



DIRECTORS' REPORT AND CONSOLIDATED ACCOUNTS

For the year ended 31 July 2018

UCAS



CONTENTS

Legal and administrative information	3 - 4
Report of the Directors (including the group strategic report)	5 - 20
Independent auditor's report	21 - 24
Consolidated and charity statement of financial activities	25
Consolidated and charity statement of financial position	26
Consolidated and charity statement of cash flows	27
Notes to the financial accounts	28 - 58

LEGAL AND ADMINISTRATIVE INFORMATION

BOARD STRUCTURE

Chair

Professor Sir Steve Smith

Directors

Dr David Ashton
 Mr Rob Behrens CBE
 Mrs Sian Carr (appointed 1 August 2017)
 Professor Joy Carter
 Mr Thomas Chambers
 Professor Bob Cryan CBE (resigned 20 September 2018)
 Professor Sir Ian Diamond Deputy Chair
 Mr Andrew Forbes
 Professor Edward Peck (appointed 20 September 2018)
 Mr Gerry Pennell OBE
 Professor Colin Riordan
 Professor Karen Stanton (appointed 1 August 2017)

Company secretary

Ms Danya Young (appointed 22 December 2017)
 Mrs Helen Cornish (retired 22 December 2017)

Executive team

Mrs Clare Marchant	Chief Executive	Ms Fiona Johnston	Interim Director of Analysis and Insights (appointed 25 September 2017, stood down 18 April 2018), Interim Director of Operations (appointed 2 July 2018)
Mr Kevin Allison	Director of Finance and Corporate Services (appointed 23 October 2017)	Mr Sander Kristel	Executive Director, UCAS Media (appointed 12 February 2018)
Dr David Best	Director of Analysis and Insights (appointed 18 April 2018)	Mrs Fatuma Mahad	Director of Technology and Operations (resigned 30 June 2018)
Mrs Elaine Chandler	Head of Human Resources	Mrs Helen Thorne MBE	Director of External Relations
Dr Mark Corver	Director of Analysis and Research (resigned 5 December 2017)		
Mr Andrew Hargreaves	Director of Customer Experience, Marketing, and UCAS Media Limited (resigned 30 September 2017)		
Mr Andrew Irving	Interim Director of Technology (appointed 2 July 2018)		

Registered office

Rosehill
New Barn Lane
Cheltenham
GL52 3LZ

Auditors

External auditor
RSM UK Audit LLP
Hartwell House
55 – 61 Victoria Street
Bristol
BS1 6AD

Internal auditor
PricewaterhouseCoopers LLP
2 Glass Wharf
Bristol
BS2 0FR

Bankers

Barclays Business Banking
Britannia Warehouse
The Docks
Gloucester
GL1 2EH

Solicitors

Wiggin LLP
Jessop House
Jessop Avenue
Cheltenham
Gloucestershire
GL50 3WG

Actuary

Little & Company Actuaries & Consultants Ltd
i2 Office
450 Brook Drive
Green Park
Reading
RG2 6UU

Investment managers

Investec Wealth & Investment Limited
2 Gresham Street
London
EC2V 7QN



REPORT OF THE DIRECTORS

The directors of the Universities and Colleges Admissions Service, also known as UCAS (the 'Charity'), 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 2018. This report is deemed to encompass all matters which are required to be included in both the strategic and directors' reports of the Charity.

Governance, organisational structure, and management

UCAS was incorporated on 27 July 1993. It is a private company limited by guarantee, without share capital. 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'). UCAS is also a registered trademark.

UCAS is governed by a Board of twelve directors (the 'Board'), which usually meets five times a year to discharge its duties. It delegates to UCAS' Executive Team such powers as are necessary for the day-to-day management of the Charity. The Board adopts the Charity Governance Code.

The Board is supported by four subcommittees (the Finance, Audit, Remuneration, and Nominations Committees). They meet regularly to carry out responsibilities delegated by the Board.

The Board also receives advice from the UCAS Council, an advisory body comprising around 30 members, that represents the interests of UCAS' customers, and other key stakeholders. The role of the UCAS Council is to challenge and inform the work of the Board, give feedback to the Board on UCAS' performance, and inform the strategic direction of UCAS.

The 'Matters reserved for the Board', 'Terms of reference' for the subcommittees and UCAS Council, and details of UCAS Council members, are published on ucas.com.

Subcommittee membership during 2017/18 was:

Audit Committee:

Professor Sir Ian Diamond (Chair)
Mr Rob Behrens CBE
Mrs Sian Carr
Dr Jim McGeorge*
Ms Sarah Randall-Paley*

Nominations Committee:

Professor Sir Steve Smith (Chair)
Professor Joy Carter
Mr Andrew Forbes
Professor Sir Ian Diamond

Finance Committee:

Mr Thomas Chambers (Chair)
Dr David Ashton
Professor Joy Carter
Ms Joanne Jones*
Professor Elizabeth Treasure*

Remuneration Committee:

Professor Sir Steve Smith (Chair)
Mr Thomas Chambers
Professor Sir Ian Diamond
Professor Colin Riordan

*Co-opted Committee member

Directors' recruitment, appointment, and training

UCAS' Articles determine the constitution of the Board and appointment of directors.

All directors and co-opted committee members are independently selected, and formally appointed (for an initial four-year fixed term) on merit. This is based on their specific skills, experience, and expertise, against objective criteria. With due regard for the benefits of diversity on the Board and committees, UCAS' recruitment processes are formal, rigorous, transparent, proportionate, and appropriate to each vacancy. This enables the widest choice of candidates to be considered.

All new Board and committee members receive an induction pack of essential governance, and UCAS documents. They are also invited to attend a formal induction session at UCAS' registered office, covering UCAS' operations. This includes meeting members of the Executive Team. Thereafter, they receive training which typically includes regular updates on legal and regulatory developments, Charity Commission, and other relevant guidance. Board and committee members are given the opportunity to have ongoing learning and development, including site visits, to expand their knowledge of UCAS' operational developments.

UCAS regularly conducts a skills gap analysis, to inform succession planning, and enable specific training needs to be identified.

UCAS also conducts annual Board effectiveness reviews, which enable the Board to regularly consider its effectiveness, and that of its subsidiary and committees.

Subsidiaries

UCAS owns 100% of the share capital of its subsidiary, UCAS Media Limited. UCAS Media Limited is used for non-primary purpose trading activities. The non-trading subsidiary S-Cool Limited, which was wholly owned by UCAS Media Limited, was dissolved on 20 February 2018.

UCAS Media Limited financially supports its parent, UCAS, by gift aiding its annual profits to the charitable company.

The profit before tax and gift aid donations, for UCAS Media Limited, during the year ended 31 July 2018, amounted to £4.4m, which represented an increase of 8.5% over the profit for the year ended 31 July 2017. Revenue increased by 6.6% (2017: increase of 6.9%) to £19.1m (2017: £17.9m).

Statement of Directors' responsibilities

The directors are responsible for preparing the strategic report, 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, the incoming resources and application of resources, including of income and expenditure, of the charitable company, and the group for that period. In preparing these accounts, the directors are required to:

- > select suitable accounting policies, and 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 the group and charitable company will continue in business

The directors are responsible for keeping proper accounting records that show and explain the group's and charitable company's transactions, with reasonable accuracy, at any time, the financial position of the group and charitable company, and enable them to ensure 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 the group and charitable company, 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 websites. 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 £3,491 (2017: £3,491) 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 auditors

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

Auditors

RSM UK Audit LLP was reappointed as auditor at the Annual General Meeting of its members in January 2018.

Remuneration

UCAS operates a structured pay framework, which rewards employees based on performance. All salary levels are benchmarked externally, to ensure consistency and alignment with the sector and national markets. The remuneration for UCAS' Executive Team is subject to external benchmarking, with a separate meeting held recently regarding CEO remuneration, to further strengthen governance. Awards given are reviewed and approved by UCAS' Remuneration Committee.

OBJECTIVES AND ACTIVITIES:

Public benefit

The directors have reviewed the charity's aims and objectives, and complied with their duties in the Charities Act 2011, with due regard to the Charity Commission's guidance on public benefit (published in September 2013) when exercising any powers or duties where the guidance is relevant.

UCAS is an independent charity, focused on connecting people to higher education. The charitable objects are 'to advance and to assist in the advancement of education in universities, and other higher, further, or secondary establishments, in so far as such advancement and assistance shall be exclusively charitable in 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, further, or secondary education establishments of applications for admission to, and to assist applicants in gaining access to, such universities and educational establishments'.

UCAS does not conduct any fundraising activities, nor use any fundraising agencies, and has received no complaints in this regard.

UCAS provides public benefit by providing information, advice, and admissions services to inspire and facilitate progression in education. The section below outlines how UCAS delivers public benefit through these services.



Information and advice services

Our aim is to help people make well-informed choices about their post-secondary education, using our in-depth insight about how and when students make their decisions.

We provide independent, accurate, and timely information and advice to students, parents, teachers, and advisers, about higher education in its broadest sense, encompassing different modes and levels of study, including traditional degrees, teacher training, apprenticeships, and sub-degree qualifications. This includes practical advice to help people work out which qualification, subject, and university or college is right for them, and we work with other organisations to provide information about tuition fees, student finance, and advice on managing money, as well as consumer protection rights and responsibilities.

We provide information and advice to around 167,000 young people through our national programme of student exhibitions, enabling them to meet representatives from universities and colleges to explore and narrow down their choices. We attract around 20 million users from across the world to our website, where visitors can use our search tool to explore and filter over 50,000 undergraduate and conservatoire courses, and 10,700 taught postgraduate courses, in one location. Our new apprenticeship hub helps students explore the latest degree and higher apprenticeship opportunities in England.

Not everyone has access to the same levels of support and advice when considering higher education, and we work in partnership with charities and others to provide practical and inspiring information, advice, and resources for underrepresented groups, including students with disabilities, care leavers, those with parental or caring responsibilities, and estranged students.

Enabling people to make the right choices about their post-secondary education delivers public benefit by enabling people to fulfil their potential. Choice of the right subject and university or college contributes to improving widening participation, student retention, and successful progression to a degree, employment, or further study, and, ultimately, value for money for the tax payer.



Admissions services

While our core purpose is to provide an accessible and trusted undergraduate admissions service, we also provide admissions services for conservatoires, postgraduate courses, and teacher training programmes.

In offering centralised services, UCAS enables universities and colleges to connect with a wide range of potential students. We manage the risks from fluctuating numbers of applications, and deliver cost-effective services to help universities and colleges plan and manage admissions decision-making. For undergraduate admissions, we provide data and services to support contextualised admissions that take account of students' educational backgrounds, and help universities evaluate the effectiveness of widening participation activities. Our centralised services, with a common application process, and agreed timescales and business rules, also facilitates student choice, and supports fairness and transparency.

We employ robust eligibility criteria to our higher education provider customers, to ensure students, parents, and teachers and advisers can be confident the universities and colleges applied to are bona fide course providers, offering high quality courses of educational benefit.

