

Directors' Report & Consolidated Accounts

for the year ended 31 July 2013

The Universities and Colleges Admissions Service
(LIMITED BY GUARANTEE)

Directors' Report and Consolidated Accounts for the year ended 31 July 2013

Contents

Legal and administrative information	2-3
Report of the Directors	4-15
Independent auditor's report	16-17
Consolidated and charity statement of financial activities	18
Consolidated and charity balance sheet	19
Consolidated and charity cashflow statement	20
Notes to the accounts	21-49

UCAS Board Structure (until 19 April 2013)

CHAIRMAN

Professor David Eastwood (Appointed 1 August 2011, resigned 21 September 2012)
Professor Sir Steve Smith (Appointed 21 September 2012, resigned 19 April 2013)

DIRECTORS

Mr David Adelman (Resigned 6 March 2013)
Professor Janet Beer (Appointed 21 September 2012, resigned 19 April 2013)
Mr Liam Burns (Resigned 6 March 2013)
Professor David Butcher (Resigned 6 March 2013)
Professor Tony Chapman (Resigned 6 March 2013)
Mrs Lynette Cutting (Resigned 6 March 2013)
Professor Ellen Douglas-Cowie (Resigned 6 March 2013)
Professor David Eastwood (Resigned 21 September 2012)
Professor David Fleming (Resigned 19 April 2013)
Mr Allan Foulds (Appointed 21 September 2012, resigned 7 December 2012)
Professor Neil Gorman (Resigned 6 March 2013)
Dr James McGeorge (Appointed 21 September 2012, resigned 6 March 2013)
Mrs Caragh Merrick (Resigned 19 April 2013)
Ms Jane Nelson (Resigned 6 March 2013)
Mr John Ryan (Resigned 6 March 2013)
Professor Sir Steve Smith (Resigned 19 April 2013)
Professor Dame Joan Stringer (Resigned 6 March 2013)
Ms Michele Sutton OBE (Resigned 19 April 2013)
Mr Rama Thirunamachandran (Resigned 6 March 2013)
Professor Elizabeth Treasure (Resigned 6 March 2013)
Mr Peter Walsh (Resigned 6 March 2013)
Dr Tim Westlake (Resigned 6 March 2013)

Board Structure (as from 19 April 2013)

CHAIRMAN

Professor Sir Steve Smith (Appointed 19 April 2013)

DIRECTORS

Dr David Ashton (Appointed 7 June 2013)
Professor Janet Beer (Appointed 19 April 2013)
Professor Joy Carter (Appointed 7 June 2013)
Professor Sir Ian Diamond (Appointed 19 April 2013)
Professor David Fleming (Appointed 19 April 2013)
Mr Terry Grote OBE (Appointed 19 April 2013)
Mr Gerry Pennell OBE (Appointed 7 June 2013)
Mrs Caragh Merrick (Appointed 19 April 2013)
Professor Colin Riordan (Appointed 19 April 2013)
Professor Toby Salt (Appointed 20 September 2013)
Mrs Michele Sutton OBE (Appointed 19 April 2013)

COMPANY SECRETARY

Mrs Helen Cornish

MANAGEMENT

Mrs Mary Curnock Cook OBE
Mr Steve Jeffree
Mr Andrew Hargreaves
Mr Paul Robinson
Mrs Fatuma Mahad
Mrs Catherine Gilbert
Mrs Helen Thorne MBE
Ms Joanne Redfern

Chief Executive
Chief Operating Officer
Director of Marketing Communications (Appointed 2 September 2013)
Director of Finance
Director of Corporate Services
Director, Customer Strategy (Resigned 4 March 2013)
Director of Policy and Research
Director, Commercial (Resigned 5 August 2013)

REGISTERED OFFICE

Rosehill
New Barn Lane
Cheltenham
Gloucestershire
GL52 3LZ

BANKERS

Barclays Business Banking
P O Box 288
Britannia Warehouse
The Docks
Gloucester
GL1 2YJ

AUDITORS

External auditor

Baker Tilly UK Audit LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

SOLICITORS

Baker and McKenzie
100 New Bridge Street
London
EC4V 6JA

Internal auditor

KPMG
3 Assembly Square
Britannia Quay
Cardiff
South Glamorgan
CF10 4PL

ACTUARY

Little & Company
Berkshire House
252-256 Kings Road
Reading
Berks
RG1 4HP

The Directors of the Universities and Colleges Admissions Service (UCAS), who are also trustees of the charity, are responsible for the financial and organisational control and management of UCAS. The Directors present their report for the year ended 31 July 2013.

Over
650,000
people use the
admissions service

Objectives and activities for the public benefit

The objects of UCAS as set out in the Company's articles of association are:

to advance and to assist in the advancement of education in universities, and other higher or further education establishments in the United Kingdom in so far as such advancement and assistance shall be of an exclusively charitable nature, in particular, but without prejudice to the foregoing, by providing and maintaining an organisation to facilitate the consideration by such universities and other higher or further education establishments of applications for admission to and to assist applicants in gaining access to such universities and education establishments.

Following the approval voted at the last Annual General Meeting, the objects of UCAS were amended on 11 September 2013 to include UCAS' activities in secondary education establishments and to remove the restriction to the UK.

The Directors confirm that they have reviewed the charity's aims and objectives and complied with their duties in the Charities Act 2011 to have due regard to the Charity Commission's guidance on public benefit when exercising any powers or duties to which the guidance is relevant. In particular, the Directors have considered how planned activities will contribute to the aims and objectives they have set. In preparing this report they have also had regard to the new guidance published on 16 September 2013.

UCAS' vision is that it is at the heart of connecting people to higher education. UCAS' mission is to create value for members through shared services, and by delivering admissions services that help applicants make the right choices, for the right reasons and with the right outcomes.

The principal activity of UCAS is the promotion, administration and development of shared applications and admissions services for higher education providers in the UK.

UCAS provides affordable application services to allow access to higher education to a wide range of applicants. It also provides information and course details for full-time undergraduate, postgraduate and secondary education providers and learners. It collects and publishes a wide range of statistical data to inform its members and the public as well as enabling academic research and public policy. UCAS has 372 member institutions.

UCAS' admissions service enables applicants to apply for entry to university or college through a single gateway, using a standard form and a common process, supporting fair and transparent admissions. Around 650,000 people use this service each year – UCAS' data shows that applicants come from across the world and from a full range of ethnic, socio-economic and educational backgrounds. In view of the range of applicants, the Directors are satisfied that the modest application fee charged by UCAS does not prevent applicants from more modest backgrounds from benefitting from the UCAS admissions services. UCAS also offers specific advice and guidance to applicants with disabilities and our admissions system meets accessibility requirements.

For schools and colleges we provide a range of services, information, statistics and events to help teachers and advisers support learners' applications.

To assist those applying for higher education (HE) courses, UCAS' website and publications provide comprehensive information about the applications process as well as information about how universities and colleges make and confirm offers of places. Applicants can talk to our experienced advisers, ask questions using social media, or watch online videos. The UCAS call centre handled 618,730 calls in the year. UCAS also publishes and distributes free guides, publications and newsletters to applicants, parents, advisers, schools and colleges across the UK and internationally and runs conventions across the UK which provide over 250,000 people each year with face-to-face advice about the application process.

The services of UCAS and its wholly owned trading subsidiary UCAS Media Limited can be accessed through these websites: www.ucas.com and www.ucasmedia.com. UCAS is a registered trade mark. Its website, www.ucas.com had over 150 million page views in the year.

UCAS' strategic objectives: achievements and performance

This is the third year that we have reported our achievements and performance against the strategic objectives outlined in our Corporate Strategy (2010-2015) which is available on UCAS' website.

Strategic objectives

- **Members' services:** To provide an efficient service to members; and to expand the range of our services and our value to members.
- **Admissions services:** To provide for all customers a comprehensive, trusted and continuously improving admissions service and information resource to support progression to UK higher education courses.
- **Research:** UCAS is recognised as the authoritative source of intelligence about participation, progression and admission in higher education in the UK.
- **Participation in higher education:** To help all learners make the right choices in their education and preparation for admission to higher education.
- **Communications and technology:** To maximise our reach and impact on all customers through a commitment to the technologies of the digital age, leading edge systems, creative communication techniques and innovative marketing.
- **Resources:** To increase funds available to deliver our vision and mission and enhance value to customers; and maximise efficiency and sustainability across UCAS.

Our achievements and performance against these strategic objectives underline our commitment to providing services that better meet the needs of member institutions, applicants and other customer and stakeholder groups.

