. As at the 2015-16 year-end, neither facility had been drawn against.

The Bloomsbury Masterplan, adopted in 2012, has been further developed alongside an Estate and Funding Strategy and academic planning to establish a programme of capital improvements. This year, 2015-16, has been year 2 of the 10-year programme that will see investment of over £1.2bn into UCL's infrastructure, across the whole estate. In addition, there is a strong focus on investing in strategic maintenance to reduce a legacy of poor condition, particularly in parts of the estate that are not subject to capital improvements.

A particular focus in estate planning is the improvement and expansion of student facing facilities including teaching and learning spaces.

Current major projects within the central area of the Bloomsbury Campus:

- an elegant new home for the Bartlett School of Architecture with the refurbishment and extension of 22 Gordon Street opening autumn 2016;
- a fine new terrace to the rear of the Wilkins building over the unsightly 'Physics Yard' providing a new entrance into a refurbished and reconfigured Lower Refectory, opening spring 2017;
- the refurbishment and reconfiguration of the Kathleen Lonsdale Building for the Faculty of Maths and Physical Sciences completing autumn 2017;
- A major extension and refurbishment of Bentham House for the Faculty of Laws opening autumn 2017.

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- A new student centre is now under construction on the last vacant site on the Bloomsbury Campus. This will create around 1,000 student learning spaces to open late 2018.

A number of other major capital projects have also commenced including refurbishments of the Courtauld Building and Charles Bell House.

Construction is expected to commence shortly for a new building for the Institute of Immunology and Transplantation in partnership with the Royal Free Hospital in Hampstead and planning is well advanced on many other projects. The fit out of Canary Wharf Level 38 was completed for the UCL School of Management, which opened in the summer of 2016. UCL was a partner in the construction of the Francis Crick building, which completed during the year.

Plans for a new 11-acre campus, part of the Mayor of London's new cultural and educational quarter proposals at the Queen Elizabeth Olympic Park in Stratford East London in partnership with the London Legacy Development Corporation are progressing. Masterplanning the site is nearing completion and detailed design of the first buildings totaling around 50,000 square metres is progressing well in parallel with academic planning. First facilities are expected to complete in 2020.

A significant issue for the University is the prospect of the development of the High Speed Two Terminus at Euston, which will result in both the loss of a number of facilities and adverse operational impact arising from construction work. Work is in hand to replace a large-scale critical facility.

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 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 critical importance of the student experience is a critical driver for investment in the estate, teaching infrastructure and other aspects of the student experience. The introduction of the Teaching Excellence Framework will add further emphasis. UCL has increased the number of both UK/EU and international undergraduate students in 2016, although capacity constraints as well as external factors, such as the impact of the UK's withdrawal from the EU, will limit the rate at which this trend can continue.

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.

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. This will create the scale and quality of facilities commensurate with a world-leading university. The achievement of our targets for financial sustainability will be a critical determinant of our ability to support this investment.

OPERATING AND FINANCIAL REVIEW

Managing risk

UCL has a mature process for identifying, reviewing and monitoring those risks that pose the greatest threat to the achievement of its academic objectives. The strategic risk register is reviewed by the full senior management team and each risk is assigned an owner.

Controls and actions are identified to mitigate the risk and an assessment is made of impact and likelihood, both inherent and residual (post-mitigation). The outcome of this assessment leads to a grading which, when overlaid with UCL's appetite for risk, results in the categorisation of risks between intolerable, severe and manageable.

Action is being taken in respect of all strategic risks but most urgently in respect of those with the highest severity rating. Those include risks associated with the provision and management of teaching and learning space, the substantial programme of construction work that is now underway and damage to international student recruitment caused by visa restrictions

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 and as at September 2016 this had increased to £15.8bn (78% funding). Investment performance has generally been satisfactory but the effect of ongoing quantitative easing, which has sustained gilt yields at historically low levels, has 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 may include further benefit reform, to ensure USS remains both attractive and sustainable. UCL pays 18% of member employees' salaries into the scheme, as does every participating employer, and in 2015-16 this equated to £61.4m.

The SAUL pension scheme was also in deficit at the last formal valuation date by £59m or 97% funded as at 31 March 2014, and this had widened to £203m (92%) as at 31 March 2016. UCL paid contributions of £9.0m into SAUL in 2015-16.

Delivering public benefit

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

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

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

OPERATING AND FINANCIAL REVIEW

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

The advancement of education

UCL was founded in 1826 to provide education to all who could benefit by it. UCL was the first university to admit students regardless of their race, class or religion and the first to admit women students on equal terms with men. UCL provides education to over 39,000 students at both undergraduate and postgraduate levels; 30% 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 - 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.

In 2015-16, UCL Public Policy:

- further developed strategic relationships with the Department for Environment, Food and Rural Affairs (Defra), the Food Standards Agency, the Department for Transport, the Department for Business, Innovation and Skills (BIS) – and will do so with BIS' successor, the Department for Business, Energy and Industrial Strategy – the Government Office for Science (GO-Science), the Department for Health and the Foreign and Commonwealth Office
- arranged nine placements to seven government departments and agencies
- held a wide range of public events
- produced a number of briefings communicating research insights in an accessible way for a policy audience

- worked with the UCL Centre for Behaviour Change to develop a series of behaviour change clinics
- launched the Up Close and Policy series, and held seven events bringing together senior UCL academics and policymakers in an informal setting with UCL researchers to discuss their experience of academic–policy engagement

- supported the Transport & Ethics Policy Commission
- supported policy engagement emerging from UCL Grand
- launched the UCL Public Policy Small Grants scheme
- developed and promoted training, guidance and support materials
- contributed to relevant research grant
- launched a new website, with a new look, more streamlined and better signposted content and improved resources for researchers and policy professionals.

Student Volunteering

UCL has a well-established culture of student volunteering. Annually, around 1,500 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 that supports students to develop their own proposals for new community programmes. The VSU also promotes one-off volunteering, involving students in fundraising activities, community festivals, conservation projects and other events across London.

The advancement of health and the saving of lives

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

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

Environmental sustainability

UCL continues to develop its environmental sustainability programmes. During 2015-16, much of the focus has been on embedding sustainability into the UCL construction, refurbishment and maintenance programmes. Of the six major projects that were completed in 2015/16, UCL achieved a BREEAM Excellent award and five RICS Ska awards (3 Gold and 2 Silver).

The new Sainsbury Wellcome Centre gained UCL's first BREEAM Excellent award for an academic building and sets the benchmark for other projects. UCL is targeting BREEAM Excellent or above for several of the new buildings expected to be completed over the next 3-5 years. This will result in more efficient and healthier buildings:

- energy and carbon savings well beyond Building Regulations requirements, for both new builds and major refurbishments
- minimising the impact of construction materials by environmentally benign options, specifying reused or recycled content where possible.

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- a minimum 40% improvement in water consumption compared to typical new build equivalents
- strict waste management procedures with more than 90% of waste typically diverted from landfill.

In 2015-16, the UCL Sustainability team has also been leading the development of a new sector wide environmental assessment methodology for small refurbishment projects. We have worked alongside the Royal Institute of Chartered Surveyors to develop Ska HE as a means to help deliver sustainable fit-out projects within HE spaces. The scheme looks to bring a more circular approach to waste and procurement of materials during construction and raises the bar in other areas such as energy efficiency and occupant wellbeing. The scheme was launched at UCL in June 2016 and UCL is currently rolling the new scheme out on several projects and should achieve its first Ska HE accredited fit-outs in the New Year.

UCL has continued its programme of carbon savings, with a series of projects such as new boilers, LED lighting upgrades and optimisation of the heating and cooling systems. These activities reduced carbon emissions by 500 tonnes last year. The savings achieved from the past 5 years have delivered £1.2m in avoided cost on UCL's utility bills.

In 2016, UCL Council approved a new Carbon Management Plan that sets a new ambitious 15% target for carbon reduction by 2020 and includes longer-term targets for the first time, requiring savings of 50% by 2034. Carbon emissions in 2015-16 were down by 2.3% compared to the baseline and by 3.3% from 2014-15, despite growth in the estate.

Work is still underway to drive sustainability and efficiency into UCL's operations. Waste figures indicate an improvement in the level of non-residential recycling (66% in 2015-16, up from 59%). UCL achieved a Responsible Procurement Code silver rating and continues to work across the Institution to improve sustainable procurement. Through the logistics programme, UCL has made significant progress to reduce the number of delivery vehicles that are entering its estate by using offsite consolidation of construction loads to minimise impact on local air quality.

The UCL Sustainability team is also working with the community to improve both knowledge and engagement with the sustainability agenda. Training was developed and rolled out to our community of Green Champions. The NUS Green Impact initiative continues to be a success with over 32 teams completing the programme and several undertaking specific environmental improvement programmes in their departments.

In terms of teaching and research, UCL has a living lab programme that continues to evolve. Some of the research supported in 2015-16 includes a PhD investigating the discrepancy in predicted and actual energy performance in academic buildings, and a BASc project to identify how water use could be reduced on campus.

All of this activity has been developed and managed through the framework of an Environmental Sustainability Management System. The System achieved EcoCampus Gold status in early 2016 and will be targeting full ISO14001 status in 2017.

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 Higher Education Code of Governance (updated substantially in 2014 and adopted by UCL Council on 10 February 2015).