To support public and policy debate about widening access and participation, UCAS publishes comprehensive analysis and insight about who is applying to higher education, receiving offers, and securing places. Taking into account the characteristics of the applicant population, and patterns of applications, offers, and acceptances, our analysis shows that at an aggregate level, admissions to full-time higher education are fair.



STRATEGIC REPORT

Achievements and performance

UCAS' refreshed strategy, Future Focus 2020, was published in March 2018, following an extensive consultation process involving UCAS staff and over 1,000 students, schools, colleges, universities, and higher education sector bodies. The strategy emphasises UCAS' core purpose in delivering an accessible and trusted undergraduate admissions service, while leveraging this to support other markets. This will be achieved through the delivery of six strategic objectives. Examples of progress against these objectives during 2017/18 are outlined below.

1. **Admissions services – deliver accessible and trusted admissions services in our priority markets, that are responsive to the needs of the next generation of customers**
 - > Supported 386 higher education providers, and nine conservatoires, with undergraduate and postgraduate student recruitment, and 1,121 universities, colleges, and schools with initial teacher training recruitment.
 - > Delivered the UCAS Undergraduate admissions service successfully in 2018, handling applications from 695,565 people (2017: 699,850), with 533,360 (2017: 533,890) securing a place to start in 2018.
 - > Helped 2,715 students (2017: 2,430) find a place at a conservatoire, 29,180 (2017: 27,400) on initial teacher training programmes, and 12,097 (2017: 7,288) on postgraduate courses.
2. **Information and advice – inspire and enable students to make well-informed choices, through the timely provision of personalised information and advice**
 - > Held exhibitions across the UK, enabling 167,000 students to discuss their futures with universities, colleges, and potential employers.
 - > Improved the search tool with filters and information about the Teaching Excellence Framework.
 - > Teamed up with the National Apprenticeship Service so students in England can discover hundreds of apprenticeship opportunities via our career finder service.
3. **Customer experience – deliver an excellent service and integrated digital experience to all our customer groups**
 - > Improved high levels of customer satisfaction.
 - > Completed our triennial stakeholder satisfaction survey, covering HE leadership and sector bodies.
4. **Data and insights – provide accessible, timely data and insights to facilitate progression and participation in education**
 - > Published comprehensive analytical reports about admissions to higher education for full-time undergraduate and conservatoire courses, and teacher training programmes, informing public and national policy debate about progression and widening participation.
 - > Published over two million data points in an open data format, to download and reuse, including a major set of equalities data on behalf of the university sector, exploring applications, offers, and acceptances for UK students by sex, ethnic group, and area background.

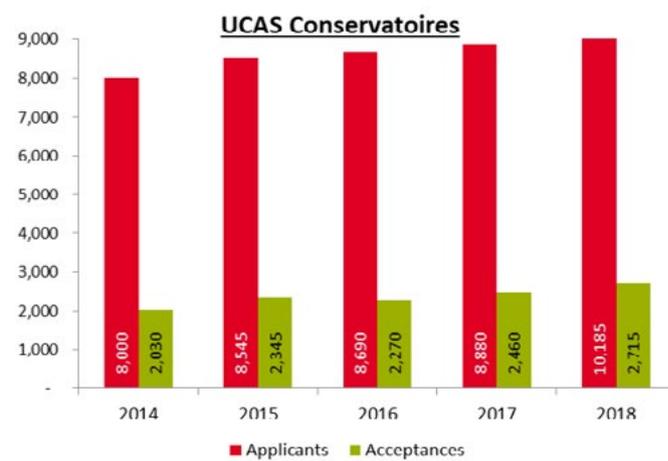
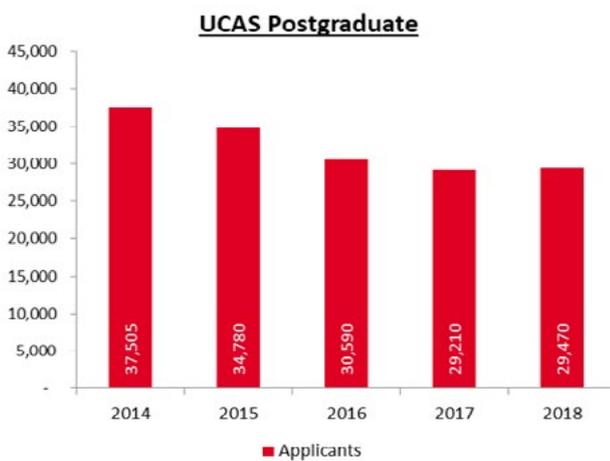
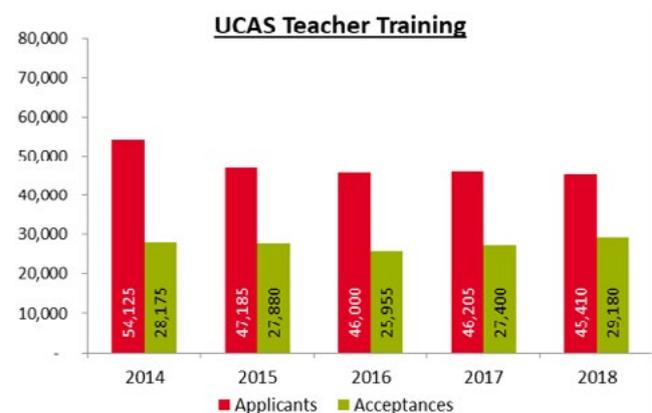
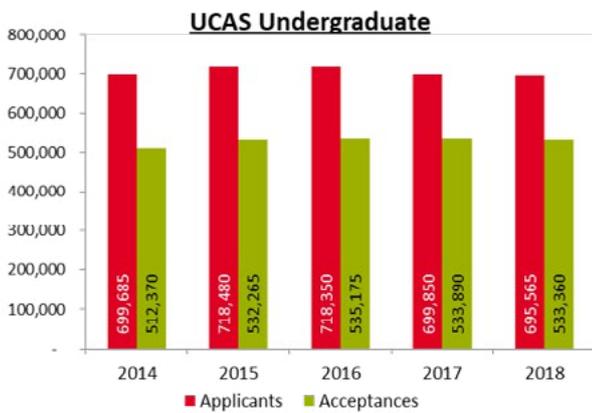
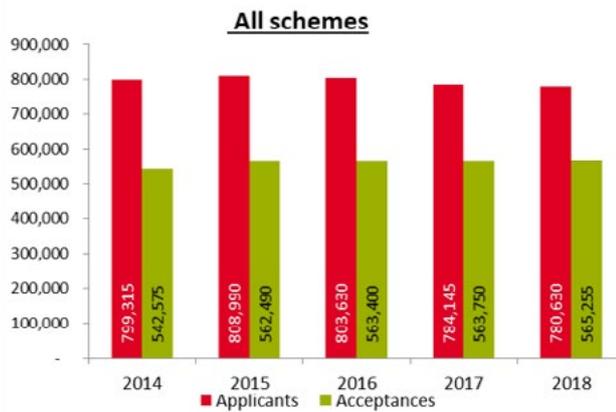
5. Our People Promise – deliver on our People Promise to be an employer that provides a place where people flourish, perform, and achieve

- > Created a new portfolio of learning and development opportunities, reflecting business and individual needs.
- > Launched a UCAS development model and 'leadership academies'. Three cohorts of staff, including senior managers, have completed the people leader academy.
- > Reviewed and revised UCAS' corporate values so they are more relevant to staff.
- > Developed a new apprenticeship strategy to support talent acquisition and staff retention, adding degree apprenticeships to our expanding portfolio of Level 2 and 3 apprentices.
- > Revised and relaunched UCAS' staff recognition scheme.
- > Placed greater emphasis on wellbeing, running a variety of workplace initiatives, including mental health awareness events, and volunteering.

6. Efficiency and value – work towards core elements of the charity being self-funded in the medium term, by increasing efficiency, and ringfencing specific initiatives for investment from gift aided monies

- > Established a pricing review to develop clear principles and models for the pricing of admissions services from 2020 onwards, and delivered a number of cost saving initiatives.
- > Established a shared plan with HESA to deliver efficiencies for the HE sector, through the coordinated implementation of the new subject coding framework (HECoS), and to provide data to support the operation of the HESA's Data Futures programme. Both organisations are also working with Jisc and HECSU to develop a new student information tool.
- > Created a new team to bring together procurement and supplier management functions, to better integrate and align end-to-end procurement activities with business goals.

Applicant numbers by scheme

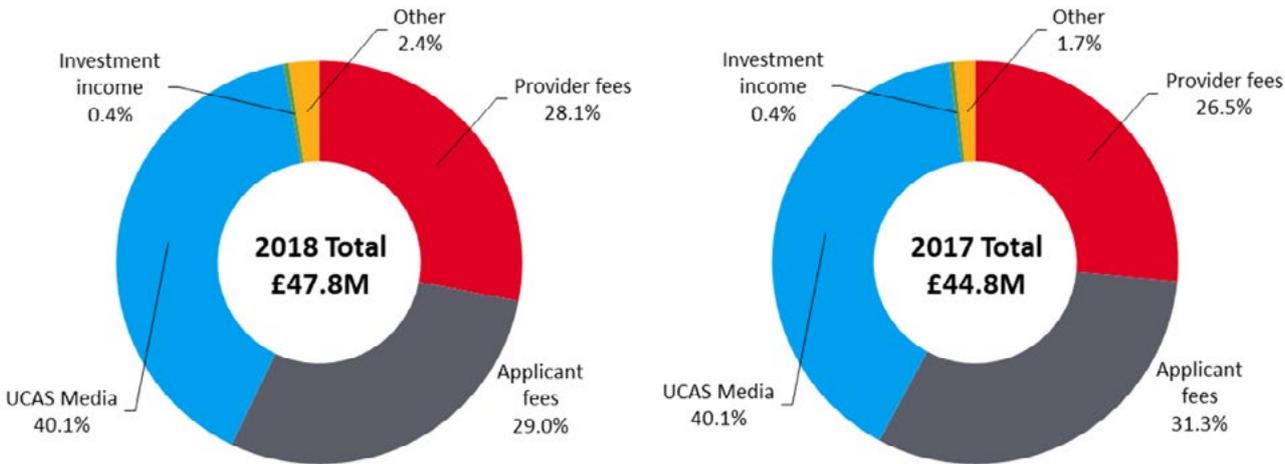


Financial review

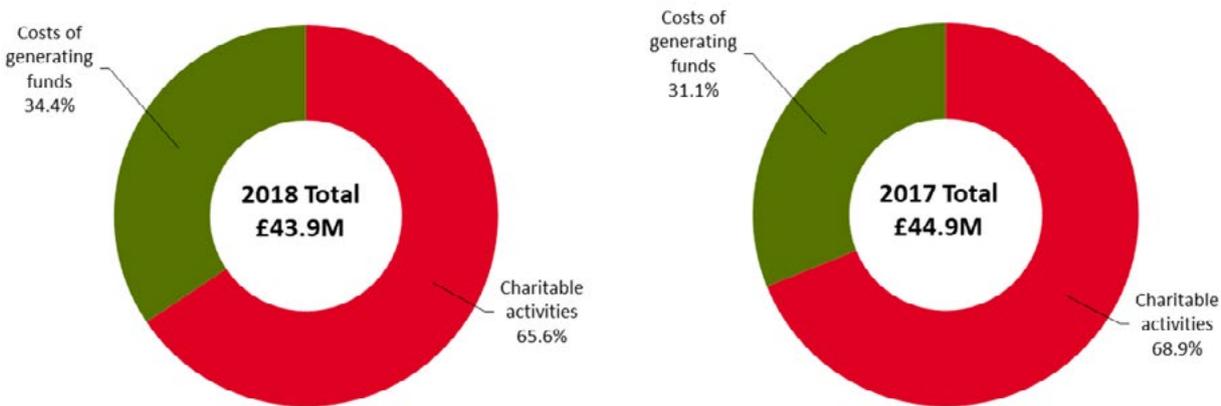
The applicant numbers detailed on page 13, and the associated income disclosed below, are considered to be the key performance indicators used to measure the performance of the Charity. The performance of UCAS Media Limited, as detailed below, is also considered a key indicator of the group's performance.