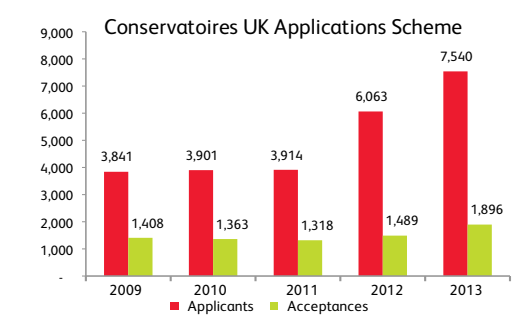
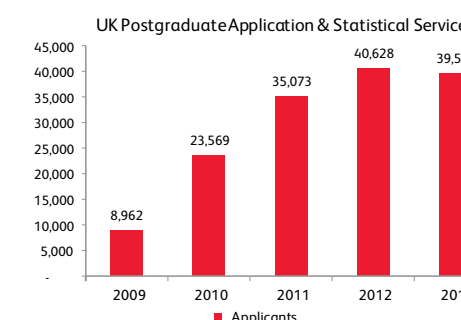
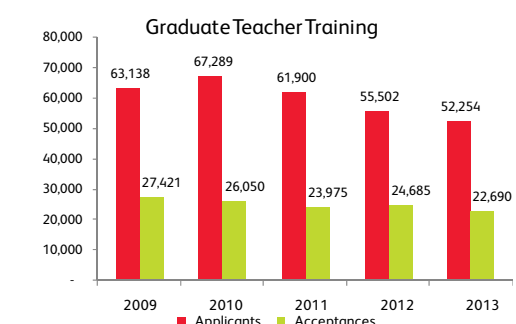
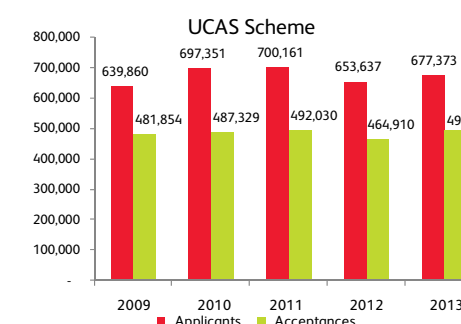
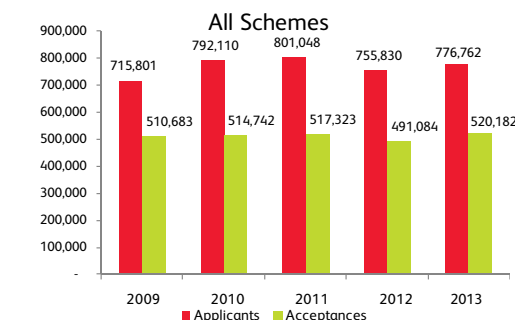
The focus of activity in the year has been on the following:

- Stabilisation and assurance of the core admissions process and operations, and the development of improved service delivery models which help provide an efficient service to members and expand the range of our services and our value to members. (Members' services and Admissions services)
- Ensuring that UCAS continues to be recognised as the authoritative source of intelligence about participation, progression and admission in higher education in the UK. We have significantly increased the extent of our analytical reporting. Our analysis has framed and underpinned national understanding of the impacts of policy and funding changes on admissions to HE and is widely cited and re-used by government departments, regulators, sector bodies, think tanks, and academic researchers. (Research)
- To help learners make the right choices in their education and preparation for admissions to higher education, we have published analysis that has increased the understanding of the offer and acceptance process. New guidance has been developed and published to help students understand the use of Tariff points in entry requirements, offer making and admissions decisions. (Participation in higher education)
- Maximising our reach and impact on all customers through a commitment to the technologies of the digital age, leading edge systems, creative communication techniques and innovative marketing. UCAS.com was re-launched with new brand design, navigation, re-structured content and functionality. Our achievements in this area have been recognised by being selected as one of the finalists in the European Call Centre and Customer Service Awards 2013 (results October 2013), in the category of Best Use of Social Media in Customer Service, and the first adviser satisfaction survey (June 2013) results. 90 per cent of respondents strongly agreed or agreed that UCAS communicates with applicants using up-to-date technologies. (Communications and technology and Admissions services)
- Implementation of the new governance structure, moving to a smaller, skills-based Board and committees and the introduction of the new UCAS Council to advise the Board.
- Organising our change activity within a single programme structure, the Futures Programme, to ensure a strong delivery focus and management of dependencies across different projects. The programme is to be delivered in three phases: Stabilisation, Transition and Transformation. The programme was in the Stabilisation phase during the year and a number of improvements including stabilisation of our critical IT services, implementing a flexible contact centre resource model to manage peak demand as well as new Course Collect and Course Search products were delivered.

- We have launched the People Strategy (2013-15), to outline our commitment to creating a more rewarding place to work and we have established a Staff Consultation Group to support corporate communication and represent the employee voice.
- Increasing the funds available to deliver our vision and mission and enhance the value to customers; and maximise efficiency and sustainability across the Company. We have seen year-on-year growth in revenue of 13.1 per cent within our commercial business. There has been an increased focus on core costs and project spend. (Resources)

Key achievements in the year can be summarised as:

- Launch of Course Collect and Course Search products.
- Launch of a new and improved UCAS.com website
- Moving core services to a resilient cloud-based environment
- Delivery of a successful Confirmation and Clearing cycle
- Raising UCAS' profile in the academic and public sector as an authoritative source of intelligence about admissions to higher education



Plans for the future

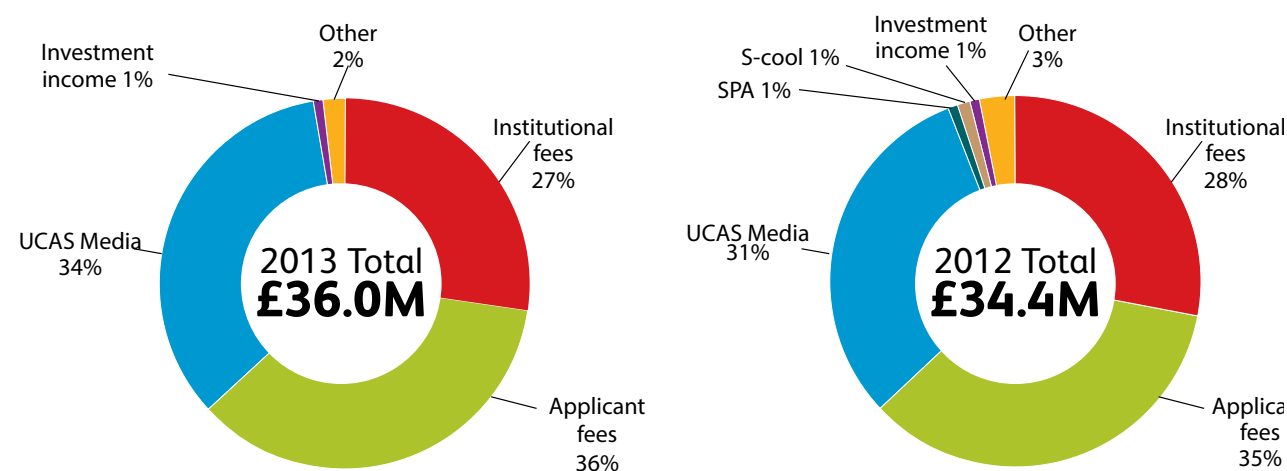
At the start of the 2013/14 financial year, the Futures Programme moved in to the Transition Phase. A key project during this period is the transition to a new Core IT provider. We will be focussing on key strategic projects such as developing a Common Admission Services Engine which is a single system to support the admissions process for all schemes. Other projects include enhancing our Course Collect and Course Search products; enhancing the information and advice we provide to applicants, advisers and members; and implementing changes to enable us to distribute copies of applications to institutions digitally as well as collating digital input from applicants, such as copies of documents and audition videos.

The Corporate Strategy for 2014-19 is being developed to set the organisational direction for the coming five years.

Financial review

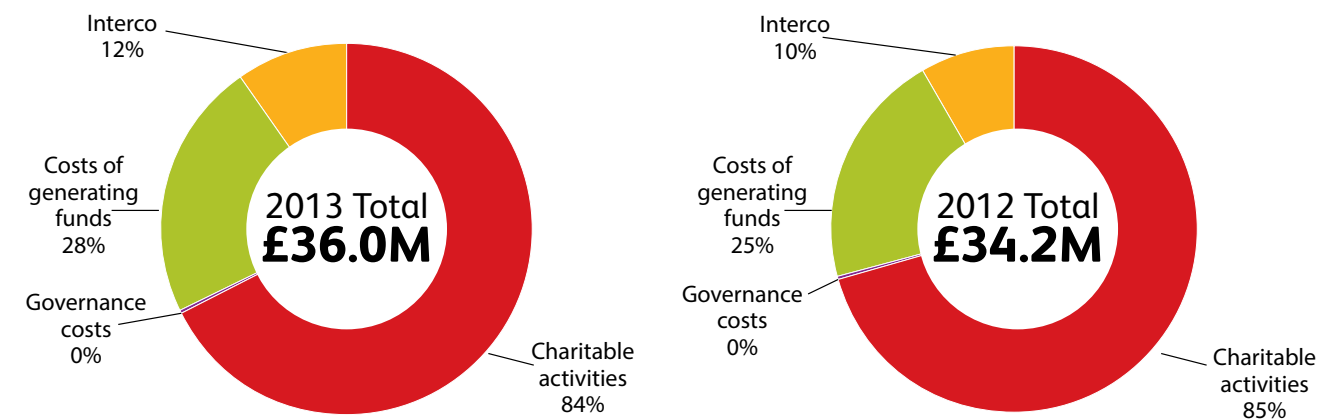
Total incoming resources increased by 4.7 per cent to £36.0M. The largest contributor for the increase was revenue generated from the commercial subsidiary which increased by 12.3 per cent compared to last year. Application fees were up 7.7 per cent to £13.0M driven by a corresponding increase in the number of applicants.

Total incoming resources (note 3) in 2013 vs. 2012 are shown below.



During the course of the year operational costs increased by 5 per cent due mainly to non-recurring restructuring costs. Investment in core systems and processes to enable the charity to offer value for money to its members and applicants totalled £5.3M (see key achievements on page 7).

Resources expended (note 4) in 2013 vs. 2012 are shown below:



Overall cash reserves for the Group decreased by £3.0M to £18.2M due to the high level of investment in infrastructure development.