In 2015-16, UCL's governing body, the Council, undertook a review of its effectiveness, including an exercise to benchmark UCL's practices against the seven primary elements of Higher Education Governance set out in the Code and now adheres to all elements

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

At its November meeting each year, the Council carries out an annual assessment for the year ended 31 July by considering a report from the Audit Committee, and taking account of events since 31 July. The Council is of the view that there is an on-going process for identifying, evaluating and managing the Group's key risks and internal controls, and that it has been in place for the whole of the year ended 31 July 2016, and up to the date of approval of the annual report and accounts, that the process has been subject to regular review. The Council approaches this responsibility from the perspective of discharging its duties, as specified in the HEFCE Memorandum of Assurance and Accountability.

In accordance with the Statutes of UCL, the Council comprises external members, the President and Provost (Provost hereafter), elected academic staff members and student members (in numbers specified by Statute). The Statutes provide for the distinct roles of Chair and Vice-Chair of the Council, the Treasurer, and of UCL's Chief Executive, the Provost. The powers and duties of the Council are set out in the Statutes; the Council has adopted a Statement of Primary Responsibilities and a delegation framework. The Council holds to itself the responsibilities for the on-going strategic direction of UCL, approval of major developments and the receipt of regular reports from UCL officers on the day-to-day operation of its business and its subsidiary companies. The Council normally meets six times each year (including an away day); 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.

The Finance Committee comprises external members, the Provost and academic staff members. The Committee meets at least four times annually, and is chaired by the Treasurer. Inter alia it recommends to the Council UCL's annual revenue and capital budgets 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.
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.

CORPORATE GOVERNANCE

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

The Audit Committee, which meets at least three times annually, is chaired by an external member of Council and comprises external 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 in relation to the UCL2034 Strategy, the significance of each operating area and their materiality in the context of overall UCL activity. In complying with Code provision C.2.1 (to conduct, at least annually, a review of the Group's system of internal controls), the Audit Committee conducts a high level review of the arrangements for internal control and data quality, with regular consideration of risk and control, 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, via the Audit Committee, 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 Board is a large body that provides advice to Council on a range of matters that have a bearing on UCL's academic activity. The Academic Committee, which reports to the Council, is responsible for, inter alia, monitoring the effectiveness of the academic quality assurance strategy, encompassing policies and procedures in respect of the management of academic quality, academic standards and the enhancement of the quality of the student experience.

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

The Remuneration Strategy 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 external members of the Council or any of its Committees.

RESPONSIBILITIES OF THE COUNCIL OF UNIVERSITY COLLEGE LONDON

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

The Council is responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of UCL and for ensuring that the financial statements are prepared in accordance with UCL's Charter and Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of the 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 COUNCIL OF UNIVERSITY COLLEGE LONDON

We have audited the financial statements of University College London for the year ended 31 July 2016 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, Consolidated and University Balance Sheet, the Consolidated Cash Flow, the Statement of Principal Accounting Policies and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102, the Financial Reporting Standard applicable to the UK and Republic of Ireland.

This report is made solely to the Council as a body in accordance with paragraph 15 of the Charters and Statutes of the University. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and auditor

As explained more fully in the Statement of Responsibilities of Council in the Preparation of the Financial Statements (set out on pages 18-19), the Council is responsible for preparing the financial statements and for being satisfied that they 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 Group's and the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information contained in the Annual Report and Financial Statements 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 affairs of the Group and of the University as at 31 July 2016 and of the surplus of the Group's and the University's income over expenditure and the Group's cash flows for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS102, the Financial Reporting Standard applicable to the UK and Republic of Ireland; and

- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

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

In our opinion:

- funds for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received; and

- income has, in all material respects, been applied in accordance with the Memorandum of Assurance and Accountability with Higher Education Funding Council for England; and

- the requirements of the Higher Education Funding Council for England's Accounts Direction to higher education institutions for 2015-16 financial statements have been met.

Ernst & Young LLP.

Ernst & Young LLP
Statutory auditor
Edinburgh

23 OCTOBER 2016

The maintenance and integrity of University College London's website is the responsibility of its Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated and University Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2016

	Notes	Year ended 31 July 2016 Consolidated £'000	Year ended 31 July 2016 University £'000	Year ended 31 July 2015 Consolidated £'000	Year ended 31 July 2015 University £'000
Income					
Tuition fees and education contracts	1	421,067	421,070	364,248	364,248
Funding body grants	2	192,107	192,107	195,174	195,174
Research grants and contracts	3	530,436	529,489	427,337	426,097
Other income	4	181,162	155,459	246,447	222,593
Investment income	5	6,911	6,814	6,735	6,727
Total income before endowments and donations		1,331,683	1,304,939	1,239,941	1,214,839
Donations and endowments	6	25,149	29,706	20,269	23,530
Total income		1,356,832	1,334,645	1,260,210	1,238,369
Expenditure					
Staff costs	7	692,800	684,517	708,644	700,893
Other operating expenses	8	470,567	455,737	448,279	433,051
Depreciation	12	61,587	61,461	51,061	50,936
Interest and other finance costs	9	8,906	8,894	7,312	7,307
Total expenditure	10	1,233,860	1,210,609	1,215,296	1,192,187
Surplus before other gains losses and share of operating surplus/deficit of joint ventures and associates		122,972	124,036	44,914	46,182
Loss on disposal of fixed assets		(962)	(962)	(365)	(362)
Gain on investments		304	-	98	114
Loss on acquisition of Institute of Education		-	-	(5,087)	(5,087)
Share of operating surplus/(deficit) in joint venture	15	198	-	(137)	-
Share of operating surplus/(deficit) in associate	16	(3,357)	-	(2,455)	-
Surplus before tax		119,155	123,074	36,968	40,847
Taxation	11	(3,878)	(3,795)	(4,184)	(4,166)
Surplus for the year		115,277	119,279	32,784	36,681
Unrealised surplus in respect of revaluation of investments		5,864	497	11,083	8,847
Actuarial loss in respect of pension schemes		(103)	(103)	(99)	(99)
Total comprehensive income for the year		121,038	119,673	43,768	45,429
Represented by:					
Endowment comprehensive income for the year		(3,082)	(3,082)	12,420	12,420
Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income for the year		140,633	138,675	106,555	108,145
Pension reserve comprehensive income for the year		(15,918)	(15,816)	(77,155)	(76,993)
Revaluation reserve comprehensive income for the year		(842)	(104)	1,911	1,857
Attributable to the University		120,791	119,673	43,731	45,429
Attributable to the non-controlling interest		247	-	37	-
		121,038	119,673	43,768	45,429
Surplus for the year attributable to:					
Non controlling interest		177	-	37	-
University		115,100	119,279	32,747	36,681

All items of income and expenditure relate to continuing activities

Consolidated and University Statement of Changes in Reserves

Year ended 31 July 2016

Consolidated	Income and expenditure account			Revaluation reserve	Pension reserve	Total excluding Non Controlling Interest	Non controlling interest	Total
	Endowment	*Restricted*	*Unrestricted*					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Balance at 1 August 2014	**91,626**	**4,806**	**956,254**	**34,919**	**(64,893)**	**1,022,712**	**(109)**	**1,022,603**
Surplus/(deficit) from the income and expenditure statement	10,292	-	99,511	-	(77,056)	32,747	37	**32,784**
Other comprehensive income	6,440	-	2,182	2,461	(99)	10,984	-	**10,984**
Transfers between revaluation and income and expenditure reserve	-	-	550	(550)	-	0	-	**-**
Release of restricted funds spent in year	(4,312)	-	4,312	-	-	0	-	**-**
Total comprehensive income for the year	12,420	-	106,555	1,911	(77,155)	43,731	37	**43,768**
Balance at 1 August 2015	**104,046**	**4,806**	**1,062,809**	**36,830**	**(142,048)**	**1,066,443**	**(72)**	**1,066,371**
Surplus/(deficit) from the income and expenditure statement	5,865	-	125,050	-	(15,815)	115,100	177	**115,277**
Other comprehensive income	601	-	6,035	(842)	(103)	5,691	70	**5,761**
Transfers between revaluation and income and expenditure reserve	-	-	550	(550)	-	0	-	**-**
Release of restricted funds spent in year	(9,548)	-	9,548	-	-	0	-	**-**
Total comprehensive income for the year	(3,082)	-	141,183	(1,392)	(15,918)	120,791	247	**121,038**
Balance at 31 July 2016	**100,964**	**4,806**	**1,203,992**	**35,438**	**(157,966)**	**1,187,234**	**175**	**1,187,409**

University	Income and expenditure account			Revaluation reserve	Pension reserve	Total excluding Non Controlling Interest	Non controlling interest	Total
	Endowment	*Restricted*	*Unrestricted*					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Balance at 1 August 2014	**91,626**	**4,806**	**962,687**	**34,019**	**(64,721)**	**1,028,417**	-	**1,028,417**
Surplus/(deficit) from the income and expenditure statement	10,292	-	103,283	-	(76,894)	36,681	-	**36,681**
Other comprehensive income	6,440	-	-	2,407	(99)	8,748	-	**8,748**
Transfers between revaluation and income and expenditure reserve	-	-	550	(550)	-	0	-	**-**
Release of restricted funds spent in year	(4,312)	-	4,312	-	-	0	-	**-**
Total comprehensive income for the year	12,420	-	108,145	1,857	(76,993)	45,429	-	**45,429**
Balance at 1 August 2015	**104,046**	**4,806**	**1,070,832**	**35,876**	**(141,714)**	**1,073,846**	-	**1,073,846**
Surplus/(deficit) from the income and expenditure statement	5,865	-	129,127	-	(15,713)	119,279	-	**119,279**
Other comprehensive income	601	-	-	(104)	(103)	394	-	**394**
Transfers between revaluation and income and expenditure reserve	-	-	550	(550)	-	0	-	**-**
Release of restricted funds spent in year	(9,548)	-	9,548	-	-	0	-	**-**
Total comprehensive income for the year	(3,082)	-	139,225	(654)	(15,816)	119,673	-	**119,673**
Balance at 31 July 2016	**100,964**	**4,806**	**1,210,057**	**35,222**	**(157,530)**	**1,193,519**	-	**1,193,519**