Total income increased by 6.7%, to £47.8m. An increase in income was seen from both charitable and trading activities, with the revenue generated by the commercial subsidiary increasing by 6.6%. The year-on-year growth was as a result of an increase in capitation and application income, coupled with organic growth in commercial activities.

TOTAL INCOME (NOTE 3) IN 2018 VS. 2017 IS SHOWN BELOW.



EXPENDITURE (NOTE 4) IN 2018 VS. 2017 IS SHOWN BELOW.



Expenditure was tightly controlled across all areas of the organisation, with cost savings being reinvested in developing key areas of the group, to enhance the services available to UCAS' customers.

Cash reserves for the Group increased from £3.5m to £8.6m, due mainly to the surplus reported for the year to 31 July 2018. An increase in creditors (including accrued expenditure and deferred income) also contributed to the increased levels of cash reserves.

UCAS also holds a liquid investment portfolio, containing a combination of bonds, equities, and property. This year has seen the investment grow by 6% to a value of £6,876k, as at 31 July 2018 (2017: 12% growth to £6,467k value). This performance is in line with UCAS' investment policy.

Details of UCAS' pension arrangements, including two final salary schemes, and two money purchase arrangements, are set out in note 19 to the accounts. The net charge for the UCAS Pension and Life Assurance Scheme for the year ended 31 July 2018 is £0.5m (2017: £1.2m), included in note 19, after cash contributions of £1.2m (2017: £1.3m). The contributions include both normal employer contributions and an amount of £0.9m 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. In the year ended 31 July 2018, the return on scheme assets, and actuarial gains on the scheme liabilities totalling £0.5m, were recognised in other comprehensive income (2017: £6.9m). The deficit recognised on the balance sheet reduced to £6.1m (2017: £7.3m).

Under FRS 102, the group has also recognised the present value of future deficit contributions payable to the Universities Superannuation Scheme (USS) pension scheme, resulting in a deficit of £803k (2017: £998k) being recognised on the balance sheet.

The group's financial reserves mainly comprise cash at bank, and liquid investment funds. 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. The group funds its operations and activities from operating income and cash reserves.

The group made no political contributions or donations during the two years ended 31 July 2018.

As a registered charity, UCAS seeks to benefit from the appropriate tax exemptions where it can.



Plans for the future

Successful delivery of the UCAS Undergraduate admissions service remains our first priority. As part of this, we are accelerating the greater personalisation of information and advice for prospective students, and investing in the development of new data tools to help students make more sense of the array of courses available.

UCAS will continue its campaign to help mature students engage or re-engage with higher education, and improve our resources and support for students who apply independently, without the support of a school or college. UCAS will continue working closely with stakeholders to support the planned introduction of T Levels in England, progression from apprenticeships to higher education and to higher/degree apprenticeships, and national efforts to support the mental health and wellbeing of students going to university.

As part of our commitment to transparency we will continue to publish comprehensive data on admissions to higher education, including data about UCAS' verification service, and the use of unconditional offers.

UCAS will respond swiftly to the recommendations from the review of post-18 education in England, and any changes needed in a post-Brexit environment. We will continue to collaborate with the Office for Students as they develop their programme of activities and research, and will build a relationship with the new Tertiary Education and Research Commission in Wales.

We expect to make significant progress on the redevelopment of the software applications underpinning the UCAS Undergraduate admissions service, for go live during 2020. A new and improved set of services for teachers and international agents will be launched in spring 2019, with a new tracker service in the autumn.

We will continue to grow our UCAS Postgraduate admissions service, onboarding customers and introducing new data services to help universities understand students' choices. We will strengthen our international offering, and finalise our strategy on supporting students who are interested in higher and degree apprenticeships.

To enable us to focus our resources on our priority markets, we will be closing our UCAS Progress service. Customers have been informed, and 2018/19 will be the last year of operation.

We will continue to work closely with the Department for Education (DfE) to support them with the development of options to attract and support students into postgraduate teacher training in England.

UCAS Media will continue to develop and expand its portfolio of data services in response to customer demand.

In partnership with other organisations, UCAS will continue to seek efficiency savings through the optimisation of technology services, and more efficient procurement of small-scale goods and services.



Risk management

The directors have given consideration to the significant risks UCAS is exposed to, and have satisfied themselves that controls are in place to mitigate those risks. The UCAS Board seeks to manage and mitigate risk, particularly through the activities of its Audit Committee. Working in conjunction with the Executive Team, the Audit Committee monitors the following activity:

1. Risk management – the Corporate Risk Management Framework sets out UCAS' approach to risk management, covering the end-to-end process, roles, and responsibilities, and defining the scope of its activities.

The directors consider the key principal strategic risks to be monitored currently are:

- > compromise of sensitive or personal data – we are continuing to make improvements to our technical security, in response to the constantly changing cyber threat landscape. We have robust security incident management procedures, as well as well-tested backup and recovery plans. We also continue to run awareness campaigns, to increase the vigilance and diligence of our employees, and help mitigate the risk of a compromise of sensitive or personal data
- > financial stability – we conduct horizon scanning, modelling, and forecasting on a rolling basis, to anticipate possible scenarios and their impact on UCAS' financial stability and sustainability

Strategic risks are reviewed by the Executive Team on a regular basis, and UCAS' corporate risk exposure is reported to all meetings of the Audit Committee and UCAS Board. Tactical risks at a business unit level are reviewed frequently.

2. Internal audit – PricewaterhouseCoopers (PwC), as UCAS' internal auditor, undertakes a series of audits in which they review the organisation's activities and governance functions, and report their findings to the Audit Committee. A risk-based approach is taken to the development of the annual audit plan. This is agreed with, and guided by, the Executive Team and the Audit Committee. The 2017/18 audit programme included reviews of our compliance with IR35 legislation and with GDPR, our medium-term financial planning, and the delivery of our digital programme. Internal audit is conducted in conjunction with the external audit function, provided by RSM.

3. Health and safety – UCAS maintains a dedicated, centrally-managed health, safety, and environmental function. This role undertakes regular reviews of operational activities, and provides advice, including risk assessments, reporting to the Chief Executive and Audit Committee, through the Executive sponsor for health and safety. The priorities are to maintain a healthy and safe environment for the UCAS workforce, ensure compliance with relevant health and safety legislation and regulation, ensure the requirements of the Energy Savings Opportunities Scheme (ESOS) are being satisfied, and effectively manage UCAS' environmental impact. An independent audit of UCAS' health and safety management system is undertaken annually by its insurer, UMAL.



Reserves policy

The aim of the reserves policy is to protect UCAS from unforeseen financial challenges, while making funds available for investment in future activities.

Due to the cyclical nature of the annual application cycles, UCAS' income can vary seasonally. By contrast, expenditure is, for the most part, incurred evenly throughout the year. This can cause timing issues, where expenditure exceeds income at certain points in the year. There are also risks which need to be managed. There is, therefore, a need for cash at a sufficient level to fund expenditure, as noted in the general reserve section below.

The directors recognise that the sectors in which UCAS operates are constantly evolving, and are subject to many external factors. As such, there is a need for reserves. This is highlighted in the income and technology reserve sections below.

The reserves policy sets out the criteria used to designate UCAS' reserves, and explains the reasoning behind putting each reserve in place. Where the full value of any reserve cannot be designated from available funds, the reserve will be partially set aside, with the aspiration to build the full reserve in subsequent years.

The policy is reviewed annually, to take account of changes to the external environment, and the performance of current operations.

For the purposes of this policy, the calculation of the reserves held in the UCAS group balance sheet is based on the net assets, excluding the pension scheme liability, minus tangible and intangible fixed assets. The pension liability has been excluded from the total, as UCAS has committed to a multi-year scheme recovery plan, which can be met from projected future income without significant impact on its planned levels of charitable activity. UCAS has also set aside two years of recovery payments in the general reserve, equivalent to £1,938k as at 31 July 2018.

When considering the appropriateness of the level of reserves for the UCAS group (the Charity and subsidiaries), the directors have regard to the strategic risks facing the business and their possible financial implications, and the current business plan, which includes the availability of cash in the bank and investment funds, and the need for reserves to offset significant timing differences in the receipt of cash, particularly at the year end, when cash balances are typically at their lowest levels. The establishment of appropriate levels of reserves is therefore considered important to the continued operation of UCAS.

The directors have noted that UCAS Media is a wholly owned subsidiary of UCAS, which gift aids its profits to the Charity. It was therefore not considered appropriate to devise a separate reserves policy for UCAS Media.

The following unrestricted reserves have been identified (none of UCAS' reserves are deemed to be restricted):

General reserves

UCAS' income is seasonal, largely due to the application cycles, while expenditure is relatively constant throughout the year. There are also risks to be managed. There is, therefore, a need for cash at a sufficient level to fund expenditure. The total value of liquid assets (cash plus investment fund) that UCAS should look to maintain at any given time as general reserves, is based on the following assumptions:

- > Two and half months' working capital
- > Two years of PLAS deficit recovery plan payments
- > USS liability (as per balance sheet)

As UCAS has entered into a multi-year deficit recovery plan for the UCAS Pension & Life Assurance Scheme (PLAS), and because two years of PLAS deficit recovery payments and the USS balance sheet liability are now included in the general reserve, it is no longer considered necessary to designate a separate pension reserve. The value of general reserves as at 31 July 2018 was £16.3m.

Income reserve

The directors recognise that the sectors in which UCAS operates are constantly evolving, and are subject to many external factors. They therefore consider it important to establish sufficient reserves to protect against any unforeseen reduction in income. The directors have designated a specific reserve to protect against any strategic risks that could lead to a loss of income. Each risk identified at the corporate level, where a potential financial loss is highlighted, is assigned a likelihood in percentage terms. This percentage is multiplied by the estimated loss, to arrive at a corresponding value. The total of all amounts is reflected in the final value of the income reserve. The value of this reserve as at 31 July 2018 was £3m.