Details of UCAS' pension arrangements, including two final salary schemes and one money purchase arrangement are set out in note 16 to the accounts. The UCAS Pension and Life Assurance Scheme was subject to a triennial valuation as at 31 July 2013, the results of which will only be available to the Directors of UCAS in the year to 31 July 2014. The net charge for the year ended 31 July 2013 is £1.6M (2012: £1.1M) included in note 16, after cash contributions of £1.1M (2012: £1.2M). The contributions include both normal employer contributions (calculated at a rate of 11.8 per cent of individual pensionable salaries) and also an amount of £0.7M under a formal agreement with the trustees of the pension scheme to alleviate the pension trustees' measure of the deficiency of net assets in the scheme.

Operating results are stated after taking account of the charge arising from changes in assumptions relating to deficit on the UCAS Pension and Life Assurance Scheme, in line with the requirements of FRS17. It has no cash impact and does not relate to operations during the year. The impact of this charge is set out below:

	2013	2012
	£	£
Operating surplus	468,769	160,590
FRS17 (charge)/credit	(482,000)	57,000
Reported (deficit)/surplus	<u>(13,231)</u>	<u>217,590</u>

The Group's financial reserves comprise mainly cash at bank. The main purpose of these reserves is to maintain sufficient finance for the Group's planned future operations and activities. The main financial risk arising from the Group's operations and activities is liquidity risk. It is the Group's policy to fund its operations and activities from operating income and cash reserves. The Group's reserves policy is set out in this Report of the Directors.

The Group made no political contributions or donations during the two years ended 31 July 2013.

UCAS, being a registered charity, seeks to benefit from the appropriate tax exemptions where it is able to.

Investment policy

UCAS' memorandum of association allows the Group to make such investments, including securities or property as may be thought fit, subject to legal and constitutional conditions and consents, and to subscribe for interests in any company or undertaking established with the intention of directly or indirectly benefiting the Company. All cash funds generated by UCAS or any subsidiary companies will be invested and managed through UCAS in accordance with all legal requirements, and with regard to UCAS' reserves policy and both short and long term working capital requirements. Cash in excess of working capital requirement is invested in banks with highest possible Standard & Poor's rating. The period of investment does not exceed 12 months.

Reserves policy

The Board of Directors review the Reserves policy annually to ensure that UCAS' financial plans maintain the appropriate reserves required, having regard to both short term and longer term strategic objectives in conjunction with the corporate risk management framework. Additionally, designated reserves that may be required for specific transactions (for example, to mitigate pension funding shortfalls) are established or amended as appropriate. The designated funds are classed under the headings fixed asset reserve, working capital reserve and pension reserve (Note 13). It is the intention of the Directors to use these funds in the next 5-10 years to realise the strategic objectives as outlined in the Plans for the Future section of this report.

The Directors have agreed to maintain the unrestricted reserves to avoid realising any fixed assets, whilst maintaining a working capital reserve equivalent of up to 50 per cent of current net assets and sufficient to fund operating expenditure for a period of six months. The Directors have also endorsed a financial strategy to support the deficiency currently reported in the defined benefit pension scheme. Commitments as at 31 July 2013 are set out in note 16 of the accounts.

Structure, governance and management

UCAS was incorporated on 27 July 1993 as a company limited by guarantee. It is registered as a company in England (number 2839815); as a charity in England and Wales (number 1024741), and as a cross border charity in Scotland (number SC038598). Its governing document is the Articles of Association (the Articles).

Following a review of the charity's governance structure and arrangements in 2012, the UCAS Board agreed a series of changes to strengthen the governance of the organisation, which were approved at the UCAS Annual General Meeting on 6 March 2013, including:

- a smaller skills-based Board of 13 Directors (including the Chief Executive subject to Charity Commission consent) to enhance the level of operational and regulatory scrutiny and strategic debate by the UCAS Board.
- a new and strengthened sub-committee structure including co-opted committee members.
- the formation of an advisory Council representative of UCAS' members and key stakeholders which is required to challenge and inform the work of UCAS Board; to give feedback to the UCAS Board on the organisation's performance; and to inform the strategic direction of UCAS.

Trustees' and Directors' recruitment, appointment and training

UCAS' Articles determine the constitution of the new UCAS Board and appointment of Directors.

The UCAS Board was previously represented by five appointments from Universities UK, two from Guild HE Limited and one from Association of Colleges. Eight members were elected, one each from institutions in Northern Ireland, Scotland and Wales and five from England. Previously, nine members could be appointed through nominations from higher education organisations, the National Union of Students or the UCAS Board.

Under the new governance structure, the Directors have been independently selected and formally appointed based on their specific skills, experience and expertise in information technology, operational delivery, higher education admissions, marketing and communications, and finance and audit.

The majority of the Directors are from a higher education background, including six heads of institutions of higher education; one head of a further and higher education institution; one secondary education institution head; and four additional Directors. This UCAS Board is chaired by a Vice-Chancellor nominated by UUK (in consultation with GuildHE).

New Directors and Co-opted Committee members receive essential governance documents such as a copy of the Directors' report and the accounts, UCAS' corporate strategy and the Governance handbook. In addition, they were invited to attend a formal induction session to meet members of the Executive Management Team. All Directors and Co-opted Committee members were also sent guidance documents such as 'The Essential Trustee' and 'General Guidance on Public Benefit' during the year. In addition to UCAS' induction process, a continuing professional development programme is being developed for participation by the Directors and the Co-opted Committee members during the next financial year.

Organisational structure

In accordance with the Articles, the Directors meet both as a Board of Directors and as sub-committees. The Board of Directors may, and does, delegate to the officers of UCAS such powers as are necessary for the day-to-day management of UCAS.

The UCAS Board's original sub-committees were extinguished as part of the governance review and the Board is now supported by four new sub-committees: Audit, Finance, Nominations and Remuneration, to carry out its delegated responsibilities. Sub-committee members are appointed by the UCAS Board and each sub-committee comprises a majority of Directors as well as Co-opted Committee members who are formally selected and appointed based on their complementary skills and expertise.

Each sub-committee is chaired by a Director. The 'Terms of Reference' for the four sub-committees are published on UCAS' website.

The sub-committees meet regularly and during 2012/13 (including movements after the year end) were:

Previous Committee Structure (1 August 2012 – 19 April 2013)

Audit Committee:

Mr John Ryan (Chair) (Resigned 6 March 2013)
Ms Jane Nelson (Resigned 6 March 2013)
Mr Peter Walsh (Resigned 6 March 2013)
Mr David Adelman (Resigned 6 March 2013)
Professor David Fleming (Resigned 19 April 2013)

Professor David Butcher (Resigned 6 March 2013)
Caragh Merrick (Resigned 19 April 2013)
Professor Sir Steve Smith (Resigned 19 April 2013)

Resources Committee:

Caragh Merrick (Chair) (Resigned 19 April 2013)
Professor Neil Gorman (Resigned 19 April 2013)
Professor Tony Chapman (Resigned 6 March 2013)
Mrs Lynette Cutting (Resigned 6 March 2013)
Professor Elizabeth Treasure (appointed 29 August 2012, resigned 6 March 2013)
Terry Grote OBE* (appointed 29 August 2012, resigned 19 April 2013)

Governance Committee:

Professor David Eastwood (Chair) (Resigned 21 September 2012)
Professor Dame Joan Stringer (Resigned 6 March 2013)
Dr Tim Westlake (Resigned 6 March 2013)
Mrs Caragh Merrick (Resigned 19 April 2013)
Professor Sir Steve Smith (Resigned 19 April 2013)

Remuneration Committee:

Professor David Eastwood (Resigned 21 September 2012)

Current Committee Structure (as from 19 April 2013)

Audit Committee:

Professor Janet Beer (Chair) (Appointed 19 April 2013)
Dr David Ashton (Appointed 20 September 2013)
Professor David Fleming (Resigned 20 September 2013)
Gerry Pennell OBE (Appointed 20 September 2013)
Dr Jim McGeorge* (Appointed 19 April 2013)
Louise Parr Morley* (Appointed 20 September 2013)

Nominations Committee:

Professor Sir Steve Smith (Chair) (Appointed 19 April 2013)
Professor David Fleming (Appointed 19 April 2013)
Professor Sir Ian Diamond (Appointed 19 April 2013)
Michele Sutton OBE (Appointed 19 April 2013)

Finance Committee:

Caragh Merrick (Chair) (Appointed 19 April 2013)
Professor Joy Carter (Appointed 20 September 2013)
Terry Grote OBE (Appointed 19 April 2013)
Professor Jonathan Michie* (Appointed 20 September 2013)
Professor Elizabeth Treasure* (Appointed 19 April 2013)

Remuneration Committee:

Professor Sir Steve Smith (Chair) (Appointed 19 April 2013)
Professor David Fleming (Appointed 19 April 2013)
Mrs Caragh Merrick (Appointed 19 April 2013)
Professor Colin Riordan (Appointed 20 September 2013)

*Co-opted Committee member

Our call centre handled
618,760
calls in the year

Subsidiaries

UCAS owns 100 per cent of the share capital of its subsidiary UCAS Media Limited. UCAS Media Limited is used for non-primary purpose trading activities. On 15 December 2010, UCAS Media acquired 100 per cent of the share capital of S-cool Limited. The trade and assets of S-cool Limited were hived up into UCAS Media Limited on 31 July 2013.

UCAS Media Limited financially supports its parent, UCAS.

The profit on ordinary activities before tax and Gift Aid donations during the year ended 31 July 2013 amounted to £2,271,632, which represented an increase of 1 per cent since the year ended 31 July 2012. Sales revenue increased by 16 per cent (2012: increase of 9 per cent) to £12,217,450 (2012: £10,547,302).

See note 9 for full details of subsidiaries and investments.