Consolidated and University Balance Sheet
Year ended 31 July 2016

	Notes	As at 31 July 2016 Consolidated £'000	As at 31 July 2016 University £'000	As at 31 July 2015 Consolidated £'000	As at 31 July 2015 University £'000
Non-current assets					
Fixed assets	12	1,600,495	1,599,568	1,514,239	1,513,209
Investments	14	201,391	206,830	197,232	202,478
Investment in joint venture	15	668	-	470	-
Investments in associate	16	4,281	-	1,606	-
		1,806,835	1,806,398	1,713,547	1,715,687
Current assets					
Stock		552	498	692	620
Trade and other receivables	17	303,357	305,636	269,192	273,700
Investments	18	39,791	39,791	26,499	26,499
Cash and cash equivalents		118,959	111,063	113,317	102,991
		462,659	456,988	409,700	403,810
Less: Creditors: amounts falling due within one year	19	(544,816)	(534,332)	(557,847)	(548,254)
Net current liabilities		(82,157)	(77,344)	(148,147)	(144,444)
Total assets less current liabilities		1,724,678	1,729,054	1,565,400	1,571,243
Creditors: amounts falling due after more than one year	20	(373,409)	(372,111)	(355,376)	(354,078)
Provisions					
Pension provisions	21	(157,966)	(157,530)	(142,048)	(141,714)
Other provisions	21	(5,894)	(5,894)	(1,605)	(1,605)
Total net assets		1,187,409	1,193,519	1,066,371	1,073,846
Restricted Reserves					
Income and expenditure reserve - endowment reserve	22	100,964	100,964	104,046	104,046
Income and expenditure reserve - restricted reserve		4,806	4,806	4,806	4,806
Unrestricted Reserves					
Income and expenditure reserve - unrestricted before pension reserve		1,203,992	1,210,057	1,062,809	1,070,832
Pension reserve		(157,966)	(157,530)	(142,048)	(141,714)
Income and expenditure reserve - unrestricted after pension reserve		1,046,026	1,052,527	920,761	929,118
Revaluation reserve		35,438	35,222	36,830	35,876
		1,187,234	1,193,519	1,066,443	1,073,846
Non-controlling interest		175	-	(72)	-
Total Reserves		1,187,409	1,193,519	1,066,371	1,073,846

Approved by Council on 23rd December 2016

Simon Melliss
Treasurer

Professor Michael Arthur
President and Provost

Phil Harding
Director of Finance

Consolidated Cash Flow
Year ended 31 July 2016

	Notes	July 2016 £'000	July 2015 £'000
Cash flow from operating activities			
Surplus for the year		**115,277**	32,784
Adjustment for non-cash items			
Depreciation	12	**61,587**	51,061
Benefit on acquisition of Institute of Education released to Income		**-**	(74,800)
(Gain) / Loss on investments		**(304)**	(98)
(Gain) / Loss on acquisition of Institute of Education		**-**	5,087
Decrease/(increase) in stock		**140**	158
Decrease/(increase) in debtors		**(33,414)**	(52,129)
Increase/(decrease) in creditors		**64,020**	44,800
Increase/(decrease) in pension provision	21	**15,815**	71,590
Increase/(decrease) in other provisions	21	**4,289**	(211)
Impairment of fixed asset investments	14	**251**	68
Share of operating (surplus)/deficit in joint venture	15	**(198)**	137
Share of operating (surplus)/deficit in associate	16	**3,357**	2,455
Adjustment for investing or financing activities			
Investment income	5	**(6,911)**	(6,735)
Interest payable	9	**4,698**	5,654
Endowment income	6	**(2,909)**	(7,559)
Loss on sale of fixed assets		**962**	365
Capital grant income		**(114,165)**	(31,550)
Net cash inflow from operating activities		**112,495**	41,077
Cash flows from investing activities			
Proceeds from sales of fixed assets		**48**	-
Proceeds from sales of non-current asset investments		**8,002**	3,532
Capital grants receipts		**56,774**	42,780
Withdrawal of deposits		**-**	24,355
Investment income received		**2,348**	2,550
Endowment income received		**2,956**	2,733
Payments made to acquire fixed assets		**(146,563)**	(149,269)
New non-current asset investments		**(11,303)**	(11,019)
New loans to associate companies		**(93)**	(190)
New deposits		**(13,292)**	-
Cash and deposits aquired on acquisition of Institute of Education		**-**	6,142
		(101,123)	(78,386)
Cash flows from financing activities			
Interest paid		**(2,824)**	(3,559)
Interest element of finance lease and service concession payments		**(1,835)**	(2,067)
Endowment cash received		**2,909**	1,149
New unsecured loans		**-**	65
Repayments of amounts borrowed		**(2,483)**	(2,150)
Capital element of finance lease and service concession payments		**(1,497)**	(1,369)
		(5,730)	(7,931)
(Decrease)/increase in cash and cash equivalents in the year		**5,642**	(45,240)
Cash and cash equivalents at beginning of the year		**113,317**	158,557
Cash and cash equivalents at end of the year		**118,959**	113,317
		5,642	(45,240)

Statement of Accounting Policies
for the year ended 31 July 2016

1. Basis of preparation

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

UCL's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating and Financial Review. The financial position of UCL, its cash flows and liquidity position are also described here. UCL has considerable financial resources, along with funding from 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 succesfully, and has a reasonable expectation that UCL has adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

2. Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries (collectively referred to as 'the Group') for the financial year to 31 July 2016. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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

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

3. Income recognition

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

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

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

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

Grant funding

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

Capital grants

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

Donations and endowments

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

3. Income recognition (continued)

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

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

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

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

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

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

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

Research and Development Expenditure Credit (RDEC)

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

4. Accounting for retirement benefits

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

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

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

The Essex fund is a multi-employer defined benefit scheme in which the assets and liabilities relating to UCL's members can be separately identified. It is therefore accounted for as a defined benefit scheme.

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

Defined Contribution Plan

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

Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined

4. Accounting for retirement benefits (continued)

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

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

5. Employment benefits

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

6. Finance leases

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

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

7. Operating leases

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

8. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at year end rates. Foreign exchange differences arising on translation are recognised in Surplus or Deficit unless such funds are held for onward transmission to a research partner under an agency agreement, in which case they are included in creditors.

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

9. Fixed assets

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

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

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

9. Fixed assets (continued)

Land and buildings

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

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

Major refurbishments	20 years
Fixtures and fittings	10 years

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

Equipment

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

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

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

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

Borrowing costs

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

10. Heritage assets

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

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

Heritage assets acquired prior to 1st July 2006 have not been capitalised due to the difficulty and cost of attributing a reliable cost or value to them.

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

11. Intangible assets and Goodwill

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

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

12. Investment Properties

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

12. Investment Properties (continued)

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

13. Investments

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

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

14. Financial Instruments

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

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

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

15. Cash and cash equivalents

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

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

16. Provisions, contingent liabilities and contingent assets

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

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

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

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

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

17. Accounting for Joint Operations, Jointly Controlled Assets and Jointly Controlled Operations

The University accounts for its share of joint ventures using the equity method.

In the consolidated accounts, the Group's share of the results of joint ventures is shown each year in the Statement of Comprehensive Income and the Group's share of gross assets and liabilities is incorporated in the Balance Sheet.

17. Accounting for Joint Operations, Jointly Controlled Assets and Jointly Controlled Operations (continued)

UCL accounts for its share of transactions from joint operations and jointly controlled assets in the Consolidated Statement of Income and Expenditure.

18. Taxation

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

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

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

19. Reserves

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

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

20. Transition to 2015 SORP

UCL has prepared these financial statements in accordance with FRS 102 for the first time and has applied the first time adoption requirements. An explanation of how the transition to FRS102 and the 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 29.

Application of first time adoption grants certain exemptions in the preparation of the first set of financial statements that conform to FRS102. UCL has elected to apply the following exemptions:

Measurement of specific items of land at fair value on the date of transition for use as deemed cost at that date.

Notes to the Accounts
for the year ended 31 July 2016

		Year Ended 31 July 2016		Year Ended 31 July 2015	
		Consolidated	**University**	Consolidated	University
		£'000	**£'000**	£'000	£'000
1	**Tuition fees and education contracts**				
	Full-time home and EU students	**147,588**	**147,588**	130,140	130,140
	Full-time international students	**190,685**	**190,685**	162,287	162,287
	Part time students	**20,637**	**20,637**	17,450	17,450
	Other fees	**13,637**	**13,637**	12,082	12,082
	Research training support grants	**30,406**	**30,406**	27,927	27,927
	Short course fees	**18,114**	**18,117**	14,362	14,362
		421,067	**421,070**	364,248	364,248
2	**Funding body grants**				
	Recurrent grant				
	Higher Education Funding Council:				
	Teaching	**37,238**	**37,238**	42,522	42,522
	Research	**131,498**	**131,498**	121,603	121,603
	Other	**3,041**	**3,041**	5,084	5,084
	Specific grants				
	Higher Education Innovation Fund	**3,350**	**3,350**	3,350	3,350
	HEFCE capital grants	**16,980**	**16,980**	22,615	22,615
		192,107	**192,107**	195,174	195,174

Capital grant funding is received from HEFCE in support of infrastructure projects and major equipment purchases. In line with UCL's adopted accounting policy choice for capital government grants (the accruals model), receipts are deferred in creditors and recognised as income on a systematic basis over the expected useful life of the asset to which the grant relates. Total capital funding received from HEFCE in the financial year was £32,285,000 (2015 - £21,700,000).