Technology reserve

Acknowledging the dependency of technology, coupled with the risks of operational failure and the serious compromise of sensitive or personal data, the directors believe a designated technology reserve should be held. Although UCAS has made significant historic investment in its technology, new development must continue to ensure successful delivery of core services. The directors therefore consider it essential to hold sufficient reserves for this purpose. UCAS' technology spend can be segmented into three core areas:

- > Tier one – architectural building blocks for the future
- > Tier two – technology suppliers
- > Tier three – other smaller technology suppliers

The target value should represent the annual cost of tier one, as this represents building blocks for the future. The value of this reserve as at 31 July 2018 was £8.2m.

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. This also allows the group 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-term and long-term working capital requirements. The funds to be invested represent the excess of cash reserves over the amount needed to fund investment in the company's infrastructure. The objective for the fund is to achieve a balance of income and capital growth, to maximise funds available for infrastructure investment, while at least maintaining the real capital value of the investment funds in the long term. UCAS seeks an annual return equal to three percentage points above the consumer prices index (CPI), a target which was exceeded in 2016/17 and 2017/18. For managed funds, the appointed investment manager may use their discretion in selecting the most appropriate investments, subject to the risk appetite and ethical parameters set out in UCAS' investment policy.

Employee engagement

The following are strategic outcomes, set out in UCAS' strategy:

- > Staff at UCAS are highly committed to our mission, and we will continue to develop our culture of excellence and high performance.
- > We want UCAS to be an employer of choice, and for our employees to experience fulfilment and motivation at work.
- > UCAS has a comprehensive approach to staff development, training people with new skills, and building digital literacy across the whole organisation.

UCAS conducts an annual employee engagement survey, benchmarking itself using the Best Companies methodology, which asks for feedback on a number of areas, including UCAS as an employer, management and support, reward and recognition, and organisational communications. The results from the survey, coupled with feedback gleaned from other channels, are used to inform engagement plans at both a corporate and business unit level.

Equality and inclusion

UCAS is committed to equality, and promotes an inclusive working environment and admissions service for its employees and customers, in line with the Equality Act 2010. Equality Impact Assessments are completed for relevant changes to products and services closely connected to our applications and admissions functions. UCAS supports and welcomes the implementation of gender pay gap reporting, and published its first annual report during the year. Equality and inclusion is being driven forward internally, in the form of awareness campaigns and training, to support our efforts to make the organisation, and UCAS as an employer, a more equal and inclusive place to work. Applications for employment are encouraged from individuals with disabilities. The application process includes the facility to specify any special requirements that would need to be met to facilitate an interview, or eventual employment. HR representatives would work with any employee who became disabled, to ensure their employment, training, and development needs were met at that time, and in the future.

UCAS is committed to equality and inclusion, and values diversity on its Board and committees. The Board consults the Charity Commission and other relevant guidance on equality and diversity, to ensure the promotion of fairness and diversity in the selection process, and seeks to maintain and enhance diversity through consulting best practice.

The directors' report and incorporated strategic report were approved by the Board on 6 December 2018, and signed on its behalf by:



Professor Sir Steve Smith
Chair

Date: 21 December 2018



INDEPENDENT AUDITOR'S REPORT

Opinion on financial statements

We have audited the financial statements of the Universities and Colleges Admissions Service (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 July 2018, which comprise the Consolidated and Charity Statements of Financial Activities (incorporating an Income and Expenditure Account), the Consolidated and Charity Statements of Financial Position, the Consolidated and Charity Statements of Cash Flows, and notes to the financial accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2018, and of the group's and the parent charitable company'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
- > 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)

Basis for opinion

We have been appointed auditor 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.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs [UK]) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies, or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements, or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- > the information given in the report of the directors, and the incorporated strategic report, for the financial year for which the financial statements are prepared, is consistent with the financial statements
- > the report of the directors, and the incorporated strategic report, have been prepared in accordance with applicable legal requirements



Matters on which we are required to

report by exception

In light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the directors, and the incorporated strategic report.

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), require us to report to you if, in our opinion:

- > the parent charitable company has not kept proper and 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 directors' remuneration specified by law are not made
- > we have not received all the information and explanations we require for our audit

Respective responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 7, the directors (who are also the trustees for the purposes of charity law) are responsible for the preparation of the financial statements, and for being satisfied they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit

of the financial statements

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

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

Use of our report

This report is made exclusively to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, 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 the 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, its members as a body, and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Hannah Catchpool
(Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP, Statutory Auditor

Chartered Accountants
Hartwell House
55 – 61 Victoria Street
Bristol
BS1 6AD

Date: 01/02/2019

RSM UK 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) for the year ended 31 July 2018

	Notes	Group		Charity	
		Unrestricted Funds		Unrestricted Funds	
Income		2018	2017	2018	2017
		£'000	£'000	£'000	£'000
Income from charitable activities:					
Provider and applicant fees	3	27,270	25,893	27,270	25,893
Other incoming resources	3	1,183	771	7,394	7,046
Raising funds:					
Income from trading activities	3	19,099	17,913	-	-
Gift Aid		-	-	-	4,013
Investment income	3	206	189	200	187
Total income		47,758	44,766	34,864	37,139
Expenditure					
Raising funds	4	(15,109)	(13,963)	(31)	(30)
Charitable activities	4	(28,812)	(30,933)	(35,347)	(37,026)
Total expenditure		(43,921)	(44,896)	(35,378)	(37,056)
Net gain on investments	9	263	549	263	549
Net income before tax		4,100	419	(251)	632
Taxation	5	-	-	-	-
Net income		4,100	419	(251)	632
Other recognised gains:					
Remeasurements of defined benefit obligation	19	527	6,946	527	6,946
Net movement in funds		4,627	7,365	276	7,578
Reconciliation of funds:					
Total funds brought forward		22,846	15,481	23,613	16,035
Total funds carried forward		27,473	22,846	23,889	23,613

There are no recognised surpluses or losses in the year, other than those included in the Statement of Financial Activities above. All the above results are derived from continuing activities.

CONSOLIDATED AND CHARITY STATEMENT OF FINANCIAL POSITION

For the year ended 31 July 2018

Registered Company Number: 2839815

	Notes	Group		Charity	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Fixed assets					
Goodwill	7	-	-	-	-
Other intangible assets	7	12,844	12,970	12,831	12,951
Total intangible assets		12,844	12,970	12,831	12,951
Tangible assets					
Tangible assets	8	7,200	7,861	7,053	7,690
Investments	9	6,876	6,467	6,876	6,467
Investment in subsidiaries	10	-	-	1,026	1,026
		26,920	27,298	27,786	28,134
Current assets					
Debtors due within one year	11	7,933	7,973	3,561	6,585
Cash at bank and in hand		8,623	3,543	4,399	1,442
		16,556	11,516	7,960	8,027
Current liabilities					
Creditors due within one year	12	(9,014)	(7,471)	(4,868)	(4,051)
Net current assets		7,542	4,045	3,092	3,976
Creditors: amounts falling due after more than one year					
Deposit from property tenant		(50)	(50)	(50)	(50)
Finance lease due after one year	15	(29)	(144)	(29)	(144)
		(79)	(194)	(79)	(194)
Net assets excluding pension scheme liability		34,383	31,149	30,799	31,916
Deduct:					
Defined benefit pension scheme liability	19	(6,107)	(7,305)	(6,107)	(7,305)
Defined contribution pension scheme provision	19	(803)	(998)	(803)	(998)
Net assets		27,473	22,846	23,889	23,613
Funds					
Unrestricted funds: designated	16	11,200	9,623	11,200	9,074
Unrestricted funds: general	17	23,183	21,526	19,599	22,842
Pension scheme liability	19	(6,910)	(8,303)	(6,910)	(8,303)
Total funds		27,473	22,846	23,889	23,613

The financial statements on pages 25 to 58 were approved by the Board of Directors, and authorised for issue on 6 December 2018.

Signed on behalf of the Board

Steve Smith

Professor Sir Steve Smith
Chair

CONSOLIDATED AND CHARITY STATEMENT OF CASH FLOWS

For the year ended 31 July 2018

Notes	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Net cash flow from operating activities	9,507	4,835	3,271	2,199
Cash flow from investing activities				
Interest received on bank and cash balances	23	5	17	3
Gift Aid income from subsidiary	-	-	4,053	3,190
Purchase of intangible fixed assets	7 (4,163)	(4,417)	(4,163)	(4,417)
Purchase of tangible fixed assets	8 (172)	(706)	(106)	(624)
Add back cost of fixed assets acquired under finance lease	-	284	-	284
Net cash used in investing activities	(4,312)	(4,834)	(199)	(1,564)
Cash flow from financing activities				
Repayments of obligations under finance leases	(115)	(87)	(115)	(87)
Net cash used in financing activities	(115)	(87)	(115)	(87)
Change in cash and cash equivalents in the reporting period	5,080	(86)	2,957	548
Cash and cash equivalents at the beginning of the reporting period	3,543	3,629	1,442	894
Cash and cash equivalents at the end of the reporting period	8,623	3,543	4,399	1,442

Notes to the statements of cash flows

Notes	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Income for the year	47,758	44,766	34,864	37,139
Less gift aid income for the year	-	-	-	(4,013)
Expenditure in the year	4 (43,921)	(44,896)	(35,378)	(37,056)
Add back investment charges	9 31	30	31	30
Add back VAT reclaimed on investment charges	9 6	6	6	6
Less investment income	3 (206)	(189)	(200)	(187)
Operating surplus / (deficit)	3,668	(283)	(677)	(4,081)
Decrease / (increase) in debtors	11 40	(1,328)	3,024	154
Less increase / (decrease) in gift aid debtor	-	-	(4,053)	823
Less increase in prepaid expenditure due to finance lease	-	63	-	63
Increase / (decrease) in creditors	12 1,543	265	817	(495)
Less increase in creditors due to finance lease	15 -	(116)	-	(116)
Deposit received from tenant	-	50	-	50
Depreciation	8 827	853	743	770
Amortisation	7 4,121	4,947	4,115	4,860
Impairment of goodwill	7 -	213	-	-
Loss on disposal of fixed assets	7 & 8 174	81	168	81
Remeasurement of USS liability	19 (219)	108	(219)	108
FRS102 pension adjustment	19 (647)	(18)	(647)	(18)
Net cash flow from operating activities	9,507	4,835	3,271	2,199

NOTES TO THE FINANCIAL ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been used consistently, in dealing with items that are considered material in relation to the group's and charitable company's accounts.

General information

UCAS is a private limited company by guarantee, without share capital. 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. UCAS 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). The address of the group's registered office and principal place of business is Rosehill, New Barn Lane, Cheltenham, GL52 3LZ.

The group consists of UCAS and its subsidiary. The group's principal activities, and the nature of the group's operations, are as described in the report of the directors.

Basis of accounting

These financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'). The accounts comply with the following:

- > The Companies Act 2006
- > The Statement of Recommended Practice (SORP), Accounting and Reporting by Charities, in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), issued on 16 July 2014
- > 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.

The charitable company constitutes a public benefit entity, as defined by FRS 102.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.



Going concern

The trustees consider there are no material uncertainties around the group's and the charitable company's ability to operate as going concerns.