Risk management

The Directors have given consideration to the major risks to which UCAS is exposed and have satisfied themselves that systems and procedures are in place to mitigate those risks, as required by the Charities (Accounts and Reports) Regulations 2008.

In seeking to discharge their responsibilities the Directors recognise inherent risks associated with the activities of the company and its subsidiaries. The UCAS Board seeks to manage and mitigate risk, in particular through the activities of its Audit Committee, which, working in conjunction with senior management, monitor the following activities.

1. Risk management: The Corporate Risk Management Framework (CRMF) covers a number of key risk management components including risk appetite, risk management processes, risk perspectives, business continuity planning and disaster recovery.

The risk management process is designed to enable the Directors of the Company, on the advice of the Audit Committee which also receives separate reports from the internal auditors, to conclude whether major risks to UCAS have been identified and reviewed, and whether systems and procedures have been established to mitigate these risks in accordance with Charities SORP 2005.

During the year, the framework has been updated to reflect the movement to a single programme structure and to reflect the changes to the UCAS Statement of Risk Appetite following an annual review. A new risk category, describing the main area of impact, has been added. This is entitled 'Confirmation and Clearing' to acknowledge explicitly that the risk appetite in relation to service delivery varies in accordance with the point in the cycle.

The risk appetite has been increased across all categories, with the exception of information security, to ensure that:

- Appropriate risk response plans are considered.
- There are acceptable levels of 'residual risk'.
- Risks are escalated appropriately.

Training sessions are run on an annual basis for all staff and online learning modules have been developed for the purpose of induction and refresher training.

The Corporate Risk Management Group, made up of Risk Champions across the organisation, is charged with:

- Ensuring the Corporate Risk Management and Issue Resolution Framework is implemented effectively and consistently, ensuring that risk is managed day-to-day across the company and used to inform decision making.
- Looking to other organisations to share and learn from good practice with a view that UCAS' approach to the Management of Risk and Resolution of Issues can be continuously improved.
- Ensuring Risk and Issue logs are internally and externally peer reviewed, to ensure linkages are clearly understood and risk registers are meaningful.

The Directors consider the principal risks to be:

- System failures on either old, unsupported technology or new technology
- Financial instability
- Loss of data or information integrity
- Inability to attract and retain adequate skills in staff

To address the risks, during the year, new technology stack utilising cloud technology and improved monitoring was implemented. Financial monitoring and reporting has been strengthened. A Data Governance Board was established and information security training was rolled out to all staff. After an audit, UCAS has retained its ISO27001 award. A competitive pay and reward scheme, staff benefits package, a Centre of Excellence development framework and performance management process are some of the initiatives introduced as part of the new People strategy enabling UCAS to be a high performance organisation and a rewarding place to work.

Operational risk and issue reporting is integrated into the monthly corporate reporting framework. Strategic risks and issues are reviewed by executive management on a regular basis and are reported to all meetings of the Audit Committee and UCAS Board.

2. Internal audit: this function was contracted to RSM Tenon for 2012-13 but services transfer to KPMG from August 2013 for a three year contract. The internal auditors undertake a series of audits of operational and financial activities on a cyclical basis. The annual programme of work is advised by the risk management function, and is conducted in conjunction with the external audit function and with the agreement and direction of the Audit Committee.
3. Health and safety: UCAS maintains a dedicated centrally managed health and safety function. This function undertakes regular reviews of operational activities, provides advice including risk assessments, and reports to the Chief Executive and Audit Committee.
4. Programme and project quality assurance: The central Programme Management Office is responsible for implementing and maintaining an effective framework to manage and control the delivery of individual projects within the scope of a single programme, as well as identifying and managing risks, issues and dependencies. A gateway review process is embedded as part of the Programme and Project Management Framework (PPM) and has continued to develop its maturity.

Employee engagement

In March 2013, we launched our People Strategy, which outlines our commitment to making UCAS a more rewarding place to work for our staff.

The strategic outcomes it supports are:

- we have a well led, skilled and motivated workforce and can attract and retain talent
- we have a culture of high performance, continuous improvement and organisational excellence
- we take a strategic approach to resourcing and high priority is given to efficiency and value for money

The outcomes will be delivered by raising the overall capability and skills of people through the Centres of Excellence model, investing in our people, setting clear ambitious performance contracts, differentiating performance and celebrating success, encouraging a high consultation approach and improving organisational health by fostering a spirit of involvement and connection to ensure UCAS is an enjoyable place to work.

Disabled employees/persons policy

UCAS operates a 'Dignity at work' policy which complies with the Equality Act 2010. The policy ensures that all employees are treated fairly, with respect and without discrimination at all times.

Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Charitable Company and the Group and of the incoming resources and application of resources, of the Charitable Company and the Group for that period. In preparing these accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charitable Company and enable them to ensure that the accounts comply with the Companies Act 2006, Charities and Trustees Investment (Scotland) Act 2005 and The Charities Accounts (Scotland) Regulation 2006. They are also responsible for safeguarding the assets of UCAS Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Charitable Company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

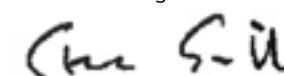
The Charitable Company paid a premium of £500 (2012: £500) to indemnify Directors and officers against legal liabilities arising through wrongful acts in the performance of their duties. The policy excludes claims arising through malicious or intentional breach of conduct, dishonesty or fraud.

Statement of disclosure of information to auditor

Each Director confirms, in so far as she or he is aware, that there is no relevant information of which UCAS' auditor is unaware and that they have taken all the steps that they ought to have taken, as Directors, to make themselves aware of any relevant audit information and to establish that UCAS' auditor is aware of that information.

Auditors

Baker Tilly UK Audit LLP was appointed as auditor at the Annual General Meeting of its members in April 2013. Baker Tilly UK Audit LLP has indicated its willingness to continue in office. A resolution to re-appoint Baker Tilly UK Audit LLP will be part of the Annual General Meeting.



ON BEHALF OF THE BOARD

Professor Sir Steve Smith

Chairman

Date: 10 December 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF THE UNIVERSITIES AND COLLEGES ADMISSIONS SERVICE

FOR THE YEAR ENDED 31 JULY 2013

We have audited the Group and parent charity financial statements of The Universities and Colleges Admissions Service (the financial statements) for the year ended 31 July 2013 on pages 18 to 49. 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).

This report is made solely to the charitable company's trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's directors, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and charitable company's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company's trustees as a body and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' responsibilities set out on page 13 the trustees (who are also the Directors of the Charitable Company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditors under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx)

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Charitable Company's affairs as at 31 July 2013 and of the Group's incoming resources and application of resources, including their income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the parent Charitable Company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us
- the parent Charitable Company financial statements are not in agreement with the accounting records and returns
- certain disclosures of trustees' remuneration specified by law are not made
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP

HEATHER WHEELHOUSE (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

Hartwell House

55 – 61 Victoria Street

Bristol

BS1 6AD

Date:

BAKER TILLY AUDIT LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

CONSOLIDATED AND CHARITY STATEMENT OF FINANCIAL ACTIVITIES (incorporating an income and expenditure account and statement of total recognised gains and losses) FOR THE YEAR ENDED 31 JULY 2013

Registered company number:
2839815

		Group		Charity	
	Notes	Total funds 2013 £	Total funds 2012 £	Total funds 2013 £	Total funds 2012 £
Incoming resources					
<u>Incoming resources from charitable activities</u>					
Institutional and applicant fees	3	22,466,067	21,640,690	22,466,067	21,640,690
Grants	3	67,000	67,000	67,000	67,000
Other incoming resources	3	856,549	1,337,723	5,180,996	4,986,160
Gift aid from subsidiary		-	-	2,250,319	2,263,288
<u>Incoming resources from generated funds</u>					
Trading operations		12,167,997	10,839,739	-	-
Investment income	3	441,249	485,859	439,269	481,454
Total incoming resources		<u>35,998,862</u>	<u>34,371,011</u>	<u>30,403,651</u>	<u>29,438,592</u>
Resources expended					
Charitable activities	4	(30,114,314)	(29,026,472)	(30,163,768)	(29,055,604)
Governance costs	4	(107,436)	(173,862)	(97,436)	(124,970)
Costs of generating funds	4	(5,790,343)	(4,987,284)	-	-
Total resources expended		<u>(36,012,093)</u>	<u>(34,187,618)</u>	<u>(30,261,204)</u>	<u>(29,180,574)</u>
Net (expenditure)/income for the year before tax		<u>(13,231)</u>	<u>183,393</u>	<u>142,447</u>	<u>258,018</u>
Taxation credit	5	-	34,197	-	-
Net (expenditure)/income for the year before other recognised gains and losses		<u>(13,231)</u>	<u>217,590</u>	<u>142,447</u>	<u>258,018</u>
Actuarial gain/(loss) on defined benefit pension scheme	16	8,519,000	(7,372,000)	8,519,000	(7,372,000)
Net movement in funds		<u>8,505,769</u>	<u>(7,154,410)</u>	<u>8,661,447</u>	<u>(7,113,982)</u>
Funds at 1 August 2012		17,957,424	25,111,834	18,169,790	25,283,772
Funds at 31 July 2013		<u>26,463,193</u>	<u>17,957,424</u>	<u>26,831,237</u>	<u>18,169,790</u>

During the year restricted grants were received from HEFCE and Department of Business, Innovation and Skills (DBIS) to support the work of the Verification Unit and Supporting Professionalism in Admissions respectively. The value of grant received from HEFCE was £349,233 and from DBIS £67,000.