		Consolidated 2016	University 2016	Consolidated 2015	University 2015
3	**Research grants and contracts**				
	OST research councils	**149,781**	**149,781**	148,315	148,315
	UK based charities	**200,335**	**200,327**	106,182	106,182
	UK central government, local/health authorities, hospitals	**62,276**	**62,164**	61,505	61,133
	UK industry, commerce and public corporations	**16,244**	**16,171**	16,425	16,329
	EU government bodies	**48,550**	**48,550**	45,531	45,531
	EU other	**9,202**	**8,912**	9,648	8,958
	Other overseas	**22,120**	**21,967**	19,613	19,531
	Other sources	**1,657**	**1,657**	1,730	1,730
	Research and development expenditure credits	**20,271**	**19,960**	18,388	18,388
		530,436	**529,489**	427,337	426,097

Income from research grants and contracts includes deferred capital grants released in the year of £90,048,000 (2015 - £3,897,000)

Income in respect of research and development expenditure credits primarily relates to the estimated value of the University's claim for the period 1 August 2014 to 31 July 2015. Income totalling £4.8m, and relating to claims previously submitted in June 2015, has also been recognised in the year.

Notes to the Accounts
for the year ended 31 July 2016

	Note	Year Ended 31 July 2016 Consolidated £'000	Year Ended 31 July 2016 University £'000	Year Ended 31 July 2015 Consolidated £'000	Year Ended 31 July 2015 University £'000
4 Other income					
Residences, catering and conferences		**43,415**	**38,399**	41,046	36,940
Other revenue grants		**23,605**	**10,129**	11,935	11,935
Other capital grants		**986**	**986**	1,056	1,056
Other services rendered		**50,488**	**48,602**	67,307	52,383
Health authorities		**35,696**	**35,696**	35,311	35,311
Other income		**26,972**	**21,647**	14,992	10,168
Release of benefit arising from acquisitions		**-**	**-**	74,800	74,800
		181,162	**155,459**	246,447	222,593
5 Investment income					
Investment income on expendable endowments	22	**2,414**	**2,414**	2,263	2,263
Investment income on permanent endowments	22	**542**	**542**	470	470
Other investment income		**3,955**	**3,858**	4,002	3,994
		6,911	**6,814**	6,735	6,727
6 Donations and endowments					
New endowments	22	**2,909**	**2,909**	7,559	7,559
Donations with restrictions		**15,952**	**15,952**	1,684	1,684
Unrestricted donations		**6,288**	**10,845**	11,026	14,287
		25,149	**29,706**	20,269	23,530
7 Staff costs					
Salaries and wages		**552,916**	**546,374**	528,827	522,461
NI contributions		**49,090**	**48,432**	41,688	41,174
Movement on USS provision		**7,704**	**7,720**	69,987	69,829
Movement on SAUL provision		**3,907**	**3,799**	-	-
Other Pension costs		**79,183**	**78,192**	68,142	67,429
		692,800	**684,517**	708,644	700,893

Emoluments of the President and Provost:	**2016 £**	**2015 £**
Salary	**361,590**	358,020
Benefits	**998**	1,175
	362,588	359,195
Pension contributions	**2,185**	-
	364,773	359,195

7 Staff costs (continued)

Remuneration of other higher paid staff:

The following sets out the remuneration of higher paid staff other than the Provost and President, excluding employer pension contributions:

	2016 No.	2015 No.
£100,001 - £110,000	92	106
£110,001 - £120,000	78	58
£120,001 - £130,000	52	53
£130,001 - £140,000	34	34
£140,001 - £150,000	39	42
£150,001 - £160,000	37	30
£160,001 - £170,000	30	28
£170,001 - £180,000	21	20
£180,001 - £190,000	22	28
£190,001 - £200,000	17	16
£200,001 - £210,000	10	10
£210,001 - £220,000	7	8
£220,001 - £230,000	3	3
£230,001 - £240,000	3	3
£240,001 - £250,000	2	3
£250,001 - £260,000	3	-
£260,001 - £270,000	1	-
£270,001 - £280,000	-	2
£280,001 - £290,000	-	-
£290,001 - £300,000	-	-
£300,001 - £310,000	-	-
£310,001 - £320,000	1	-
	452	444

The average number of individuals paid through the payroll during the year was 14,237 (2015 - 12,964).

Compensation for loss of office in respect of four higher paid employees totalled £171,000 (2015 - £568,000 in respect of five employees).

Key management personnel

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

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

- **Members of UCL Council**: the ultimate governing body that oversees the management and administration of UCL and is responsible for the approval of UCL's mission and strategic vision as well as its long term academic and business plans.
- **The President and Provost**: The principal academic and administrative officer of UCL, responsible for providing the leadership necessary to ensure that UCL operates in line with a clear strategic direction and that its activities are properly resourced.
- **UCL Vice-Provosts**: Members of the Provost's senior management team, responsible for leading development and delivery of both strategy and operations in their respective areas of authority.
- **Directors of consolidated Group entities**

	2016 £'000	2015 £'000
Key management personnel compensation	2,319	2,408

Council members

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

No trustee has received any remuneration from the group during the year (2015 - £nil).'Seven trustees are also UCL employees but received no additional payment for acting as trustees. Total expenses paid to or on behalf of one trustee was £337 (2015 - nil). This represents travel expenses incurred in the capacity of Council member.

		Year Ended 31 July 2016 Consolidated £'000	Year Ended 31 July 2016 University £'000	Year Ended 31 July 2015 Consolidated £'000	Year Ended 31 July 2015 University £'000
8	**Other operating expenses**				
	Residences and catering	**21,571**	**19,829**	21,541	19,143
	Furniture, computer and other equipment costs	**45,209**	**44,322**	46,396	45,794
	Academic consumables and laboratory expenditure	**45,314**	**43,419**	41,070	38,982
	Books, publications and periodicals	**14,370**	**14,353**	13,858	13,848
	Scholarships and prizes	**83,984**	**83,978**	77,843	77,758
	General educational expenditure	**7,039**	**7,038**	7,177	7,166
	Rents, rates and insurance	**21,857**	**21,457**	18,423	17,874
	Heat, light, water and power	**18,062**	**18,064**	13,126	13,124
	Service charges	**9,260**	**9,268**	8,275	8,288
	Repairs and general maintenance	**18,932**	**18,912**	12,160	12,134
	Long term maintenance	**15,361**	**15,361**	13,121	13,121
	Telephone	**2,157**	**2,092**	2,306	2,211
	Advertising and recruitment	**6,136**	**5,984**	4,488	4,366
	Printing, postage, stationery and other office costs	**5,996**	**5,786**	6,298	6,074
	Conference, travel and training	**41,959**	**41,325**	37,470	36,822
	Professional fees	**24,763**	**23,340**	20,801	18,698
	Audit fees	**171**	**125**	213	159
	Other fees paid to auditors	**180**	**180**	295	295
	Grants to Students Union and other student bodies	**2,766**	**2,766**	2,740	2,776
	Payments to non contract staff and agencies	**29,447**	**28,457**	31,180	30,092
	Other costs	**56,033**	**49,681**	69,498	64,326
		470,567	**455,737**	448,279	433,051
9	**Interest and other finance costs**				
	Loan interest	**3,803**	**3,801**	3,478	3,477
	Finance lease interest	**1,653**	**1,653**	1,869	1,869
	Exchange differences	**(758)**	**(758)**	307	307
	Net charge on pension scheme assets and liabilities	**4,208**	**4,198**	1,658	1,654
		8,906	**8,894**	7,312	7,307
10	**Analysis of total expenditure by activity**				
	Academic departments	**439,053**	**439,073**	389,418	389,474
	Academic services	**79,171**	**80,944**	79,680	81,376
	Research grants and contracts	**354,288**	**353,694**	344,566	343,428
	Residences and catering	**30,306**	**28,564**	29,842	27,444
	Premises	**148,994**	**148,994**	120,426	120,426
	Administration and central services	**112,072**	**112,254**	116,008	116,480
	Other expenses	**69,976**	**47,086**	135,356	113,559
		1,233,860	**1,210,609**	1,215,296	1,192,187

11 **Taxation**

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

	Note	Consolidated 2016	University 2016	Consolidated 2015	University 2015
UCL Trading Ltd		**(2)**	-	17	-
UCL Properties Ltd		**13**	-	1	-
Mapping for Change Ltd		**2**	-	-	-
Relating to Research and Development Expenditure Credit	3	**3,865**	**3,795**	4,166	4,166
		3,878	**3,795**	4,184	4,166