Basis of consolidation

Assets and liabilities of the subsidiaries are consolidated on a line-by-line basis. They include the assets and liabilities of UCAS Media Limited – a wholly owned subsidiary of UCAS.

All intra-group transactions, balances, and unrealised gains on transactions between group companies, are eliminated on consolidation.

Functional and presentational currencies

The consolidated financial statements are presented in sterling, which is also the functional and presentational currency of the charitable company.

Foreign currencies

Transactions in currencies other than the functional currency (foreign currencies), are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.



Income

All income is included in the Statement of Financial Activities, in respect of the services provided during the period, and is stated net of value added tax.

Income is shown in two main categories:

1. Income from charitable activities includes capitation fees from higher education providers, application fees, grants, and other income.
2. Income from raising funds includes income from trading subsidiaries and investment income.

Provider and applicant income, grants, and other income is accounted for on a receivable basis. Other income includes income from the provision of training, the UCAS search tool facility available to providers, other consultancy work, subscriptions, and student financial assessment. For subscriptions, income is recognised over the life of the subscription, during which time the service is delivered in full.

Income from trading operations includes marketing services and income from events. For these categories, income is recognised on the basis of when the service is to be delivered, and is deferred as necessary.

The group and charitable company also receive income from investments. This is accounted for on a receivable basis.

Expenditure

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

- > costs of charitable activities
- > costs of raising funds

Costs of charitable activities relate to costs incurred in delivering UCAS' charitable objects. These costs include those related to operating UCAS' core admissions services, as well as the development, implementation, and maintenance of our infrastructure capabilities. Also included in this category are costs incurred in delivering insight through UCAS' Analysis and Insights department.

Costs of raising funds relate primarily to the activities of the trading subsidiary, UCAS Media Limited. These costs are incurred in generating trading income.

Support costs are incurred in the process of supporting the above activities, and are allocated to those activities on the basis set out in note 4. Governance costs (contained within support costs) are recorded centrally, and allocated according to the activity that the associated cost is supporting.

Investment policy

Investments in subsidiary undertakings are measured at cost, less any impairments recognised.

Other fixed asset investments are valued at their fair value on the last day of the accounting period. Changes in the valuation of the investments during the year are shown as unrealised gains or losses. Gains or losses arising from the disposal of investment assets are disclosed as being realised, being the difference between the sales proceeds, and the fair value at the start of the year.

Tangible fixed assets and depreciation

Tangible fixed assets costing over £5,000 in UCAS and UCAS Media Limited are capitalised. Tangible fixed assets are initially measured at cost, and subsequently measured at cost, net of depreciation, and any impairment losses. Depreciation is provided against tangible fixed assets, other than freehold land, at the following straight line rates. This reflects the anticipated useful lives, and estimated residual values:

> Freehold buildings	50 years
> Computer hardware	Three years
> Office equipment	Four years
> Office machinery – leased	Five years
> Other plant	Ten years
> Motor vehicles	Four years

During the year, the capitalisation policy was reviewed, with the useful life of computer hardware reduced from four years to three years, to better reflect the current utilisation patterns of these assets. Depreciation was not accelerated for existing assets in this category.

Intangible assets and amortisation

Goodwill is capitalised, then amortised evenly over five years. In the directors' opinion, this represents the period over which the goodwill is expected to give rise to economic benefits.

Internally developed software is amortised, once it becomes available to use, over the expected useful life of that software prior to replacement (up to a maximum of five years, depending on the characteristics of the asset). Capitalised software licences are amortised over the shorter of five years or the agreed licence period.

> Goodwill	Five years
> Software (internally developed)	Five years
> Licences	The shorter of five years or the period of the licence

Policy on capitalisation of software development costs

Only expenditure of substantial amounts for enhancements on authorised projects, incurred in direct relation to the project, may be incorporated into capitalised software development costs. In general, costs incurred necessarily, and exclusively, in the creation of an asset that will deliver future economic benefit, are capitalised and amortised over the useful life of that asset, subject to the amortisation periods set out above. This will not generally include any pre-development costs, such as feasibility studies or market research. However, this will include any beta testing period, where an application has been made available to customers in a pre-final version for feedback, with a view to further enhancements before release into production. Development is deemed to end when the application is released into production. Any subsequent development expenditure is deemed to be continuous improvement, and would not be considered for capitalisation, unless it contributes to a significant increase in the economic value of the asset. Capitalised development expenditure is initially recognised at cost, and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.



Leases

The Group as lessee – finance leases

An asset and corresponding liability are recognised for leasing agreements which transfer to the Group substantially all of the risks and rewards incidental to ownership ('finance leases'). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss, so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The Group as lessee – operating leases

All other leases are operating leases, and the annual rentals are charged to profit or loss on a straight line basis over the lease term. Rent free periods, or other incentives received for entering into an operating lease, are accounted for as a reduction to the expense, and are recognised on a straight line basis over the lease term.

Cash and cash equivalents

These amounts comprise cash at the bank and in hand, as well as short-term deposits, typically with a short maturity of three months or less from the date of acquisition.

Financial instruments

The group has applied the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all its financial instruments.

Financial assets and financial liabilities are recognised when the group and charitable company become a party to the contractual provisions of the instrument, and are offset only when the group and charitable company currently have a legally enforceable right to set off the recognised amounts, and intend either to settle on a net basis, or to simultaneously realise the asset and settle the liability.



Trade, group, and other debtors

Trade, group, and other debtors (including accrued income), which are receivable within one year, and which do not constitute a financing transaction, are initially measured at the transaction price, and subsequently measured at amortised cost, being the transaction price less any amounts settled, and any impairment losses. Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest, for a similar debt instrument, and subsequently measured at amortised cost.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected, according to the original terms of the contract. Impairment losses are recognised in profit or loss, for the excess of the carrying value of the trade debtor over the present value of the future cash flows, discounted using the original effective interest rate. Subsequent reversals of an impairment loss, that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Creditors

Trade, group, and other creditors, including accruals, payable within one year, that do not constitute a financing transaction, are initially measured at the transaction price, and subsequently measured at amortised cost, being transaction price less any amounts settled.

Impairment policy

An assessment is made at each reporting date, whether there are indications a fixed asset may be impaired, or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the group estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

Shortfalls between the carrying value of fixed assets, and their recoverable amounts – being the higher of fair value less costs to sell, and value in use – are recognised as impairment losses in profit or loss.

Any impairment loss recognised for goodwill is not reversed. For fixed assets other than goodwill, recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss. On reversal of an impairment loss, the depreciation or amortisation is adjusted, to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Taxation

The parent company is a registered charity and, as such, is exempt from taxation of its income and gains falling within Part II of the Corporation Tax Act 2010, or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that they are applied to its charitable objectives.

Employee benefits

The costs of short-term employee benefits are recognised as a liability, and an expense.

The group's holiday entitlement year runs from April to March, and employees are entitled to carry forward any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits, is recognised immediately as an expense, when the group is demonstrably committed to terminate the employment of an employee, or to provide termination benefits.

Fund accounting

General funds are unrestricted funds that are available for use at the discretion of the directors, for the general objectives of the group, and which have not been designated for other purposes.

Designated funds comprise unrestricted funds set aside by the directors for specific purposes.

Retirement benefits

The Group participates in four pension schemes.

- > UCAS Pension and Life Assurance Scheme (1993) is a defined benefit scheme. The scheme was closed to future accrual of benefits on 31 December 2017. The assets and liabilities of the scheme are held in a separate trust, and the net defined benefit asset/liability represents the present value of the defined benefit obligation, minus the fair value of plan assets, out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan. The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds, with terms and currencies consistent with those of the benefit obligations.

Gains or losses recognised in profit or loss:

- > The change in the net defined benefit liability arising from employee service during the year, is recognised as an employee cost.
- > Net interest on the net defined benefit asset/liability comprises the interest cost on the defined benefit obligation, and interest income on the plan assets. This is calculated by multiplying the fair value of the plan assets at the beginning of the period, by the rate used to discount the benefit obligations.

Gains or losses recognised in other comprehensive income:

- > Actuarial gains and losses.
- > The difference between the interest income on the plan assets, and the actual return on the plan assets.

- > UCAS participates in Universities Superannuation Scheme (USS). The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions, and a scheme-wide contribution rate is set. UCAS is therefore exposed to actuarial risks associated with other institutions' employees, and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 'Employee benefits', UCAS therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since UCAS has entered into an agreement (the 'Recovery Plan') that determines how each employer in the scheme will fund the overall deficit, UCAS recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit), therefore an expense is recognised. A number of scenarios regarding the USS pension scheme are being evaluated.
- > UCAS Group Stakeholder Pension Plan (2007), and UCAS Group Stakeholder Pension Plan (2014), are defined contribution schemes with associated life assurance attachment. The employer liability towards these schemes is limited to the contributions made on a regular monthly basis. These are subject to an upper limit, graduated on the option made by the employee to the scheme. These contributions are charged to the Statement of Financial Activities as they become due.

Further details of the accounting adopted for these schemes is detailed in note 19 to these accounts.

2. STAFF NUMBERS AND COSTS

The average monthly number of employees during the year was as follows:

	Group		Charity	
	2018	2017	2018	2017
	No.	No.	No.	No.
Application services	360	370	360	370
Administrative	54	60	54	60
Commercial activities	67	68	-	-
	<u>481</u>	<u>498</u>	<u>414</u>	<u>430</u>

The aggregate payroll costs of these persons were as follows:

	Group		Charity	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Salaries	17,956	18,260	14,402	15,108
Social security costs	2,018	1,897	1,761	1,670
Defined contribution pension cost	684	549	620	491
Other pension costs and current service cost	373	914	373	914
Pensions costs - multi-employer DB scheme	600	578	559	556
Capitalised	(3,519)	(3,478)	(3,519)	(3,478)
	<u>18,112</u>	<u>18,720</u>	<u>14,196</u>	<u>15,261</u>
Restructure costs	503	109	457	57
	<u>18,615</u>	<u>18,829</u>	<u>14,653</u>	<u>15,318</u>

Employer costs relating to defined contribution (DC) and defined benefit (DB) pension schemes are analysed separately.

During the year, redundancy costs of £503k (2017: £109k) were incurred (of which £245k (2017: £76k) were statutory and non-statutory/voluntary payments), to align staff capability to new roles. Such costs are recognised as expenses immediately within expenditure, and are included in the table below. At the reporting date, all such payments had either been made, or were due to be made to employees participating in consultation.

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

	Group		Charity	
	2018	2017	2018	2017
	No.	No.	No.	No.
£60,000 - £69,999	22	24	21	24
£70,000 - £79,999	9	9	9	7
£80,000 - £89,999	4	8	4	7
£90,000 - £99,999	1	-	1	-
£100,000 - £109,999	4	2	3	2
£110,000 - £119,999	2	1	1	1
£130,000 - £139,999	1	-	1	-
£150,000 - £159,999	-	1	-	1
£160,000 - £169,999	-	1	-	1
£180,000 - £189,999	1	1	1	1
£230,000 - £239,999	1	-	1	-

The key management personnel of UCAS comprises the Executive Team, which includes the Chief Executive, Director of Analysis and Insights, Director of Technology, Director of Operations, Director of Finance and Corporate Services, Director of External Relations, and Executive Director of UCAS Media. The Chief Executive (in band £180,000 – £189,999 above) received total employee benefits, including pension contributions, of £211,600 (2017: £207,706), and the associated NI contributions were £24,315 (2017: £24,973). The total employee benefits, including employer pension contributions of the key management personnel of UCAS, were £1,152,214 (2017: £943,382), and employer NI contributions for these personnel were £118,637 (2017: £105,821).