There are no recognized surpluses or losses in the year other than those included in the statement of financial Activities above. All of the above results are derived from continuing activities.

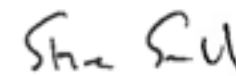
CONSOLIDATED AND CHARITY BALANCE SHEET FOR THE YEAR ENDED 31 JULY 2013

Registered Company Number:
2839815

	Notes	2013 £	Group 2012 £	2013 £	Charity 2012 £
Fixed assets					
Intangible assets	7	1,708,090	1,889,258	-	-
Tangible assets	8	14,786,194	10,348,394	14,404,251	9,827,721
Investment in subsidiaries	9	-	-	3	3
		<u>16,494,284</u>	<u>12,237,652</u>	<u>14,404,254</u>	<u>9,827,724</u>
Current assets					
Stocks	10	5,953	73,122	-	-
Debtors	11	3,968,228	3,358,074	4,704,730	5,071,489
Cash at bank and in hand		<u>18,171,872</u>	<u>21,167,351</u>	<u>18,023,582</u>	<u>20,717,213</u>
		22,146,053	24,598,547	22,728,312	25,788,702
Creditors: Amounts falling due within one year	12	<u>(6,870,144)</u>	<u>(5,534,775)</u>	<u>(4,994,329)</u>	<u>(4,102,636)</u>
Net current assets		15,275,909	19,063,772	17,733,983	21,686,066
Deduct: Defined Benefit Pension Scheme liability		<u>(5,307,000)</u>	<u>(13,344,000)</u>	<u>(5,307,000)</u>	<u>(13,344,000)</u>
Net assets		<u>26,463,193</u>	<u>17,957,424</u>	<u>26,831,237</u>	<u>18,169,790</u>
Funds					
Unrestricted funds: designated	13	25,924,146	21,880,280	26,771,242	22,670,754
Unrestricted funds: general	14	5,846,047	9,421,144	5,366,995	8,843,036
Pension Scheme liability (FRS 17)	16	<u>(5,307,000)</u>	<u>(13,344,000)</u>	<u>(5,307,000)</u>	<u>(13,344,000)</u>
Total funds		<u>26,463,193</u>	<u>17,957,424</u>	<u>26,831,237</u>	<u>18,169,790</u>

The financial statements on pages 18 to 49 were approved by the Board of Directors and authorized for issue on 10 December 2013

Signed on behalf of the Board



Professor Sir Steve Smith
Chairman
10 December 2013

CONSOLIDATED AND CHARITY CASHFLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2013

Notes	Group		Charity	
	2013 £	2012 £	2013 £	2012 £
Reconciliation of changes in resources to net cash flows from operating activities				
Income for the year	35,998,862	34,371,011	30,403,651	29,438,592
Resources expended in the year	(36,012,093)	(34,187,618)	(30,261,204)	(29,180,573)
Less investment income	(441,249)	(485,859)	(439,269)	(481,453)
Operating surplus	(454,480)	(302,466)	(296,822)	(223,435)
(Increase)/Decrease in stock	67,169	81,617	-	24,500
(Increase)/Decrease in debtors	(610,154)	351,833	366,759	42,799
Increase/(Decrease) in creditors	1,335,370	(498,037)	891,693	(140,221)
Less tax	-	14,799	-	-
Depreciation	8 928,855	894,457	772,322	766,181
Amortisation	7 176,452	61,764	-	-
Impairment	-	996,748	-	996,748
Loss on disposal of fixed asset	12,611	-	-	-
FRS 17 adjustment	482,000	(57,000)	482,000	(57,000)
Net cash inflow from operating activities	1,937,823	1,543,715	2,215,952	1,409,572
Cash flow statement				
Net cash inflow from operating activities	1,937,823	1,543,715	2,215,952	1,409,572
Returns on investments and servicing of finance				
Interest received	6 441,249	485,859	439,269	481,453
	441,249	485,859	439,269	481,453
Corporation tax	-	34,197	-	-
Capital expenditure and financial investment				
Fixed asset investment	8 (5,374,551)	(2,710,323)	(5,348,852)	(2,303,716)
	(5,374,551)	(2,710,323)	(5,348,852)	(2,303,716)
Decrease in cash	(2,995,479)	(646,552)	(2,693,631)	(412,691)
Reconciliation of net cash flow to movement in net funds				
Decrease in cash in the period	(2,995,479)	(646,552)	(2,693,631)	(412,691)
Net funds at 1 August 2012	21,167,351	21,813,903	20,717,213	21,129,904
Net funds at 31 July 2013	18,171,872	21,167,351	18,023,582	20,717,213

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

1. Principal accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Group's and Charitable Company's accounts.

Basis of accounting

The accounts have been prepared under the historical cost convention. The accounts comply with:

- The Companies Act 2006
- Statement of Recommended Practice (SORP), Accounting and Reporting by Charities, published during October 2005
- The Charities and Trustee Investment (Scotland) Act 2005
- The Charities Accounts (Scotland) Regulations 2006 (as amended)

The Charitable Company has availed itself of Section 4 of Schedule 1, Part 1 of the large and medium sized Companies and Groups (Accounts and Reports) regulations 2008 and adapted the Companies Act formats to reflect the special nature of the Charitable Company's activities.

Basis of consolidation

Assets and liabilities of the subsidiaries are consolidated on a line-by-line basis. They include the assets and liabilities of the following subsidiaries:

- UCAS Media Limited – a wholly owned subsidiary of UCAS
- S-cool – a wholly owned subsidiary of UCAS Media Limited
- UCAS Holdings Limited and its subsidiaries

UCAS Holdings Limited has not traded since its incorporation on 7 May 2003.

Parent company status

The parent company is limited by guarantee. The members of the Charitable Company are the participating institutions of further and higher education. In the event of the Charitable Company being wound up, the liability in respect of the guarantee is limited to £1 per member of the Company.

The parent company is a registered charity in England and Wales (numbered 1024741) and Scotland (numbered SC038598).

Incoming resources

All incoming resources are included in the Statement of Financial Activities in respect of the services provided during the period and are stated net of Value Added Tax.

Incoming resources are shown in two main categories

- Incoming resources from charitable activities include institution and applicant fees, grants and other income
- Incoming resources from generated funds include income from subsidiaries and investment income

Institution and applicant income, grants and other income are accounted for on a receivable basis. Other income includes income from training, course search facility provided to institutions, consultancy and student financial assessment is accounted for on an accruals basis.

The Charitable Company, UCAS, owns 100 per cent share capital of UCAS Media Limited which owns 100 per cent share capital of S-Cool Limited. The turnover of both companies is accounted for on a receivable basis.

Investment income is accounted for on a receivable basis.

Over

150,000,000

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The Universities and Colleges Admissions Service

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

Resources expended

All expenditure is accounted for on an accruals basis and has been classified under the headings

- Charitable costs
- Governance costs and
- Costs of generating funds

Cost of charitable activities relate to costs incurred in delivering our charitable objects and include costs related to development, implementation and maintenance of our infrastructure capabilities.

Governance costs are those incurred in connection with the administration of the Charity and compliance with legal and statutory requirements.

Costs of generating funds relates to the trading subsidiary which are incurred to generate trading income.

Tangible fixed assets and depreciation

Tangible fixed assets above £35,000 in UCAS and above £500 in UCAS Media Limited are capitalised. Depreciation is provided against fixed assets, other than land, at the following straight line rates to reflect both the anticipated useful lives and estimated residual values. Leasehold improvements are capitalised and depreciated over their useful life on a straight line basis:

- | | |
|----------------------|----------|
| • Freehold buildings | 50 years |
| • Computers (leased) | 5 years |
| • Office equipment | 4 years |
| • Office machinery | 5 years |
| • Other plant | 10 years |
| • Software | 5 years |

Intangible assets and amortisation

- Goodwill and intellectual property 4-20 years

Impairment policy

Tangible assets – UCAS undertakes a review of fixed assets to ensure that where the net book value of an asset is greater than its economic value it will be deemed to be impaired and written down to its economic value.

Intangible assets and goodwill – Goodwill and intangible assets that are amortised over a finite period, not exceeding 20 years, will be reviewed for impairment at the end of the first full financial year following the acquisition or as may be determined by the Director of Finance and Corporate Services, if circumstances indicate that the carrying values may not be recoverable.

Policy on capitalisation of software development costs

Only pre-approved expenditure, incurred in direct relation to the project and of substantial amount on authorised projects may be incorporated into capitalised software development costs. The capitalised costs will be amortised over the useful life of the asset.

Operating leases

Rentals applicable to the operating leases are charged to the Statement of Financial Activities on a straight line basis over the life of the lease and to the entity it relates.

NOTES TO THE FINANCIAL ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2013

Stock

Stock is stated at the lower of cost or net realisable value.

Taxation

The parent company is a registered charity and its income streams are exempt from corporation tax if applied for charitable purposes.

Deferred taxation

Provision is made for deferred taxation, using the full provision method, to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes. The provision is not discounted.

Government grant

Grants are recognised when receivable, provided conditions for receipt have been complied with, unless they relate to a specific future period in which case they are deferred.

Staff pensions

The Group participates in three pension schemes.

- UCAS Pension and Life Assurance Scheme (1993) is a defined benefit scheme. The assets and liabilities of the scheme are held in a separate Trust and are accounted for as required by FRS17.
- *Universities Superannuation Scheme (USS)* – USS is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.
- *UCAS Group Stakeholder Pension Plan (2007)* is a defined contribution scheme with associated life assurance attachment. The employer liability towards this scheme is limited to the contributions made on a regular monthly basis and subject to an upper limit graduated upon the option made by the employee to the scheme. These contributions are charged to the Statement of Financial Activities. At 31 July 2013, 85 employees contributed to the Stakeholder Plan.