12 Fixed assets

Consolidated	Freehold Land and Buildings	Leasehold Land and Buildings	Equipment, plant and machinery	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 August 2015	1,278,349	408,270	190,561	162,951	2,040,131
Additions at cost	15,526	10,959	29,274	93,346	149,105
Transfers	102,751	4,912	3,515	(111,178)	-
Disposals	(33)	-	(2,871)	-	(2,904)
At 31 July 2016	**1,396,593**	**424,141**	**220,479**	**145,119**	**2,186,332**
Depreciation					
At 1 August 2015	240,630	145,045	140,217	-	525,892
Charge for year	23,598	19,104	18,885	-	61,587
Disposals	(1)	-	(1,641)	-	(1,642)
At 31 July 2016	**264,227**	**164,149**	**157,461**	**-**	**585,837**
Net book value					
At 31 July 2016	**1,132,366**	**259,992**	**63,018**	**145,119**	**1,600,495**
At 31 July 2015	1,037,719	263,225	50,344	162,951	1,514,239

University	Freehold Land and Buildings	Leasehold Land and Buildings	Equipment, plant and machinery	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 August 2015	1,278,349	407,170	189,209	162,951	2,037,679
Additions at cost	15,526	10,959	29,251	93,346	149,082
Transfers	102,751	4,912	3,515	(111,178)	-
Disposals	(33)	-	(2,871)	-	(2,904)
At 31 July 2016	**1,396,593**	**423,041**	**219,104**	**145,119**	**2,183,857**
Depreciation					
At 1 August 2015	240,630	144,534	139,306	-	524,470
Charge for year	23,598	19,077	18,786	-	61,461
Disposals	(1)	-	(1,641)	-	(1,642)
At 31 July 2016	**264,227**	**163,611**	**156,451**	**-**	**584,289**
Net book value					
At 31 July 2016	**1,132,366**	**259,430**	**62,653**	**145,119**	**1,599,568**
At 31 July 2015	1,037,719	262,636	49,903	162,951	1,513,209

The declared value of buildings for insurance purposes (day one basis) as at 1 August 2016 was £3.3bn (2015 - £3.1bn).

On transition to FRS102, the University elected to measure specific elements of its freehold land portfolio at fair value for use as a restated deemed cost. This resulted in an increase of £559m at the date of transition, and at 31 July 2016 freehold land and buildings included £613m (2015 - £613m) in respect of freehold land that is not depreciated.

The above includes assets held under finance leases. At 31 July 2016 the net book value of the assets held under finance leases was £21.4 million (2015 - £22.1 million) with a depreciation charge for the year of £0.7m (2015 - £0.6m).

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13 Heritage assets

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

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

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

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

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

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

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

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

There are no heritage assets capitalised in the balance sheet for the year ended 31 July 2016 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.

14 Non-current investments	Subsidiary £'000	Monies held £'000	Other £'000	Total £'000
Consolidated				
At 1 August 2015	-	15,859	181,373	**197,232**
Additions	-	1,509	10,742	**12,251**
Revaluations	-	-	(197)	**(197)**
Impairments	-	-	(251)	**(251)**
Disposals	-	-	(7,644)	**(7,644)**
At 31 July 2016	-	17,368	184,023	201,391
University				
At 1 August 2015	8,412	15,859	178,207	**202,478**
Additions	-	1,509	10,186	**11,695**
Revaluations	-	-	522	**522**
Impairments	-	-	(221)	**(221)**
Disposals	-	-	(7,644)	**(7,644)**
At 31 July 2016	8,412	17,368	181,050	206,830

Included in monies held on long term deposits is £17.4m (2015 - £15.9m) over which there is a legal charge. The deposit represents a security fund to meet the obligations under finance leases (Note 20).

14 Non-current investments (contnued)

Other investments are categorised as follows:

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	**University**	Consolidated	University
	£m	**£m**	£m	£m
Portfolio of fixed interest securities, equities and cash	**144.6**	**144.6**	145.3	145.3
Investment properties	**1.9**	**-**	2.1	-
Shares in The Francis Crick Institute Ltd	**33.5**	**33.5**	29.8	29.8
Credit facility fee	**0.9**	**0.9**	0.6	0.6
Shares in other limited companies and partnerships	**3.1**	**2.0**	3.6	2.5
	184.0	**181.0**	181.4	178.2

Included in shares in other limited companies and partnerships is a £250,000 (2015 - £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.

15 Joint ventures

The UCL group has interests in the following joint ventures:

(a) **EuroTempest Ltd** is a joint venture company of Benfield, Royal & Sun Alliance and UCL Buisiness Plc. The company transforms weather forecasts and observations into the specific information required to make successful live risk management decisions. Accounts to 31 December 2015 plus management accounts to 31 July 2016 are included.

(b) **Imanova Ltd** is a joint venture of UCL, Imperial College London (ICL), King's 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. Accounts to 31 March 2016 plus management accounts to 31 July 2016 are included.

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

	2016	**2015**
	£'000	**£'000**
Share of Income:		
EuroTempest	**70**	66
Imanova	**2,859**	2,107
	2,929	2,173
Share of operating profit/(loss):		
EuroTempest	**(16)**	(23)
Imanova	**214**	(114)
	198	(137)
Share of gross assets:		
EuroTempest	**38**	34
Imanova	**1,473**	1,787
	1,511	1,821
Share of gross liabilities:		
EuroTempest	**(39)**	(19)
Imanova	**(804)**	(1,332)
	(843)	(1,351)
Share of reserves:		
EuroTempest	**(1)**	15
Imanova	**669**	455
	668	470

16 Associates

The UCL group has interests in the following associate companies:

(a) 22.69% holding in ordinary shares of **Abcodia Ltd**, reduced from 24.41% following a share issue. The company develops biomarkers. The company prepares accounts to 31 December, and accounts to 31 December 2015 plus management accounts to 31 July 2016 are included.

(b) 36.77% holding in ordinary shares of **Amalyst Ltd**. The company has been set up to comercially exploit the discovery of a class of catalysts which can replace expensive platinum in a range of hydrogen-based energy technologies. The company prepares accounts to 30 April and accounts to 30 April 2016 plus management accounts to 31 July 2016 are included.

(c) 23.28% holding in ordinary shares of **Asio Ltd**, reduced from 34.45% 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 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 2016 plus management accounts to 31 July 2016 are included.

(d) 28.93% holding in the ordinary shares of **Atocap Ltd**, reduced from 43.75% following a share issue. 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 2016 are included.

(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 2016 are included.

(f) 29.91% holding in **Domainex Ltd.** The principal activity of the company is to exploit its technology platform in the field of protein domain hunting, gene expression and protein structure analysis. The company prepares accounts to 30 April, and accounts to 30 April 2015 plus management accounts to 31 July 2015 are included.

(g) 25.44% holding in **Endomagnetics Ltd.** The company develops medical devices. The company prepares accounts to 31 December, and accounts to 31 December 2016 plus management accounts to 31 July 2016 are included.

(h) 25.94% holding in ordinary shares of **Freeline Therapeutics Ltd.** The company is focused on the development and commercialisation of gene therapies for bleeding and other debilitating disorders. The company prepares accounts to 30 September, and accounts to 30 September 2015 plus management accounts to 31 July 2016 are included.

(i) 25.99% holding in ordinary shares of **Helicon Health Ltd**, reduced from 56.98% following a share issue. The company provides a package of services for chronic condition management which includes web-based software, clinical service delivery, an accredited educational programme and a consulting service. The company prepares accounts to 31 July, and accounts to 31 July 2016 are included.

(j) 45.00% holding in ordinary shares of **Movement Metrics CIC**. The company carries out research and development in social sciences and humanities. The company prepares accounts to 31 March, and accounts to 31 March 2016 and management accounts to 31 July 2016 are included.

(k) 34.8% holding in ordinary shares of **Multilyte Ltd**. The main activity of the company is the 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 2016 are included.

(l) 45.0% holding in ordinary 'A' shares of **Pentraxin Therapeutics Ltd**. The company was 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 2016 are included.

(m) 30.54% holding in ordinary shares of **Senceive Ltd**. The company provides information delivery services and products to industry. The company prepares accounts to 31 October, and accounts to 31 October 2015 plus management accounts to 31 July 2016 are included.

Charing Systems Ltd was dissolved on 2 December 2014.

16 Associates (continued)

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

	2016 £'000	2015 £'000
Share of operating profit/(loss):		
Abcodia	**(418)**	(619)
Amalyst	**(29)**	(93)
Asio	**(221)**	(122)
Atocap	**(21)**	(5)
Canbex	**(1,124)**	(254)
Charing Systems	**-**	(11)
Domainex	**67**	(219)
Endomagnetics	**(427)**	(814)
Freeline Therapeutics	**(1,435)**	-
Helicon Health	**54**	-
Multilyte	**(1)**	(2)
Pentraxin	**35**	(356)
Senceive	**(57)**	(33)
	(3,577)	**(2,528)**
Share of Taxation (charge)/credit:		
Abcodia	**40**	15
Asio	**-**	4
Canbex	**8**	7
Domainex	**60**	11
Endomagnetics	**66**	63
Freeline Therapeutics	**46**	-
Pentraxin	**-**	(27)
	220	73
Share of reserves:		
Abcodia	**487**	931
Amalyst	**56**	85
Asio	**42**	-
Atocap	**49**	-
Canbex	**448**	-
Domainex	**199**	105
Endomagnetics	**-**	361
Freeline Therapeutics	**2,823**	-
Movement Metrics	**19**	-
Multilyte	**60**	61
Pentraxin	**98**	63
	4,281	1,606
Purchase of investments in associates:		
Abcodia	**-**	250
Amalyst	**-**	66
Asio	**-**	75
Endomagnetics	**-**	400
	-	791

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
17 Trade and other receivables				
Amounts falling due within one year:				
Invoiced debtors	24,425	20,017	18,572	15,984
Research grants and contracts	179,783	179,783	160,685	160,685
Local health authorities/hospitals	20,979	20,979	22,581	22,581
Halls of residence debtors	726	726	760	760
Advances to members of staff	12,797	12,785	12,360	12,347
Inter company debtors	-	11,510	-	10,598
Other debtors and prepayments	63,761	59,836	53,441	50,745
Amounts falling due after one year:				
Loans to associate companies	886	-	793	-
	303,357	305,636	269,192	273,700

18 Current investments

General funds invested in securities	-	-	20,450	20,450
Short term deposits	39,791	39,791	6,049	6,049
	39,791	39,791	26,499	26,499

Amounts held as short-term deposits are money market investments and range from three months to one year maturity.