Pension scheme contributions paid by the group in respect of the people listed above amounted to £514,749 (2017: £514,580). The pension scheme contributions paid by the Charity in respect of the people listed above amounted to £480,472 (2017: £501,445). There was one employee in the UCAS Pension and Life Assurance Scheme (who moved across to the USS scheme following the UCAS scheme closure), a further 35 employees in the USS scheme, and eight employees in the UCAS Group Stakeholder Pension Plan. One employee opted not to take advantage of a workplace pension. In the year 2017/18, the contribution to the USS scheme was £472,040 (2017: £467,329), and to the UCAS Group Stakeholder Pension Plan was £33,660 (2017: £36,300). The contribution to the UCAS Pension and Life Assurance Scheme was £9,048 (2017: £10,951).

Directors

None of the directors received remuneration for services to the Charity (2017: nil). Travelling expenses of £5,440 were reimbursed to six of the directors (2017: seven Directors, £4,630), in respect of attendance at meetings. During the year, no emoluments were paid to non-Executive directors of UCAS Media Limited (2017: nil).

Professional indemnity insurance

The charitable company paid a premium of £3,491 (2017: £3,491) 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.

3. INCOME

	2018 £'000	2017 £'000
Institutional and applicant fees		
Provider fees	13,404	11,862
Applicant fees	13,866	14,031
	<u>27,270</u>	<u>25,893</u>
Other income		
Data services sales	436	307
Licences sales	206	332
Supporting Professionalism in Admissions	-	14
Brand and data charge	3,832	4,001
Management and resourcing recharge	2,379	2,274
Fraud grant	67	67
Other income	474	51
	<u>7,394</u>	<u>7,046</u>
Investment income	200	187
Charity income excluding gift aid	<u>34,864</u>	<u>33,126</u>
Trading operations		
UCAS Media Limited	19,135	17,941
Investment income	6	2
	<u>19,141</u>	<u>17,943</u>
Intercompany	<u>(6,247)</u>	<u>(6,303)</u>
Group income	<u><u>47,758</u></u>	<u><u>44,766</u></u>

UCAS Media's principal business activity is the provision of marketing services to commercial clients, higher education providers 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 gift aid payment of £4,353k (2017: £4,013k) from UCAS Media to UCAS will be paid by 30 April 2019.

4. EXPENDITURE

Group	Direct staff costs £'000	Direct costs £'000	Brand and data £'000	Other support costs £'000	Total 2018 £'000	Total 2017 £'000
Raising funds						
Cost of investments	-	31	-	-	31	30
Commercial activities	3,824	4,575	3,832	2,847	15,078	13,933
	<u>3,824</u>	<u>4,606</u>	<u>3,832</u>	<u>2,847</u>	<u>15,109</u>	<u>13,963</u>
Charitable activities						
Admissions service	7,239	1,802	(3,832)	11,847	17,056	17,972
Special projects	1,619	6,453	-	831	8,903	10,575
Analysis and research	1,350	110	-	1,393	2,853	2,386
	<u>10,208</u>	<u>8,365</u>	<u>(3,832)</u>	<u>14,071</u>	<u>28,812</u>	<u>30,933</u>
Total expenditure of the group	<u><u>14,032</u></u>	<u><u>12,971</u></u>	<u><u>-</u></u>	<u><u>16,918</u></u>	<u><u>43,921</u></u>	<u><u>44,896</u></u>

Analysis of support costs	Raising funds £'000	Admissions service £'000	Special projects £'000	Analysis & research £'000	Total 2018 £'000	Total 2017 £'000
Governance	280	804	-	-	1,084	1,130
Finance	227	1,324	-	7	1,558	1,668
Human resources	129	779	65	109	1,082	889
Information technology	1,646	7,749	676	1,127	11,198	10,242
Facilities	368	896	90	150	1,504	1,629
General management	197	295	-	-	492	670
Total support costs	<u><u>2,847</u></u>	<u><u>11,847</u></u>	<u><u>831</u></u>	<u><u>1,393</u></u>	<u><u>16,918</u></u>	<u><u>16,228</u></u>

Analysis of governance costs	Total 2018 £'000	Total 2017 £'000
Internal audit	61	46
External audit	32	35
Legal & professional consulting	480	490
Trustees	102	141
AGM	17	21
Other governance costs	392	397
Total governance costs	<u><u>1,084</u></u>	<u><u>1,130</u></u>

The support costs detailed above have been allocated to the activities listed on the basis of:

- > direct cost allocation (Governance and Finance costs)
- > departmental headcount (Human Resources, Information Technology, and Facilities costs)
- > income (General Management costs)

Charity

	Direct staff costs £'000	Direct costs £'000	Other support costs £'000	Total 2018 £'000	Total 2017 £'000
Raising funds					
Cost of investments	-	31	-	31	30
	-	31	-	31	30
Charitable activities					
Admissions service	7,241	2,107	14,308	23,656	24,065
Special projects	1,619	6,388	831	8,838	10,575
Analysis and research	1,350	110	1,393	2,853	2,386
	10,210	8,605	16,532	35,347	37,026
Total expenditure of the charity	10,210	8,636	16,532	35,378	37,056

Analysis of support costs	Admissions service £'000	Special projects £'000	Analysis & research £'000	Total 2018 £'000	Total 2017 £'000
Governance	1,069	-	-	1,069	1,116
Finance	1,182	-	7	1,189	1,479
Human resources	908	65	109	1,082	889
Information technology	9,393	676	1,127	11,196	10,240
Facilities	1,264	90	150	1,504	1,629
General management	492	-	-	492	670
Total support costs	14,308	831	1,393	16,532	16,023

Analysis of governance costs	Total 2018 £'000	Total 2017 £'000
Internal audit	61	46
External audit	19	27
Legal & professional consulting	478	487
Trustees	102	138
AGM	17	21
Other governance costs	392	397
Total governance costs	1,069	1,116

The support costs detailed above have been allocated to the activities listed on the basis of:

- > direct cost allocation (Governance and Finance costs)
- > departmental headcount (Human Resources, Information Technology, and Facilities costs)
- > income (General Management costs)

5. TAXATION

	Group		Charity	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Current tax				
UK corporation tax	-	-	-	-
Factors affecting the tax charge for the year:				
	Group		Group	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Net income for the year before tax	4,100	419	(251)	632
Tax on income at standard CT rate of 19% (2017: 19.67%)	779	82	(48)	124
Effects of:				
Income not taxable for tax purposes	(779)	(82)	48	(124)
Total current tax charge	-	-	-	-

6. NET INCOME FOR THE YEAR IS STATED AFTER CHARGING

	Group		Charity	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Depreciation of tangible fixed assets	827	853	743	770
Loss on disposal of fixed assets	6	4	-	4
Amortisation of intangible assets	4,121	4,947	4,115	4,860
Impairment of goodwill	-	213	-	-
Impairment of intangible assets	168	72	168	72
Auditor's remuneration - audit fees	32	35	20	27
Auditor's remuneration - taxation compliance services	5	5	3	3
Internal auditor's remuneration	61	46	61	46
And after crediting:				
Interest on deposits receivable	23	5	17	3
Dividends receivable on investment portfolio	183	184	183	184

7. INTANGIBLE ASSETS

	Consolidated				
	Goodwill	Licences	Software	Work in progress	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 31 July 2017	1,361	934	20,922	3,324	26,541
Additions	-	18	15	4,130	4,163
Disposals	-	-	(4,441)	-	(4,441)
Reclassification	-	-	5,202	(5,202)	-
At 31 July 2018	<u>1,361</u>	<u>952</u>	<u>21,698</u>	<u>2,252</u>	<u>26,263</u>
Amortisation and impairment					
At 31 July 2017	1,361	611	11,599	-	13,571
Disposals	-	-	(4,273)	-	(4,273)
Amortisation charge for the year	-	178	3,943	-	4,121
Impairment charge for the year	-	-	-	-	-
At 31 July 2018	<u>1,361</u>	<u>789</u>	<u>11,269</u>	<u>-</u>	<u>13,419</u>
Net book value					
At 31 July 2017	<u>-</u>	<u>323</u>	<u>9,323</u>	<u>3,324</u>	<u>12,970</u>
At 31 July 2018	<u>-</u>	<u>163</u>	<u>10,429</u>	<u>2,252</u>	<u>12,844</u>

Amortisation charges are reflected in 'Expenditure: Charitable activities in the Statement of Financial Activities'.

During the year, software assets with a cost of £4,441k, and net carrying value of £168k, were identified as no longer in use as core system components. They have therefore been fully written down as at 31 July 2018.

Charity

	Licences £'000	Software £'000	Work in progress £'000	Total £'000
Cost				
At 31 July 2017	934	20,491	3,324	24,749
Additions	18	15	4,130	4,163
Disposals	-	(4,041)	-	(4,041)
Reclassification	-	5,202	(5,202)	-
At 31 July 2018	<u>952</u>	<u>21,667</u>	<u>2,252</u>	<u>24,871</u>
Amortisation and impairment				
At 31 July 2017	611	11,187	-	11,798
Disposals	-	(3,873)	-	(3,873)
Amortisation charge for the year	178	3,937	-	4,115
Impairment charge for the year	-	-	-	-
At 31 July 2018	<u>789</u>	<u>11,251</u>	<u>-</u>	<u>12,040</u>
Net book value				
At 31 July 2017	<u>323</u>	<u>9,304</u>	<u>3,324</u>	<u>12,951</u>
At 31 July 2018	<u>163</u>	<u>10,416</u>	<u>2,252</u>	<u>12,831</u>

Amortisation charges are reflected in 'Expenditure: Charitable activities in the Statement of Financial Activities'.

During the year, software assets with a cost of £4,041k, and net carrying value of £168k, were identified as no longer in use as core system components. They have therefore been fully written down as at 31 July 2018.