Pension costs for all the above mentioned schemes are charged to the Statement of Financial activities in the period they are incurred and are charged to payroll costs.

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Directors for the general objectives of the body and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Directors for particular purposes.

NOTES TO THE FINANCIAL ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2013

2. Staff numbers and costs

The average monthly number of employees (measured by reference to full-time equivalent) during the year was as follows:

	Group		Charity	
	2013	2012	2013	2012
Application services	308	302	308	302
Administrative	43	59	43	59
Cost of generating funds	55	64	-	-
	406	425	351	361

The aggregate payroll costs of these persons were as follows:

	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
Salaries	14,218,991	13,957,713	12,110,902	11,712,301
Social security costs	1,371,428	1,334,507	1,180,378	1,083,440
Other pensions costs	1,592,372	1,626,617	1,458,613	1,470,000
Capitalised	(968,602)	(724,328)	(968,602)	(324,816)
	16,214,189	16,194,509	13,781,291	13,940,925
FRS 17 adjustment	482,000	(57,000)	482,000	(57,000)
Restructuring costs	912,383	-	912,383	-
	17,608,572	16,137,509	15,175,674	13,883,925

During the year, as informed by the Target Operating model, redundancy costs of £912,383 were incurred to align staff capability to functions.

Included in the above costs are the following numbers of employees whose emoluments (including benefits in kind but not pension costs) fell within the following bands:

	Group		Charity	
	2013 No.	2012 No.	2013 No.	2012 No.
£60,000 - £69,999	6	3	6	3
£70,000 - £79,999	8	4	7	3
£80,000 - £89,999	2	3	2	3
£90,000 - £99,999	4	3	4	3
£100,000 - £109,999	1	1	-	-
£110,000 - £119,999	1	-	1	-
£140,000 - £149,999	1	1	1	1
£150,000 - £159,999	1	-	1	-

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

Pension scheme contributions paid by the Group in respect of the people listed above amounted to £247,876 (2012: £157,096). The pension scheme contributions paid by the charity in respect of the people listed above amounted to £224,205 (2012: £140,746). There are no employees in the UCAS pension scheme, twenty one employees in the USS scheme and two employees in the Stakeholder pension scheme. In the year 2012-13 contribution to the USS scheme was £241,005 and the Stakeholder pension scheme was £6,871.

Chief Executive

During the year, Mary Curnock Cook, Chief Executive, received emoluments of £158,000 (2012: £154,167). The Charitable Company also paid contributions of £25,280 (2012: £24,599) to the Universities Superannuation Scheme.

Directors

None of the Directors received remuneration (2012: £nil). Travelling expenses of £5,542 were reimbursed to 17 of the Directors (2012: 16 Directors: £9,174) in respect of attendance at meetings.

Professional indemnity insurance

The Charitable Company paid a premium of £500 (2012: £500) to indemnify Directors and officers against legal liabilities arising through wrongful acts in the performance of their duties. The policy excludes claims arising through malicious or intentional breach of conduct, dishonesty or fraud.

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

3 Incoming resources

	2013 £	2012 £
Institutional and applicant fees		
Institutional fees	9,404,932	9,490,923
Applicant fees	12,971,968	12,043,767
UKPASS joining fee	89,167	106,000
	<u>22,466,067</u>	<u>21,640,690</u>
Other income		
CPD income	20,975	13,500
Data sales	145,319	122,025
Supporting Professionalism in Admissions	349,233	435,992
Data and brand charge	2,787,173	2,117,665
Management and resourcing recharge	1,537,273	1,575,142
Project income	-	368,950
Other income	341,023	352,886
	<u>5,180,996</u>	<u>4,986,160</u>
Government grants	67,000	67,000
Investment income	439,269	481,454
	<u>506,269</u>	<u>548,454</u>
	<u>28,153,332</u>	<u>27,175,304</u>
Charity income excluding gift aid		
Trading operations		
UCAS Media Limited	12,217,448	10,547,302
S-cool Limited	-	321,571
Investment income	1,981	4,405
	<u>12,219,429</u>	<u>10,873,278</u>
Intercompany	(4,373,899)	(3,677,571)
Group income	<u>35,998,862</u>	<u>34,371,011</u>

UCAS Media Limited's principal business activity is the provision of marketing services to commercial clients and higher education institutions seeking to make contact with applicants and prospective applicants to higher education courses.

The majority of the accounting profits of the trading subsidiary are Gift aided to the parent company. A payment of Gift Aid of £2,250,319 (2012: £2,263,288) was made from Media to UCAS. The Directors of the subsidiary company are of the opinion that it has achieved a good trading result in otherwise difficult market conditions.

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

4 Resources expended

	Charity 2013 £	Cost of generating funds 2013 £	Group 2013 £	Charity 2012 £	Group 2012 £
Staff	15,166,674	2,432,898	17,599,572	13,874,925	16,128,509
Other staff costs	4,665,297	62,054	4,727,351	3,351,542	3,399,797
Technology	1,135,809	80,431	1,216,240	2,544,289	2,595,692
Office costs	511,366	16,245	527,611	853,587	890,857
General expenses	207,674	70,728	278,402	127,946	582,366
Premises	517,433	12,262	529,695	477,214	484,532
Legal and Professional fees	5,107,332	37,251	5,144,583	3,522,728	3,618,364
Marketing Services	407,548	292,690	700,238	293,591	339,506
Printing and publishing	219,486	86,681	306,167	365,381	509,368
Postage	645,680	241,761	887,441	1,039,585	1,206,026
Finance	231,552	35,254	266,806	1,241,248	1,255,769
Depreciation	772,322	156,533	928,855	766,180	927,509
Amortisation	-	176,452	176,452	-	28,711
Events	20,396	1,938,701	1,959,097	14,201	1,697,657
Travel	555,199	150,401	705,600	583,187	733,365
Brand and Data charge	-	2,787,173	2,787,173	-	2,117,665
Management charge	-	1,537,273	1,537,273	-	1,175,630
Consolidation adjustment	(49,454)	(4,324,445)	(4,373,899)	-	(3,677,571)
	30,114,314	5,790,343	35,904,657	29,055,604	34,013,753
Governance costs					
Audit fee	15,000	7,500	22,500	28,304	46,216
Other fees payable to auditors	-	2,500	2,500	2,396	33,379
Legal advice	53,966	-	53,966	65,479	65,479
Cost of board meetings	19,470	-	19,470	19,791	19,791
Preparation of statutory accounts	9,000	-	9,000	9,000	9,000
	97,436	10,000	107,436	124,970	173,865
Total resources expended			36,012,093		34,187,618

UCAS owns

100%of the share capital
of its subsidiary
UCAS Media Limited

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

5. Taxation on ordinary activities

	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
Corporation tax (credit)/charge	-	(34,197)	-	-

6. Net (expenditure)/income for the year is stated

	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
After charging				
Depreciation	928,855	894,457	772,322	766,181
Impairment of fixed assets	-	996,748	-	996,748
Loss on disposal of fixed assets	12,611	-	-	-
Amortisation	176,452	61,764	-	-
External auditor's remuneration audit fees	26,750	46,216	18,000	28,304
External auditor's remuneration - taxation	2,500	33,379	-	2,396
Internal auditor's remuneration	13,948	20,550	13,948	20,550
And after crediting				
Interest on deposits receivable	441,249	485,859	439,269	481,454

7. Intangible assets (consolidated only)

	Intellectual property	Goodwill	Total
	£	£	£
Cost			
At 1 August 2012	94,580	1,935,652	2,030,232
Additions	-	-	-
Disposal	-	(4,716)	(4,716)
At 31 July 2013	94,580	1,930,936	2,025,516
Amortisation			
At 1 August 2012	79,248	61,726	140,974
Charge for the year	15,332	161,120	176,452
At 31 July 2013	94,580	222,846	317,426
Net book value			
At 31 July 2013	-	1,708,090	1,708,090
At 31 July 2012	15,332	1,873,926	1,889,258

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

8. Fixed assets

Consolidated

Tangible assets

	Land	Freehold buildings and contents	Equipment (hardware and software)	Work in progress	Total
	£	£	£	£	£
Cost					
At 1 August 2012	3,150,000	4,715,621	14,972,890	1,813,416	24,651,927
Additions	-	81,403	1,272,654	4,020,494	5,374,551
Reclassification	-	31,966	1,381,937	(1,413,903)	-
Disposals	-	-	(7,895)	-	(7,895)
At 31 July 2013	3,150,000	4,828,990	17,619,586	4,420,007	30,018,583
Provision for depreciation					
At 1 August 2012	-	1,239,997	13,063,537	-	14,303,534
Charged for the year	-	123,916	804,939	-	928,855
At 31 July 2013	-	1,363,913	13,868,476	-	15,232,389
Net book value:					
At 31 July 2013	3,150,000	3,465,077	3,751,110	4,420,007	14,786,194
At 31 July 2012	3,150,000	3,475,624	1,909,353	1,813,416	10,348,394

In the last two years significant investment was made to develop the Course Collect and Course Search facilities and UCAS.com website. Investment to develop the IT infrastructure will continue in the year 2013-14.