19 Creditors: amounts falling due within one year

Bank loans	1,771	1,771	1,808	1,808
PFI loans	854	854	675	675
Research grants received on account	290,445	290,445	244,278	244,278
Purchase ledger creditors	42,921	41,571	34,843	33,264
Other creditors including taxation and social security	61,731	60,663	56,626	56,298
Obligations under finance leases	1,335	1,335	1,273	1,273
Accruals and deferred income	145,759	136,152	218,344	209,380
Inter-company creditors	-	1,541	-	1,278
	544,816	534,332	557,847	548,254

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

Donations	2,179	2,179	2,288	2,288
Capital grants	25,431	25,431	116,843	116,843
Tuition fees in advance	2,315	2,315	4,196	4,196
	29,925	29,925	123,327	123,327

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		Note	Year Ended 31 July 2016 Consolidated £'000	Year Ended 31 July 2016 University £'000	Year Ended 31 July 2015 Consolidated £'000	Year Ended 31 July 2015 University £'000
20	**Creditors: amounts falling due after more than one year**					
	Deferred income		**302,721**	**301,423**	280,504	279,206
	Obligations under finance leases		**36,108**	**36,108**	37,668	37,668
	PFI loan		**13,889**	**13,889**	14,743	14,743
	Long term bank loans		**20,126**	**20,126**	21,758	21,758
	Salix Revolving Green Fund		**565**	**565**	703	703
			373,409	**372,111**	355,376	354,078
	Analysis of loan repayments:					
	In less than one year:					
	Finance leases	19	**1,335**	**1,335**	1,273	1,273
	Loans	19	**2,625**	**2,625**	2,483	2,483
	In more than one year but no more than two years					
	Finance leases		**1,387**	**1,387**	1,349	1,349
	Loans		**2,756**	**2,756**	2,625	2,625
	In more than two years but no more than five years					
	Finance leases		**34,721**	**34,721**	15,069	15,069
	Loans		**9,704**	**9,704**	8,921	8,921
	In more than five years					
	Finance leases		**-**	**-**	21,250	21,250
	Loans		**22,120**	**22,120**	25,658	25,658
			74,648	**74,648**	78,628	78,628
	In less than one year (Note 20)	19	**(3,960)**	**(3,960)**	(3,756)	(3,756)
			70,688	**70,688**	74,872	74,872

It is anticipated that UCL will exercise options under the leasing arrangements between 20 and 25 years into the term of each lease. Security is provided to the lessors by way of annual payments into a security deposit (Note 14).

Included in bank loans are the following:

Lender	**Amount £'000**	**Due <1 year £'000**	**Term**	**Interest rate**		**Borrower**
Royal Bank of Scotland	13,419	1,278	2026	5.8	Fixed/Variable	UCL
Barclays	2,554	126	2036	0.6	Variable	Institute of Education
Barclays	2,444	121	2036	5.7	Fixed	Institute of Education
Barclays	1,713	43	2037	1.0	Fixed	Institute of Education
Barclays	1,629	65	2037	5.1	Fixed	Institute of Education
	21,759	**1,633**				

21 Provisions for liabilities

Consolidated	**Obligation to fund deficit on USS pension £'000**	**Obligation to fund deficit on SAUL pension £'000**	**Defined benefit scheme obligations £'000**	**Total pension provisions £'000**	**Dilapidations £'000**	**Redundancies £'000**	**Other £'000**	**Total £'000**
At 1 August 2015	141,703	-	345	**142,048**	1,220	75	310	**1,605**
Utilised in year	-	-	-	**-**	-	(30)	(262)	**(292)**
Additions	11,899	3,907	112	**15,918**	4,942	-	250	**5,192**
Releases	-	-	-	**-**	(566)	(45)	-	**(611)**
At 31 July 2016	**153,602**	**3,907**	**457**	**157,966**	**5,596**	**-**	**298**	**5,894**

Notes to the Accounts

for the year ended 31 July 2016

21 Provisions for liabilities (continued)

University	Obligation to fund deficit on USS pension £'000	Obligation to fund deficit on SAUL pension £'000	Defined benefit scheme obligations £'000	Total pension provisions £'000	Dilapidations £'000	Redundancies £'000	Other £'000	Total £'000
At 1 August 2015	141,369	-	345	**141,714**	1,220	75	310	**1,605**
Utilised in year	-	-	-	-	-	(30)	(262)	**(292)**
Additions	11,905	3,799	112	**15,816**	4,942	-	250	**5,192**
Releases	-	-	-	-	(566)	(45)	-	**(611)**
At 31 July 2016	**153,274**	**3,799**	**457**	**157,530**	**5,596**	**-**	**298**	**5,894**

Other provisions includes £298,000 compensation payable in respect of the termination of property leases.

The obligation to fund the deficits on the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL) arises from contractual obligations with the pension schemes to make payments in line with agreed recovery plans. The periods over which these recovery plans are in place are set out in Note 28. In assessing the value of the provisions, management has assessed future employees within the schemes and salary payment over the period of the contracted obligation

22 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2016 Total £'000	2015 Total £'000
Balances at 1 August 2015					
Capital	1,049	16,996	82,361	**100,406**	88,142
Accumulated income	146	627	2,867	**3,640**	3,484
	1,195	17,623	85,228	**104,046**	91,626
Institute of Education at 2 December 2014 - capital	-	-	-	-	6,410
New endowments	336		2,573	**2,909**	1,149
Investment income	511	31	2,414	**2,956**	2,733
Expenditure	(345)	(37)	(9,166)	**(9,548)**	(4,312)
(Decrease) / increase in market value of investments	36	8	557	**601**	6,440
Total endowment comprehensive income for the year	538	2	(3,622)	**(3,082)**	12,420
At 31 July 2016	1,733	17,625	81,606	**100,964**	104,046
Represented by:					
Capital	17,368	1,057	78,745	**97,170**	100,406
Accumulated income	793	140	2,861	**3,794**	3,640
	18,161	1,197	81,606	**100,964**	104,046
Analysis by type of purpose:					
Lectureships	1,517	-	29,133	**30,650**	31,403
Scholarships and bursaries	4,922	-	27,131	**32,053**	30,809
Research support	10,291	-	13,814	**24,105**	26,182
Prize funds	828	-	4,283	**5,111**	4,977
General	603	1,197	7,245	**9,045**	10,675
	1,102	821	940	**100,964**	104,046
Analysis by asset:					
Fixed Income				**18,531**	14,626
UK equities				**27,786**	32,406
Global Equities				**48,120**	43,556
Alternative Investments				**5,373**	4,191
Cash - Fund manager				**2,422**	6,114
Cash - UCL				**(2,507)**	2,713
Debtors				**1,239**	440
				100,964	104,046

23 Capital commitments	Year Ended 31 July 2016 Consolidated £'000	Year Ended 31 July 2016 University £'000	Year Ended 31 July 2015 Consolidated £'000	Year Ended 31 July 2015 University £'000
Commitments contracted at 31 July 2016	**118,360**	**118,360**	43,927	43,927
Authorised but not contracted at 31 July 2016	**166,461**	**166,461**	214,162	214,162
	284,821	**284,821**	258,089	258,089

Commitments at 31 July 2016 include £22.4m in relation to the Data Centre relocation, £20.3m in relation to the MRC Prion relocation work in the Courtauld Building, £14.6m for the refurbishment of the Kathleen Lonsdale Building and £11.5m for the refurbishment of Bentham House. Major developments which were previously authorised but not contracted include Astor College extension (£29.3m) and New Student Centre (£53.9m).

24 Lease obligations

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

	Year Ended 31 July 2016			Year Ended 31 July 2015		
	Land & Buildings £'000	Other £'000	Total £'000	Land & Buildings £'000	Other £'000	Total £'000
Payable during the year	**10,945**	**438**	**11,383**	9,142	166	9,308
Future minimum lease payments due						
Not later than 1 year	**12,449**	**374**	**12,823**	11,133	66	11,199
Later than 1 year and not later than 5 years	**41,566**	**598**	**42,164**	42,601	85	42,686
Later than 5 years	**31,921**	**-**	**31,921**	38,141	-	38,141
Total lease payments due	**85,936**	**972**	**86,908**	91,875	151	92,026

25 Related party transactions

The financial statements of UCL for the year ended 31 July 2016 include transactions with a number of organisations which fall within the definition of related parties under FRS 102 Section 33 'Related Party Disclosures'. Due to the nature of UCL's operations and the composition of Council (being drawn from local public and private sector organisations), it is inevitable that transactions in the normal course of business will take place with entities in which members of Council (or indeed other key management personnel) may have an interest. All transactions involving organisations in which key management personnel 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.