As at 31 July 2018, intangible assets with the following carrying values and remaining amortisation periods were considered to be material in the context of the group and the charitable company:

Asset description	Carrying amount (£'000)	Remaining amortisation period (Years)
Admissions 2015 system	470	1.6
Postgraduate collect tool	921	2.9
Postgraduate search tool	718	2.9
Undergraduate collect tool	823	4.0
Customer relationship management system	895	4.7
Postgraduate application tool	2,681	4.8
System integration tool	781	4.8

8. TANGIBLE ASSETS

Consolidated					
	Land	Buildings and contents	Hardware and equipment	Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 31 July 2017	3,150	5,663	15,094	-	23,907
Additions	-	8	164	-	172
Re-recognition	-	-	-	15	15
Disposals	-	-	(1,463)	-	(1,463)
At 31 July 2018	<u>3,150</u>	<u>5,671</u>	<u>13,795</u>	<u>15</u>	<u>22,631</u>
Depreciation					
At 31 July 2017	-	2,194	13,852	-	16,046
Depreciation on re-recognition	-	-	-	15	15
Disposals	-	-	(1,457)	-	(1,457)
Depreciation charge for the year	-	254	573	-	827
At 31 July 2018	<u>-</u>	<u>2,448</u>	<u>12,968</u>	<u>15</u>	<u>15,431</u>
Net book value					
At 31 July 2017	<u>3,150</u>	<u>3,469</u>	<u>1,242</u>	<u>-</u>	<u>7,861</u>
At 31 July 2018	<u>3,150</u>	<u>3,223</u>	<u>827</u>	<u>-</u>	<u>7,200</u>

During the year, equipment and hardware with a cost of £1,463k, and a carrying value of £6k, was identified as no longer in use. It has therefore been fully eliminated as at 31 July 2018.

Charity					
	Land	Buildings and contents	Hardware and equipment	Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 31 July 2017	3,150	5,621	13,595	-	22,366
Additions	-	8	98	-	106
Re-recognition	-	-	-	15	15
Disposals	-	-	(1,354)	-	(1,354)
At 31 July 2018	<u>3,150</u>	<u>5,629</u>	<u>12,339</u>	<u>15</u>	<u>21,133</u>
Depreciation					
At 31 July 2017	-	2,153	12,523	-	14,676
Depreciation on re-recognition	-	-	-	15	15
Disposals	-	-	(1,354)	-	(1,354)
Depreciation charge for the year	-	253	490	-	743
At 31 July 2018	<u>-</u>	<u>2,406</u>	<u>11,659</u>	<u>15</u>	<u>14,080</u>
Net book value					
At 31 July 2017	<u>3,150</u>	<u>3,468</u>	<u>1,072</u>	<u>-</u>	<u>7,690</u>
At 31 July 2018	<u>3,150</u>	<u>3,223</u>	<u>680</u>	<u>-</u>	<u>7,053</u>

During the year, equipment with a cost of £1,354k, and a carrying value of £nil, was identified as no longer in use. It has therefore been fully eliminated as at 31 July 2018.

9. INVESTMENTS

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Opening value	6,467	5,770	6,467	5,770
Interest and dividends	183	184	183	184
Net unrealised gain	263	549	263	549
Charges for the period	(31)	(30)	(31)	(30)
VAT payable on charges	(6)	(6)	(6)	(6)
Closing value	<u>6,876</u>	<u>6,467</u>	<u>6,876</u>	<u>6,467</u>

VAT is payable on investment management charges. Gross charges are deducted from the portfolio, with the VAT element reclaimed via the charitable company's VAT return.

The original value of the investment was £5,000k. Income receivable from dividends and interest is reinvested in the portfolio.

Investments comprise:	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
UK bonds	1,236	1,171	1,236	1,171
Equities				
UK	2,415	2,343	2,415	2,343
Europe	326	322	326	322
North America	917	883	917	883
Japan	246	228	246	228
Far East	182	177	182	177
Emerging markets	137	132	137	132
Property	475	425	475	425
Alternative assets	578	559	578	559
Interest accrued	16	14	16	14
Cash	348	213	348	213
	<u>6,876</u>	<u>6,467</u>	<u>6,876</u>	<u>6,467</u>

The Directors do not consider any individual investment to be material in the context of the investment portfolio.

10. SUBSIDIARY UNDERTAKINGS (CHARITY ONLY)

Name of undertaking	Class of shareholding	Proportion of nominal value held directly	Cost (£'000)	Nature of business
UCAS Media Limited	Ordinary	100%	1,026	Marketing services

UCAS Media Limited, registered in England, is a wholly owned subsidiary of the charitable company, UCAS, with issued share capital of 1,000 ordinary shares (2017: 1,000 shares). This investment is held at a carrying amount of £1,025,768 (2017: £1,025,768). 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, a wholly owned subsidiary of UCAS Media Limited, was dissolved on 20 February 2018.

UCAS Media's accounts are fully audited, and published separately. For summary results of UCAS Media Limited, refer to note 20.

11. DEBTORS

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade debtors	4,993	4,883	80	170
Amounts owed by subsidiary	-	-	926	3,780
Other debtors	-	17	-	2
Prepayments and accrued income	2,468	2,740	2,083	2,300
Value Added Tax	472	333	472	333
	<u>7,933</u>	<u>7,973</u>	<u>3,561</u>	<u>6,585</u>

12. CREDITORS

Amounts due within one year

	Group		Charity	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade creditors	1,834	1,806	1,357	1,413
Social security and other taxes	900	949	479	526
Finance leases due within one year	116	116	116	116
Other creditors	296	307	296	307
Corporation tax	-	-	-	-
Accruals and deferred income	5,868	4,293	2,620	1,689
	<u>9,014</u>	<u>7,471</u>	<u>4,868</u>	<u>4,051</u>

Deferred income

	Group		Charity	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Deferred income at 31 July 2017	2,501	2,094	196	200
Deferred income released during the year	(2,501)	(2,094)	(196)	(200)
Income deferred during the year	2,878	2,501	138	196
Deferred income at 31 July 2018	<u>2,878</u>	<u>2,501</u>	<u>138</u>	<u>196</u>

Deferred income relates to advertising income, events income, and income from subscriptions. For advertising campaigns and events, income is deferred on the basis of when the service is to be delivered. In the case of subscriptions, income is recognised over the life of the subscription, during which time, the service is delivered in full.

Amounts due after more than one year

	Group		Charity	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Obligations under finance leases	29	144	29	144
	<u>29</u>	<u>144</u>	<u>29</u>	<u>144</u>

13. FINANCIAL INSTRUMENTS

The carrying value of financial instruments for the Group and the Charitable Company as at 31 July were:

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Financial assets:				
Measured at amortised cost				
Cash	8,623	3,543	4,399	1,442
Trade debtors	4,993	4,883	80	170
Other debtors	-	17	926	3,782
Accrued income	96	75	115	15
Measured at cost less impairment				
Fixed asset investment	-	-	1,026	1,026
Measured at fair value through profit or loss				
Investments	6,876	6,467	6,876	6,467
Total	20,588	14,985	13,422	12,902
Financial liabilities:				
Measured at amortised cost				
Trade creditors	1,834	1,806	1,357	1,413
Other creditors	412	423	412	423
Accrued expenditure	2,963	1,765	2,456	1,466
Total	5,209	3,994	4,225	3,302

14. COMMITMENTS UNDER OPERATING LEASES

The total future minimum lease payments for both the Group and the Charitable Company, under non-cancellable operating leases, are as follows:

	2018 £'000	2017 £'000
Amounts due:		
Within one year	30	19
Between one and five years	57	21
	87	40

15. COMMITMENTS UNDER FINANCE LEASES

Obligations under finance leases are secured by the related assets. Finance charges relating to the lease are set at 0% per annum.

The total future minimum lease payments for both the Group and the Charitable Company, under non-cancellable finance leases, are as follows:

	2018	2017
Amounts due:	£'000	£'000
Within one year	116	116
Between one and five years	29	144
	<u>145</u>	<u>260</u>

Finance lease payments represent rentals payable by the group for certain items of equipment. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The lease term is three years. All leases are on a fixed repayment basis, and no arrangements have been entered into for contingent rental payments.

16. UNRESTRICTED FUNDS: DESIGNATED

	Technology reserve 2018 £'000	Investment reserve 2018 £'000	Pension reserve 2018 £'000	Income reserve 2018 £'000	Total 2018 £'000	Total 2017 £'000
Group						
Value at beginning of the year	5,000	1,076	2,858	689	9,623	15,930
Redesignations	-	(1,076)	(2,858)	-	(3,934)	(5,967)
Movement in the year	3,200	-	-	2,311	5,511	(340)
Value at end of the year	<u>8,200</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>11,200</u>	<u>9,623</u>
Charity						
Value at beginning of the year	5,000	1,076	2,858	140	9,074	16,052
Redesignations	-	(1,076)	(2,858)	-	(3,934)	(6,638)
Movement in the year	3,200	-	-	2,860	6,060	(340)
Value at end of the year	<u>8,200</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>11,200</u>	<u>9,074</u>

Designated reserves reflect the directors' view of the funds required to be allocated to meet future obligations, and to ensure the sustainability of the group's and Charity's core operations. Further detail of the reserves policy, and the reason for the change, is given on page 18 of the report of the directors.

17. UNRESTRICTED FUNDS: GENERAL

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Value at beginning of the year	21,526	14,710	22,842	15,142
Surplus for the year	4,100	419	(251)	632
Transfer from/(to) designated funds	(1,577)	6,307	(2,126)	6,978
FRS102 pension adjustments	(866)	90	(866)	90
Value at end of the year	<u>23,183</u>	<u>21,526</u>	<u>19,599</u>	<u>22,842</u>
Unrestricted funds: designated	11,200	9,623	11,200	9,074
Unrestricted funds: general	23,183	21,526	19,599	22,842
Pension	<u>(6,910)</u>	<u>(8,303)</u>	<u>(6,910)</u>	<u>(8,303)</u>
	<u>27,473</u>	<u>22,846</u>	<u>23,889</u>	<u>23,613</u>

Funds are transferred between unrestricted designated and general funds to maintain key technology contracts, and to protect against loss of income through realisation of strategic risks (note 16) as agreed by the Directors in the Reserves Policy.

18. NET ASSETS BY FUND

Group

The consolidated net assets held as at 31 July 2018 for the various funds are as follows:

	Fixed assets (excl. investments)	Net current assets and investments	Long term liabilities	Pension scheme liability	Total	Total
	2018 £'000	2018 £'000	2018 £'000	2018 £'000	2018 £'000	2017 £'000
Unrestricted funds: designated	8,200	3,000	-	-	11,200	9,623
Unrestricted funds: general	<u>11,844</u>	<u>11,418</u>	<u>(79)</u>	<u>(6,910)</u>	<u>16,273</u>	<u>13,223</u>
	<u>20,044</u>	<u>14,418</u>	<u>(79)</u>	<u>(6,910)</u>	<u>27,473</u>	<u>22,846</u>

Charity

The net assets held as at 31 July 2018 for the various funds are as follows:

	Fixed assets (excl. investments)	Net current assets and investments	Long term liabilities	Pension scheme liability	Total	Total
	2018	2018	2018	2018	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds: designated	8,200	3,000	-	-	11,200	9,074
Unrestricted funds: general	11,684	7,994	(79)	(6,910)	12,689	14,539
	<u>19,884</u>	<u>10,994</u>	<u>(79)</u>	<u>(6,910)</u>	<u>23,889</u>	<u>23,613</u>

19. PENSION SCHEMES

The Group participates in four pension schemes: one defined benefit pension scheme, one defined benefit scheme that is accounted for as if it were a defined contribution scheme (as required by FRS 102 section 28 'Employee Benefits'), and two defined contribution schemes. Employees join the appropriate scheme, depending on their employment terms. The total cost to the Group for the year ended 31 July 2018, in respect of pension contributions, which have been allocated between expenditure categories in proportion to staff costs, and charged to the consolidated statement of financial activities as appropriate, are as follows:

	2018	2017
	£'000	£'000
Defined benefit scheme	373	914
Defined contribution schemes	684	549
Multi-employer defined benefit scheme	600	578
	<u>1,657</u>	<u>2,041</u>

At 31 July, there were outstanding employer's and employees' contributions, including any additional voluntary contributions to the schemes, as follows:

	2018	2017
	£'000	£'000
Defined benefit scheme	77	118
Defined contribution scheme	93	70
Multi-employer defined benefit scheme	83	76
	<u>253</u>	<u>264</u>

UCAS PENSION AND LIFE ASSURANCE SCHEME (1993)

The group operates a defined benefit (final salary related) pension scheme, which, following a 90-day employee consultation, was closed to future accrual of benefits on 31 December 2017. Active members of the scheme at the closure date became 'active deferred' members, and transferred to UCAS' Group Stakeholder Plan at that time. The UCAS Pension and Life Assurance Scheme currently has 71 active deferred members, 179 preserved members, and 154 pensioners. The assets of the scheme are held in a separate, trustee-administered fund.