**NOTES TO THE FINANCIAL ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2013**
**NOTES TO THE FINANCIAL ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2013**
8. Fixed assets (continued)
Charity

Tangible assets

	Land	Freehold buildings and contents	Equipment (hardware and software)	Work in progress	Total
	£	£	£	£	£
Cost					
At 1 August 2012	3,150,000	4,673,762	13,866,341	1,413,903	23,104,006
Additions	-	81,403	1,246,955	4,020,494	5,348,852
Reclassification	-	31,966	1,381,937	(1,413,903)	-
At 31 July 2013	<u>3,150,000</u>	<u>4,787,131</u>	<u>16,495,233</u>	<u>4,020,494</u>	<u>28,452,858</u>
Provision for depreciation					
At 1 August 2012	-	1,198,136	12,078,149	-	13,276,285
Charged for the year	-	123,917	648,405	-	772,322
At 31 July 2013	<u>-</u>	<u>1,322,053</u>	<u>12,726,554</u>	<u>-</u>	<u>14,048,607</u>
Net book value:					
At 31 July 2013	<u>3,150,000</u>	<u>3,465,078</u>	<u>3,768,679</u>	<u>4,020,494</u>	<u>14,404,251</u>
At 31 July 2012	<u>3,150,000</u>	<u>3,475,626</u>	<u>1,788,192</u>	<u>1,413,903</u>	<u>9,827,721</u>

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

9. Fixed assets investments (charity only)

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Valuation:				
Shares in:				
UCAS Media Limited	-	-	2	2
UCAS Holdings Limited	-	-	1	1
	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>

UCAS Media Limited, registered in England, is a wholly owned subsidiary of the Charitable Company, UCAS, with issued share capital of two ordinary shares. The principal activity of the company is to assist the parent company in achieving its objective through the provision of marketing services concerned with higher education. Profits of the subsidiary company are transferred under the Gift Aid regime to the parent company.

S-cool Limited is a wholly owned subsidiary of UCAS Media Limited. UCAS as the ultimate parent controls S-cool Limited. During the year S-cool Limited traded under the brand of UCAS Progress. It provides application services and course search facilities to students aged 14-19.

For results of UCAS Media Limited and S-cool Limited refer to note 18.

UCAS Holdings Limited, a company registered in England, is a wholly owned but non-trading subsidiary of the Charitable Company, UCAS.

Unlisted investments in excess of 10 per cent of nominal value are detailed below.

UCAS Holdings Limited owns the issued share capital of the following companies, registered in England, which have not traded during the shorter of:

- the period since incorporation; or
- the two years ended 31 July 2013.

	Shareholding £
UCAS Limited	1
UCAS Enterprises Limited	1
UCAS Advancement Limited	1
Visual Interactive Systems Communications Limited	<u>1</u>
	<u>4</u>

UCAS Enterprises Limited was incorporated on 8 November 2006 and known as UCAS Media Limited until 30 November 2006. Visual Interactive Systems Communications Limited was known as Cobco901 Limited until 26 March 2009.

10. Stocks

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Consumables	<u>5,953</u>	<u>73,122</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

11. Debtors

	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
Trade debtors	2,290,924	2,072,262	185,259	447,421
Amounts owed by subsidiary	-	-	2,965,052	3,722,437
Other debtors	97,108	202,388	96,898	201,982
Prepayments	737,145	675,178	614,470	473,220
Value added tax	843,051	408,246	843,051	226,429
	<u>3,968,228</u>	<u>3,358,074</u>	<u>4,704,730</u>	<u>5,071,489</u>

12. Creditors: due within one year

	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
Trade creditors	1,806,015	2,158,309	1,508,090	1,918,279
Amounts owed to subsidiary company	-	-	2,478	40,853
Other taxes and social security	382,714	389,299	382,714	389,299
Other creditors	171,591	341,728	159,305	291,246
Value added tax	51,694	-	-	-
Corporation tax	-	(14,799)	-	-
Accruals	4,458,130	2,660,238	2,941,742	1,462,959
	<u>6,870,144</u>	<u>5,534,775</u>	<u>4,994,329</u>	<u>4,102,636</u>

Deferred income

	Group £	Charity £
Deferred income at 1 August 2012	1,238,600	-
Deferred income released during the year	(1,238,600)	-
Incoming resources deferred during the year	<u>1,341,124</u>	<u>170,971</u>
Deferred income carried forward at 31 July 2013	<u>1,341,124</u>	<u>170,971</u>

Deferred income relates to advertising income, events income and income from subscriptions.

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

13. Unrestricted funds: designated

	Fixed asset reserve 2013 £	Working capital reserve 2013 £	Pension reserve 2013 £	Total 2013 £	Total 2012 £
Group					
At 1 August 2012	10,348,394	9,531,886	2,000,000	21,880,280	21,359,544
Transfer (to)/from accumulated surplus	4,437,800	(1,893,934)	1,500,000	4,043,866	520,736
At 31 July 2013	14,786,194	7,637,952	3,500,000	25,924,146	21,880,280

	Fixed asset reserve 2013 £	Working capital reserve 2013 £	Pension reserve 2013 £	Total 2013 £	Total 2012 £
Charity					
At 1 August 2012	9,827,721	10,843,033	2,000,000	22,670,754	22,299,852
Transfer (to)/from accumulated surplus	4,576,530	(1,976,042)	1,500,000	4,100,488	370,902
At 31 July 2013	14,404,251	8,866,991	3,500,000	26,771,242	22,670,754

The fixed asset reserve is the amount needed to finance the premises and equipment necessary for the Group to carry out its activities.

The working capital reserve is required because the Group normally experiences negative cash flows during the early part of its financial year, due to the structure of billing its principal institutions on an instalment basis. Fees from applicants largely concentrate upon the October to January period.

The pension reserve is the amount needed to fund the deficit in the UCAS Pension and Life Assurance scheme (1993) as agreed with the pension trustees.

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

14. Unrestricted funds: general

	Group		Charity	
	2013 £	2012 £	2013 £	2012 £
At 1 August 2012	9,421,144	9,781,290	8,843,036	9,012,920
(Deficit)/surplus for the year	(13,231)	217,590	142,447	258,018
Transfer to designated funds	(4,043,866)	(520,736)	(4,100,488)	(370,902)
FRS 17 adjustment	482,000	(57,000)	482,000	(57,000)
At 31 July 2013	5,846,047	9,421,144	5,366,995	8,843,036

Funds are transferred between unrestricted designated and general funds to maintain fixed asset and working capital reserves (note 13) as agreed by the Directors in the Reserves policy.

15. Consolidated net asset by funds

The net assets held as at 31 July 2013 for the various funds are as follows

	Fixed assets £	Net current assets £	Long term liabilities £	Total £
Unrestricted designated funds	12,237,652	13,686,494	-	25,924,146
Unrestricted general funds	4,256,632	1,589,415	-	5,846,047
Pension reserve fund	-	-	(5,307,000)	(5,307,000)
	16,494,284	15,275,909	(5,307,000)	26,463,193

Charity net assets by fund

The net assets held as at 31 July 2013 for the various funds are as follows

	Fixed assets £	Net current assets £	Long term liabilities £	Total £
Unrestricted designated funds	9,827,724	16,943,518	-	26,771,242
Unrestricted general funds	4,576,530	790,465	-	5,366,995
Pension reserve fund	-	-	(5,307,000)	(5,307,000)
	14,404,254	17,733,983	(5,307,000)	26,831,237

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

16. Pension schemes

The Group participates in three pension schemes of which two are defined benefit pension schemes.

UCAS Pension and Life Assurance Scheme (1993)

The Group operates a defined benefit (final salary related) pension scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. In addition to giving information taken from the actuarial position at 1 August 2010, the fund has been valued in accordance with the conditions to comply with the requirements of the Financial Reporting Standard (FRS)17: *Retirement benefits*.

Contributions payable by the employer during 2012-13 amounted to £1.0M (2012: £1.1M). Contributions payable in the year 2013-14 are estimated to be £1.0M. This is in line with the recommendations of the valuation report at 1 August 2007 and modified by the contribution schedule dated 23 September 2011.

Contributions

The triennial review at 31 July 2010 identified a deficiency in the longer term assets over liabilities of £4,478,000 (2007: deficiency of £4,564,000). The Government recently announced the move from RPI to CPI to determine statutory increases payable to pensions in payment and deferment. A contribution of the incomes, move from RPI to CPI to calculate pension increases, and change in mortality assumptions has proven favourable in the inter-valuation period of three years to 31 July 2010, despite returns on investment having performed worse than expected.

The new mortality assumptions used reflect the membership of UCAS scheme closely and has caused a reduction in future liabilities of approximately £1.8M.

A contribution schedule signed on 23 September 2011 determined changes to contribution rates as follows:

1. Change in the future funding contribution from 16.3 per cent to 17.8 per cent (inclusive of the member's contribution at 6.0 per cent) of annual pensionable salaries;
2. The Trustees of the pension scheme agreed to a proposal on 23 September 2011 to a deficit recovery plan satisfied by payments of £660,000 annually, increasing by inflation, between 1 August 2011 and 31 July 2018. The contributions will be subject to review at the next mandatory actuarial valuation due no later than 2013.

The Charitable Company, between 2006 and 2009, paid special contributions, at its discretion and without prejudice towards any subsequent contributions. These had amounted to £2,527,236. Despite budgetary plans for the year ended 31 July 2010, the Directors of the Charitable Company ultimately elected to defer any special payments. Volatility in market conditions for equities and movements in bond values presented an element of risk. However, the Directors in the continuing support of the pension scheme created a designated reserve of £2 million in 2010 for this purpose; accounting note 13 refers.