UCL has taken advantage of the exemption within FRS 102 Section 33 and not disclosed transactions with wholly-owned subsidiaries.

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

	Income £'000	Expenditure £'000	Balance due to/(from) UCL at 31 July 16 £'000
UCLPartners	969	7	1,070
Francis Crick Institute	185	112	11
Roche Group	925	589	486
Academy of Medical Sciences	154	66	(105)
High Speed Two (HS2) Ltd	3,442	-	599
Southern Universities Management Services	1	64	(3)
City and Islington College	1	37	(31)
Science and Technology Facilities Council	8,570	337	188
Engineering and Physical Sciences Research Council	56,798	-	944
UCL Hospitals NHS Foundation Trust	18,409	4,715	9,565
North Middlesex University Hospital NHS Trust	124	29	15
Royal National Orthopaedic Hospital NHS Trust	609	153	223

25 Related party transactions (continued)

The following related party transactions also took place within the year:

Michael Arthur, UCL President and Provost, sits on the board of the Russell Group of Universities, of which UCL is a member and to which a £69k subscription was paid in the year. He also serves on Centre for London's board. UCL made a £12k contribution to Centre for London in respect of the London Conference 2015.

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 £14k.

Dominic Blakemore serves as a director of Compass Group Plc, which provided catering services to UCL to the value of £38k through a number of its group entities.

Graham Lay, director of wholly-owned subsidiary Evexar Medical Ltd, 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 £100k from FirmAnswer Ltd.

THE FRANCIS CRICK INSTITUTE (FCI): UCL is a founding member of the Francis Crick Institute, a biomedical research centre established by six distinguished partners from scientific and academic fields. In 2015/16 the University purchased additional shares in the institute to the value of £3.7m, bringing its total investment to £33.5m. Other transactions with the FCI are tabulated above.

THE ALAN TURING INSTITUTE (ATI): The ATI was set up in 2015 as the national centre for data science. It is a joint venture comprising five founder universities and the EPSRC. Each founding member has pledged a £5m grant to the institute. The University paid over £1m in 2015/16 as agreed, and has recognised the £4m balance under creditors at 31 July 2016.

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

	Balance at 1 August 2015	Cash transfers	Income	Other	Balance at 31 July 2016
	£'000	£'000	£'000	£'000	£'000
Abcodia Limited	4	(13)	9	-	-
Amalyst Limited	-	(1)	3	(2)	-
Asio Limited	-	-	-	-	-
Atocap Limited	4	(17)	18	-	5
Canbex Therapeutics Limited	11	(124)	113	-	-
Endomagnetics Limited	1	(14)	20	300	307
Eurotempest Limited	-	(37)	37	-	-
Helicon Health Limited	-	-	12	(3)	9
Pentraxin Therapeutics Limited	9	(28)	40	-	21
Senceive Limited	27	(10)	24	(25)	16
Total debtors	**56**	**(244)**	**276**	**270**	**358**

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

	2016	2015
	£'000	£'000
Abcodia Limited	373	373
Amalyst Limited	25	25
Asio Limited	130	29
Domainex Limited	305	356
Endomagnetics Limited	10	10
Helicon Helath Limited	43	0
Total loans	**886**	**793**

26 Subsidiary undertakings

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

Company	Principal Activity	Status	Class of Shares	Proportion Held
Bloomsbury Bioseed Fund Ltd (BBSF)	Investment in bio-technology start ups.	75% owned	Ordinary	75% - UCL
Brainminer Ltd	Development of DIADEM, an automated, extensible, and personalised healthcare platform for assisting the clinical diagnosis of dementia.	100% owned	Ordinary	100% - UCL Business
Evexar Medical Ltd	Developing and commercialising medical and surgical devices.	100% owned.	Ordinary 'A'	100% - UCL Business
			Ordinary 'B'	100% - UCL Business
			Ordinary 'C'	100% - UCL Business
Mapping for Change CIC	A social enterprise specialising in participatory and community mapping projects, which focuses on providing mapping services to public, private and non-governmental 'third sector' organisations that are value driven and which principally reinvest their surpluses to further social, environmental or cultural objectives.	95% owned	Ordinary	95% - UCL
Thiologics Ltd	Provision of goods and services in bio-technology.	100% owned	Ordinary	100% - UCL Business
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
UCL Consultants Ltd	Provision of administrative support to staff engaged in consultancy.	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 Enterprises Ltd	General commercial trading.	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 Trading Ltd	Contracting, consultancy and other commercial activities.	100% owned	Ordinary	100% - UCL

The Group's interest in Helicon Health Ltd was reduced to 25.99% following a share issue during the year. The company is now accounted for as an associate.

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.

27 Connected charities

A number of charitable institutions are administered by or on behalf of the University and have been established for its general or special purposes. None of these connected institutions are included as subsidiary undertakings in these consolidated financial statements as the University does not have control over their activities. The movements on the total funds of all connected institutions, as reported in their most recent published accounts, were as follows:

	Opening balance £'000	Income £'000	Expenditure £'000	Closing balance £'000
Brain Research Trust	18,256	2,224	3,373	17,107
UCL Cancer Institute Research Trust	2,702	949	1,132	2,519
Child Health Research CIO	13,777	1,289	1,198	13,868
Rheumatology Discretionary Fund	401	101	188	314
Middlesex Hospital and Medical School Trust	1,263	124	52	1,335
2 medical research funds with income below £100,000:	1,076	95	27	1,144
	37,475	4,782	5,970	36,287

All instituions were established to generate funds for the furtherance of scientific research in their respective areas within the UCL medical school.

28 Pension schemes

Multi-employer plans

The Group contributes to three principal defined benefit multi-employer plans on behalf of its employees: the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) and the National Health service (NHS) Pension Scheme. A number of staff, transferred to UCL via historic business combinations, also belong on the Principal Civil Service Pension Scheme (PCSPS) and the Medical Research Council Pension Scheme (MRCPS). The schemes are externally funded and contracted out of the State Second Pension (S2P) and are valued every three years by professionally qualified independent actuaries using the projected unit method. Assets of each scheme are held in separate trustee administered funds.

It is not possible to identify UCL's share of the underlying assets and liabilities of these five schemes and they are therefore accounted for as if they were defined contribution schemes, with contributions recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

Multi-employer plans (continued)

Total costs for these schemes for the Group were:

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
Contribution to USS	**61,738**	**61,375**	52,213	51,934
Contribution to SAUL	**9,543**	**8,964**	7,980	7,581
Contribution to NHS	**6,874**	**6,825**	6,803	6,768
Contribution to MRCPS	**972**	**972**	1,070	1,070
Contribution to CSPS	**51**	**51**	57	57
	79,178	**78,187**	**68,123**	**67,410**

Outstanding contributions to USS, SAUL, the NHS Pension Scheme, MRCPS and PCSPS were £11.0m at 31 July 2016 (2015 - £8.9m).

The Universities Superannuation Scheme

The latest actuarial valuation of the scheme was at 31 March 2014 (unaudited) using the projected unit method. The assumptions and other data which had the most significant effect on the result of the valuation were as follows:

Investment returns per annum	5.2%
Salary scale increases per annum - short term	3.50%
Salary scale increases per annum - long term	4.00%
Pension increases per annum - CPI	2.20%

28 Pension Schemes (continued)

The Universities Superannuation Scheme (continued)

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

As part of this valuation the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2031. As a result, employer contributions were increased from 16% to 18% in April 2016, with 2.1% of that higher rate specifically earmarked to reduce the existing deficit.

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

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

The Superannuation Arrangements of the University of London

The latest actuarial valuation of the scheme was at 31 March 2014 (unaudited) using the projected unit method. The assumptions and other data which had the most significant effect on the result of the valuation were as follows:

Investment returns per annum	
- before retirement	6.04%
- after retirement	3.94%
Salary scale increases per annum	3.75%
Pension increases per annum	2.75%

At the valuation date, the value of the assets of the scheme was £1.93bn and the value of the scheme's technical provision: was £1.99bn indicating a shortfall of £59m. The assets therefore were sufficient to cover 97% of the benefits which had accrued to members after allowing for expected future increases in earnings.

As part of this valuation the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2018. As a result, employer contributions were increased from 13% to 16% in April 2016, with 3% of that higher rate specifically earmarked to reduce the existing deficit. Employers have also agreed that this higher contribution rate will not be reduced before 31 March 2020, irrespective of SAUL's funding level.

Details of the scheme and the 2014 valuation can be found at www.saul.org.uk

National Health Service Pension Scheme

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

The latest actuarial valuation of the scheme was 31 March 2012 using the projected unit method, with results published in June 2014. The assumptions and other data which had the most significant effect on the result of the valuation were as foll(

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

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

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

28 Pension Schemes (continued)

Medical Research Council Pension Scheme

The latest actuarial valuation of the scheme was at 31 December 2013 (unaudited) using the projected unit method. The assumptions and other data which had the most significant effect on the result of the valuation were as follows:

Investment returns per annum	5.60%
Long term salary growth per annum	4.10%
Pension increases per annum	2.60%

At the valuation date, the value of the assets of the scheme was £1.05bn and the value of the scheme's technical provisions was £0.9bn indicating a surplus of £160m. The assets therefore were sufficient to cover 110% of the benefits which had accrued to members after allowing for expected future increases in earnings.

As a result of this valuation, the trustees determined that the employer contribution rate payable from 1 April 2015 will remain at 14.9%.