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

Statement of Financial Activities (FRS17) Disclosures

Assumptions	31 July 2013	31 July 2012
	%	%
Discount rate	4.33	3.90
Salary increase	3.68	3.10
Inflation (RPI)	3.18	2.60
Inflation (CPI)	2.48	2.00
Pension increases (pre-April 2005)	4.18	4.10
Pension increases (post-April 2005)	2.21	2.00
Revaluation in deferment (CPI max 5.0%)	2.48	2.00
Revaluation in deferment (CPI max 2.5%)	2.48	2.00
Expected return on assets	4.96	4.30
Mortality	105% of PNA00, medium cohort, minimum 0.75% improvements	

The expected return on assets has been derived from the weighted average asset returns, based on the most up to date investment information available.

Life expectancies from age 65 years

	31 July 2013	31 July 2012
Male currently aged 45	23.50	23.40
Female currently aged 45	25.80	25.70
Male currently aged 65	22.00	21.90
Female currently aged 65	24.40	24.30

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

Asset Class breakdown

	31 July 2013	31 July 2012
	%	%
Equities	67	67
Gilts	16	16
Bonds	16	16
Cash and net current assets	1	1
	<u>100</u>	<u>100</u>

Analysis of movement in the financial position over the accounting periods:

	2013 £'000	2012 £'000
Fair value of scheme assets at beginning of the year	24,357	22,535
Expected return on assets	1,053	1,432
Employer contributions	1,125	1,172
Contribution by scheme participants	208	265
Benefits paid	(950)	(932)
Expenses and term assurance premium	(114)	(118)
Actuarial gain on assets	<u>3,003</u>	<u>2</u>
Fair value of scheme assets at the end of the period	<u>28,682</u>	<u>24,357</u>
Present value of scheme liabilities at the beginning of the period	37,701	28,564
Current service cost	1,183	1,027
Contribution by scheme participants	208	265
Interest cost	1,477	1,521
Benefits paid	(950)	(932)
Expenses and assurance premium	(114)	(118)
Actuarial (gain)/loss on liabilities	<u>(5,516)</u>	<u>7,374</u>
Present value of scheme liabilities at the end of the period	<u>33,989</u>	<u>37,701</u>
Amounts to be recognised in the Balance sheet		
Fair value of scheme assets	28,682	24,357
Present value of scheme liabilities	(33,989)	(37,701)
Balance sheet liability	<u>(5,307)</u>	<u>(13,344)</u>

The equities, bonds and other investments were held under asset management by SEI Investments (Europe) Limited.

Volatility of FRS17

It should be noted that the methodology and assumptions prescribed for the purposes of the accounting standard mean that the disclosures (and consequently the movement in the Group's

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

balance sheet) will be inherently volatile, varying considerably according to market conditions prevailing at each accounting date.

Analysis of the amount charged to net income for the year:

	2013 £'000	2012 £'000
Current service cost	1,183	1,027
Interest cost	1,477	1,521
Expected return on assets	(1,053)	(1,432)
Total charge to resources expended	<u>1,607</u>	<u>1,116</u>

FRS17 Five year history	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Fair value of scheme assets	28,682	24,357	22,535	19,811	16,399
Present value of scheme liabilities	(33,989)	(37,701)	(28,564)	(25,843)	(21,154)
Deficit	(5,307)	(13,344)	(6,029)	(6,032)	(4,755)
Difference between the expected and actual return on scheme assets:	3,003	2	1,147	1,533	(2,489)
Experience gains and losses on scheme liabilities	1,842	(146)	469	569	266

Actuarial loss featured in the Statement of Financial Activities

The Statement of Financial Activities includes an overall actuarial gain for the year of £8,519,000 (2012: loss of £7,372,000) arising through:

	2013 £'000	2012 £'000
Actuarial gain and (losses)	8,519	(7,372)
Effect of limit of recognisable surplus	-	-
Overall actuarial (loss)/gain	<u>8,519</u>	<u>(7,372)</u>

The cumulative charge of actuarial gains and losses recognised in the SOFA is £5,502,000 (2012: £14,021,000)

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The appointment of directors to the UCAS Board of the trustee is determined by the trustee company's Articles of Association. Four of the Directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the UCAS Board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2013 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An 'inflation risk premium' adjustment was also included by deducting 0.3 per cent from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2 per cent for CPI which corresponds broadly to 2.75 per cent for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1 per cent per annum, salary increases would be 4.4 per cent per annum (with short-term general pay growth at 3.65 per cent per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4 per cent per annum for three years following the valuation then 2.6 per cent per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA ["light"] YoB tables – No age rating
Female members' mortality	S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates the CMI 2009 projections with a 1.25 per cent per annum long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

**NOTES TO THE FINANCIAL ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2013**

**NOTES TO THE FINANCIAL ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2013**

At the valuation date, the value of the assets of the scheme was £32,433.5M and the value of the scheme's technical provisions was £35,343.7M indicating a shortfall of £2,910.2M. The assets therefore were sufficient to cover 92 per cent of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4 per cent per annum (the expected return on gilts) the funding level was approximately 68 per cent. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93 per cent funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57 per cent of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5 per cent per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82 per cent.

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 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95 per cent. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16 per cent of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New Entrants

Other than in specific, limited circumstances, new entrants are now provided benefits on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age

The Normal pension age was increased for future service and new entrants, to age 65.

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5 per cent per annum and 6.5 per cent per annum for FS Section members and CRB Section members respectively.

NOTES TO THE FINANCIAL ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2013

Cost sharing

If the total contribution level exceeds 23.5 per cent of salaries per annum, the employers will pay 65 per cent of the excess over 23.5 per cent and members would pay the remaining 35 per cent to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5 per cent. If official pensions increase by more than 5 per cent then USS will pay half of the difference up to a maximum increase of 10 per cent.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92 per cent to 77 per cent. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.2 per cent per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68 per cent. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55 per cent.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

Assumption	Change in assumption	Impact on shortfall
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

USS is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in USS, 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.

The trustees believe that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set by the trustee are designed to give the fund a significant exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that, putting the issue of the USS fund's size and scale to one side for a moment, it might be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the sponsoring employers would be willing and able to make, it is necessary and appropriate for the trustee to take on a degree of investment risk relative to the liabilities. This taking of investment

NOTES TO THE FINANCIAL ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2013

risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the ability of the sponsoring employers to support the scheme if the investment strategy does not deliver the expected returns.

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities, and the scheme actuary has confirmed that this is likely to remain the position for the next ten years or more. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a longer-term view of its investments. Some short-term volatility in returns can be tolerated and need not feed through immediately to the contribution rate. However, the trustee is mindful of the difficult economic climate which exists for defined benefit pension schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan becomes necessary following the next actuarial valuation of the scheme as at March 2014. The trustee is making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together, in an integrated form, the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

At 31 March 2013, USS had over 148,000 active members and the institution had 31 active members participating in the scheme.

The total pension cost for the Company was £264,133 (2012: £292,120). This includes £42,000 (2012: £25,111) outstanding at 31 July 2013. The contribution rate payable by the Company was 16.0 per cent of annual pensionable salaries.

UCAS Group Stakeholder Pension Plan (2007)

As contributions are treated on the basis of defined contributions and ultimate benefits are formed from the Scheme operated by an external provider, the Group has no underlying liability.

The total pension cost for the Company was £237,726 (2012: £169,153).

17. Capital commitments

In September 2010, the Directors agreed outline plans forming part of the Corporate Strategy, in association with the trading subsidiary, for substantial capital and recurrent expenditure, funded from liquid reserves, annual surpluses, and by efficiencies between 2010-2015, to address customer requirements within a changed environment, caused by reduction in public funding across the Sector. During the year the Directors of the Consolidated and Charitable Company authorised capital expenditure of £2,303,716. Of this, at 31 July 2013 development costs of £1,147,038 were incurred. At 31 July 2013, there was no commitment to capital expenditure.

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

18. Trading results of UCAS Media Limited

Profit and loss account for the year ending 31 July 2013

	2013	2012
	£	£
Turnover	12,217,450	10,547,302
Cost of sales	(6,937,338)	(5,437,738)
Gross profit	5,280,112	5,109,564
Administrative expenses	(5,276,694)	(5,129,766)
Operating profit/(loss)	3,418	(20,202)
Exceptional loss	(757,885)	-
Interest received	1,981	4,405
Loss on ordinary activities before tax	(752,486)	(15,797)
Tax on loss on ordinary activities	-	14,799
Loss for the financial year	(752,486)	(998)

Trading results of S-cool limited

Profit and loss account for the year ending 31 July 2013

	2013	2012
	£	£
Turnover	-	321,570
Cost of sales	-	(292,979)
Gross profit	-	28,591
Administrative expenses	-	(59,017)
Operating loss	-	(30,424)
Exceptional item	757,885	-
Operating profit from exceptional item	757,885	-
Profit/(loss) on ordinary activities before tax	757,885	(30,424)
Tax on loss on ordinary activities	-	19,398
Loss for the financial year	757,885	(11,026)

All activities are considered to be discontinued

NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JULY 2013

19. Related party transactions

The Directors of UCAS hold a variety of senior positions in educational institutions and other organisations, many of which undertake transactions with UCAS on a regular basis. Such transactions are undertaken on an arm's length basis and the Directors make annual declarations confirming the position they hold within these organisations. Therefore, full details are not detailed of the value of such transactions or the balances outstanding between UCAS (or its subsidiary undertakings) and these organisations.

During the year, Mr. T Grote, a Non-Executive Director was paid emoluments of £29,500 under a contract entered into with UCAS Media Limited.

The Universities and Colleges Admissions Service and wholly owned subsidiaries

UCAS has taken exemption under Financial Reporting Standard 8 from disclosing transactions with other Group companies on the grounds that its subsidiaries are 100 per cent controlled within the Group.

UCAS