Principal Civil Service Pension Scheme

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

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

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

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

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

Defined benefit plans

UCL has one single-employer defined benefit pension plan: the UCL Former Medical Schools (UFMS) Pension Scheme for the non-academic staff of Middlesex Hospital Medical School acquired upon merger in August 1987. The scheme was closed to new entrants at the point of merger, and with effect from 30 June 2012 all active members consented to a transfer of their benefits to SAUL. Deferred and pensioner liabilities have remained with the UFMS scheme.

UCL has one single-employer defined benefit pension plan: the UCL Former Medical Schools (UFMS) Pension Scheme for the non-academic staff of Middlesex Hospital Medical School acquired upon merger in August 1987. The scheme was closed to new entrants at the point of merger, and with effect from 30 June 2012 all active members consented to a transfer of their benefits to SAUL. Deferred and pensioner liabilities have remained with the UFMS scheme.

In addition, UCL contributes to the Essex Pension Fund: a defined benefit scheme, transferred to UCL on 1 May 2013 and administered in accordance with the Local Government Pension Scheme Regulations 2007/08. The underlying assets and liabilities that relate to UCL's members can be identified and therefore the scheme has been accounted for as a defined benefit plan.

28 Pension Schemes (continued)

Defined benefit plans (continued)

Current service costs, losses on settlement and curtailments and actuarial losses are recognised in the Consolidated Statement of Comprehensive Income and Expenditure. Past service costs are recognised immediately if the benefits have vested in the plan 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.

The UFMS and Essex schemes are funded, with assets held separately from those of UCL in separate, trustee administered funds. Pension scheme assets are measured at fair value and liabilities measured on an actuarial basis using the projected unit method and discounted at a 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 as a pension asset or liability in the Consolidated Balance Sheet.

UCL (Former Medical Schools) Pension Scheme

The UFMS Pension Scheme is a single-employer defined benefit plan, acquired under the merger with the Middelsex Hospital Medical School in August 1987 and closed to new applicants at that date. A valuation of the scheme as at 31 July 2016 has been carried out by an independent qualified actuary, using the projected unit method, and is based on the results of the full Scheme Funding Assessment as of March 2010.

The assumptions and other data which had the most significant effect on the result of the valuation were as follows:

Investment returns per annum	2.30%
Future statutory revaluation of pensions in deferment	1.70%
Increase on post 1997 pension	
- for pre 2006 leavers	1.80%
- for post 2006 leavers	2.65%

At the valuation date, the value of the assets of the scheme was £13.2m and the value of the scheme's defined benefit obligation was £12.2m. As UCL does not currently have the ability to recover the resulting surplus of £1.0m (2015: £0.6m) either through reduced contributions in the future or through refunds from the scheme, the corresponding net defined benefit asset is not recognised in the Consolidated Balance Sheet.

The pension expense over the year to 31 July 2016 was £74,000. On the basis that surplus is not recognised, this solely reflects the administration cost borne by the scheme over the year, and interest on the net defined benefit liability is restricted to zero.

The estimated amounts of employer contributions expected to be paid to the scheme during the year ending 31 July 2017 is £132,000. The estimated benefit payments expected to be paid out of the scheme in the year ended 31 July 2017 are £450,000

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 2016, net liabilities were £457,000 (2015: £345,000) with a total charge to expenditure, reflecting service costs and net interest on the defined liability, of £69,000 (2015: 31,000). Employer contributions paid in the year ended 31 July 2016 totalled £2,000 (2015: £10,000). No employer contributions are expected to be paid in the year ended 31 July 2017.

On 21 February 2016, the last remaining active member left the service of UCL triggering a cessation valuation to certify the final deficit. As a result, the deficit of £457,000 has been confirmed as the amount required to be paid to the Fund. After payment has been made, UCL is no longer responsible for any past service obligations.

Notes to the Accounts

for the year ended 31 July 2016

29 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the 2015 SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102 Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with former UK GAAP and the 2007 SORP. A reconciliation showing how the transition to FRS 102 and the 2015 SORP has affected the University's financial position and financial performance is set out in the following tables:

	1 August 2014		31 July 2015	
	Consolidated	University	Consolidated	University
Reconciliation of Financial Position:	£'000	£'000	£'000	£'000
Total reserves under 2007 SORP	**890,204**	**895,703**	**1,020,049**	**1,026,440**
Restatement of property, plant and equipment	558,739	558,739	558,739	558,739
Restatement of business combination	-	-	52,743	52,743
Release of negative goodwill	2,813	2,813	23,911	23,911
Accrued donation income	7,426	7,426	7,677	7,677
Disallowed losses in associates	1,230	-	641	-
Deferred capital grant income	(354,659)	(353,361)	(433,693)	(432,395)
Retirement benefits (pension provision)	(64,603)	(64,431)	(141,703)	(141,370)
Accrued leave entitlement	(18,545)	(18,472)	(21,993)	(21,900)
Total effect of transition to FRS 102	**132,401**	**132,714**	**46,322**	**47,406**
Total reserves under 2015 SORP	**1,022,605**	**1,028,417**	**1,066,371**	**1,073,846**

	Year ended 31 July 2015	
	Consolidated	University
Reconciliation of Financial Performance:	£'000	£'000
Surplus for the year under 2007 SORP	**26,106**	**29,167**
Net gain on restatement of business combination	67,386	67,386
Increase in donation income recognised	895	895
Movement in disallowed losses in associates	(591)	-
Recognition of capital grant income	4,872	4,908
Increase in pension provision	(71,636)	(71,476)
Movement in accrued leave entitlement	(2,459)	(2,439)
Effect of transition to FRS 102	**(1,533)**	**(726)**
Items reallocated from the Statement of Total Recognised Gains and Losses (STRGL) to the income statement:		
Endowments received in the year	1,149	1,149
Endowments acquired on combination with IoE	6,410	6,410
Appreciation of endowment asset investments	6,440	6,440
Unrealised surplus on revaluation of investments	3,141	3,087
Actuarial losses in respect of pension schemes	(99)	(99)
Gain on deemed disposal of Associates & JVs	2,154	-
Effect of STRGL reallocation	19,195	16,988
Total comprehensive income for the year under 2015 SORP	**43,768**	**45,429**

29 Transition to FRS102 and the 2015 SORP (continued)

Notes to the Reconciliations of Financial Position and Financial Performance

Restatement of property, plant and equipment: In line with the first-time adoption exemptions available on transition to FRS102, UCL has elected to to measure specific items within property, plant and equipment at fair value on the date of transition and to use that value as deemed cost at that date. The above increase to net assets of £559m relates wholly to the remeasurement of land holdings within UCL's Bloomsbury campus.

Restatement of business combination: In December 2014, the Institute of Education (IOE) joined UCL, with the fair value of net assets acquired, for nil consideration, calculated under former UK GAAP at £23.4m. FRS102 requires that historic business combinations arising after the date of transition are restated to reflect the accounting requirements of the new Standard and the accounting policy choices of the reporting entity. The resulting £53m rise in net assets reflects a significant decrease in deferred non-government capital grant funding in the IOE's acquisition balance sheet on application of the performance model of revenue recognition, offset in part by the recognition of liabilities for accrued staff leave entitlement and USS pension commitments.

Release of negative goodwill: Under former UK GAAP, negative goodwill arising on public benefit entity combinations was recognised in the income statement over the remaining lifetime of the non-monetary assets acquired. The SORP 2015 however, requires that any surplus arising on such combinations is recorded immediately within the Statement of Comprehensive Income. The above adjustments reflect a release of outstanding negative goodwill for historic combinations with the School of Pharmacy and the IOE.

Accrued donation income: Income relating to philanthropic pledges and endowments is recognised on entitlement, which under FRS102, and for those donations that do not have performance related conditions attached, UCL deems to be the point at which an agreement to donate or create an endowment is formally entered into. This represents a move away from the previous treatment of recognition at the point of reciept and, as a result, additonal income has been accrued for future pledge commitments.

Disallowed losses in associates: UCL does not hold any obligation to make payments on behalf of its associates and therefore, under FRS102, the University only recognises its share of an associate's losses up to the point at which its interest is reduced to zero. These adjustments represent an increase to the carrying value of those interests where previous treatment under the equity method resulted in the recognition of a net liability.

Deferred capital grant income: UCL has adopted the accruals method of revenue recognition for government capital grants, which represents a continuation of the accounting treatment applied prior to transition. FRS102 withdraws this option for non-government capital grants, however, such that income is recognised on entitlement and as performance related conditions are met, as opposed to over the expected useful life of the funded asset. This revised treatment resulted in a significant release of capital grant funding to the income statement on transition and, in line with the presentational requirements of the new Standard, the remaining balance has been reclassified from reserves to deferred income.

Retirement benefits (pension provisions): The additional liability represents the recognition of the Group's commitment to fund past deficits within the USS pension scheme in line with an agreed recovery plan. In 2012, participating employers committed to making enhanced contributions of 16% over the five year period from April 2016 to March 2021, resulting in the intitial recognition of the liability at the present value of those future obligations. In July 15, the recovery plan was extended such that employers would make contributions of 18% over the period to March 2031, resulting in a significant increase to the value of that liability in the 2015-16 financial year.

Accrued leave entitlement: Under FRS102, short-term accumulating compensated absences, such as accrued holiday pay, are recognised as a liability at the additional amount expected to be paid as a result of any unused entitlemement as at the end of the reporting period.