The most recent comprehensive actuarial valuation of the plan assets, and the present value of the defined benefit obligation, was carried out at 31 July 2016. The defined benefit obligation, included in these accounts as at 31 July 2018, has been calculated on the basis of updated actuarial assumptions and membership information, based on actuarial advice given to the directors.

The triennial funding review, as at 31 July 2016, identified an initial deficit in the longer-term assets over liabilities of £11,201k (2013: deficit of £3,731k). The main contributing factor to the increase in the deficit was the change in market conditions, as gilt yields were lower than expected. The directors agreed with the trustees of the pension scheme to adopt a Liability Driven Investment (LDI) strategy, which had the effect of reducing the deficit to £9,200k.

Following the funding review, the directors worked with the pension scheme trustees to agree a plan to address the pension deficit. During the year to 31 July 2018, UCAS made additional contributions of £920k per annum, with this amount set to increase by 3.5% each year, until 31 July 2025.

The principal assumptions used in the calculation of the present value of the defined benefit obligation include:

Assumptions	31 July 2018	31 July 2017
	%	%
Discount rate	2.72	2.54
Salary increase	3.71	3.70
Inflation (RPI)	3.21	3.20
Inflation (CPI)	2.31	2.30
Pension increases (pre-April 2005)	4.19	4.19
Pension increases (post-April 2005)	2.22	2.22
Revaluation in deferment (CPI max 5.0%)	2.31	2.30
Revaluation in deferment (CPI max 2.5%)	2.31	2.30
Mortality base table	SP2xA	SP2xA
Projection basis	CMI 2017	CMI 2016
Long term improvement trend	1.00	1.00
Percentage of death rates applied	100	100

Life expectancies from age 65 years	31 July 2018	31 July 2017
	Years	Years
Male currently aged 45	22.80	23.00
Female currently aged 45	24.90	25.00
Male currently aged 65	21.80	21.90
Female currently aged 65	23.70	23.70

Amounts recognised in the Statement of Financial Activities (SoFA), in respect of the defined benefit scheme, are as follows:

	2018	2017
	£'000	£'000
Current service cost	373	914
Net interest on net defined benefit liability	175	322
Total operating charge	<u>548</u>	<u>1,236</u>

Changes in the fair value of the scheme assets	31 July	31 July
	2018	2017
	£'000	£'000
Fair value of scheme assets at the beginning of the year	43,769	39,736
Employer contributions	1,219	1,275
Interest income on plan assets	1,111	916
Contribution by scheme participants	59	139
Benefits paid	(1,218)	(1,123)
Expenses and term assurance premium	(95)	(82)
Remeasurement gain	1,258	2,908
Fair value of scheme assets at the end of the period	<u>46,103</u>	<u>43,769</u>

Changes in the present value of the defined benefit obligation	31 July	31 July
	2018	2017
	£'000	£'000
Present value of scheme liabilities at the beginning of the period	51,074	54,024
Current service cost	373	914
Contribution by scheme participants	59	139
Interest cost	1,286	1,240
Benefits paid	(1,218)	(1,123)
Expenses and insurance premiums paid	(95)	(82)
Actuarial loss/(gain) on liabilities	731	(4,038)
Present value of scheme liabilities at the end of the period	<u>52,210</u>	<u>51,074</u>

Amounts to be recognised on the balance sheet		
Fair value of scheme assets	46,103	43,769
Present value of scheme liabilities	<u>(52,210)</u>	<u>(51,074)</u>
Balance sheet liability	<u>(6,107)</u>	<u>(7,305)</u>

Total Actuarial Loss featured in the Statement of Financial Activities

The Statement of Financial Activities (SoFA) includes a total actuarial gain for the UCAS Pension & Life Assurance Scheme (1993) of £527k (2017: £6,946k), comprising a remeasurement gain on scheme assets of £1,258k and an actuarial loss on scheme liabilities of £731k.

The actuarial return on plan assets was £2.37m (2017: £3.82m). The analysis of the scheme assets at the reporting date was as follows:

	31 July 2018	31 July 2017
	%	%
Equities	27.9	54.4
Bonds (non-Gilt)	24.2	22.5
LDI funds	19.1	0.0
Gilts	0.0	22.5
Multi Asset Growth	28.3	0.0
Cash and net current assets	0.5	0.6
	<u>100.0</u>	<u>100.0</u>

The Scheme invests in a mix of equity, bond, diversified growth, and liability-driven investment funds, managed by State Street, BMO, and Baillie Gifford.

Universities Superannuation Scheme (USS)

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control, typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control, and represents (typically) an industry-wide scheme, such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit, results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit), and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme, and have therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence, at the date of approving the financial statements.

The latest available complete actuarial valuation of the Retirement Income Builder section of the scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

Since the institution cannot identify its share of Retirement Income Builder section of the scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2014 valuation was the third 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. At the valuation date, the value of the assets of the scheme was £41.6 billion, and the value of the scheme's technical provisions was £46.9 billion, indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 scheme valuation is complete.

Defined benefit liability numbers for the scheme, for accounting purposes, have been produced using the following assumptions as at 31 March 2017 and 2018:

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pensions increases (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	Pre-retirement: 71% of AMCO0 (duration 0) for males, and 112% of AFC00 (duration 0) for females Post-retirement: 96.5% of SAPS S1NMA 'light' for males, and 101.3% of RFV00 for females	98% of SAPS S1NA 'light' YOB unadjusted for males 99% of SAPS S1NA 'light' YOB with a -1 year adjustment for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% pa for males, and 1.6% pa for females	CMI_2014 with a long-term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

	2018	2017
	Years	Years
Male currently aged 45	26.5	26.5
Female currently aged 45	27.8	29.0
Male currently aged 65	24.5	24.4
Female currently aged 65	26.0	26.6

	2018	2017
	£bn	£bn
Scheme assets	63.6	60.0
Total scheme liabilities	72.0	77.5
FRS 102 total scheme deficit	8.4	17.5
FRS 102 total funding level	88%	77%

Amounts recognised in the balance sheet	2018	2017
	£'000	£'000
Liabilities at beginning of the year	(998)	(871)
Interest costs	(24)	(19)
Remeasurement of the scheme liabilities	219	(108)
Balance sheet liability	<u>(803)</u>	<u>(998)</u>

At 31 July 2018, UCAS had 41 active members participating in the scheme.

The total pension cost for the group was £600k (2017: £578k). This includes £46k (2017: £51k) outstanding employer's contributions at 31 July 2018. The contribution rate payable by the company was 18% 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.

UCAS Group Stakeholder Pension Plan (2014)

UCAS implemented auto-enrolment on 1 January 2014. 148 employees were auto-enrolled in the scheme at that time, and re-enrolment assessments are carried out every subsequent three years. Following the transfer of members from the UCAS Pension and Life Assurance Scheme on its closure, the current scheme membership is 402 (2017: 349).

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 group, for both contribution schemes, was £684k (2017: £549k). This includes £71k (2017: £47k) outstanding employer's contributions as at 31 July 2018.

20. TRADING RESULTS OF UCAS MEDIA LIMITED

UCAS Media Limited, registered in England, company number 2737300.

	2018 £'000	2017 £'000
Turnover	19,134	17,941
Distribution costs	(6,230)	(5,445)
Brand and data charge	(3,832)	(4,001)
	<u>9,072</u>	<u>8,495</u>
Expenses		
Administrative	(4,725)	(4,484)
Total administrative expenses	<u>(4,725)</u>	<u>(4,484)</u>
Operating profit	<u>4,347</u>	<u>4,011</u>
Interest receivable	6	2
Profit before tax	<u>4,353</u>	<u>4,013</u>
Taxation	-	-
Profit after tax	<u>4,353</u>	<u>4,013</u>

The aggregate amount of the capital and reserves of UCAS Media Limited, as at 31 July 2018, was £4,611k (2017: £258k). Aggregate assets were £9,541k (2017: £7,270k), and aggregate liabilities were £5,090k (2017: £7,200k).

21. RELATED PARTY TRANSACTIONS

Directors

The directors of UCAS hold a variety of senior positions at educational providers, 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 in these organisations. The educational providers do not meet the definition of related parties, but are included in the interest of transparency. Therefore, full details of the value of such transactions, or the balances outstanding between UCAS (or its subsidiary undertakings) and these organisations, are not provided.

During the year, no non-Executive director of UCAS Media Limited was paid emoluments (2017: £nil).

The Universities and Colleges Admissions Service, and wholly owned subsidiary

The following related party transactions and balances are included in the accounts of the charitable company, in respect of its related party subsidiary company:

	2018					
	Intercompany debtor as at 31 July 2018	Conference attendance fees charged to parent	Staff costs recharged to subsidiary	Brand & data charges to subsidiary	Management charge to subsidiary	Gift Aid distribution to parent
	£'000	£'000	£'000	£'000	£'000	£'000
UCAS Media Limited	926	(36)	1,211	3,832	2,379	-

	2017					
	Intercompany debtor as at 31 July 2017	Conference attendance fees charged to parent	Staff costs recharged to subsidiary	Brand & data charges to subsidiary	Management charge to subsidiary	Gift Aid distribution to parent
	£'000	£'000	£'000	£'000	£'000	£'000
UCAS Media Limited	3,780	(28)	875	4,001	2,274	4,013

22. CAPITAL COMMITMENTS

As at 31 July 2018, the Charitable Company had no capital commitments (2017: £nil).

23. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, within the next financial year, are those used by the actuary in calculating the group's defined benefit pension scheme liability (see note 19 for details), and those involved in estimating an intangible software asset's likely useful life upon capitalisation (see policy on capitalisation of software assets for details).

Critical areas of judgement

Senior management exercise judgement in determining that an internally-generated asset may be capitalised as an intangible asset, by reference to the likelihood that future economic benefit will be delivered by the asset, as well as the level of completeness of the asset. Details of UCAS' policy on capitalisation of software development costs is given in note 1.

UCAS participates in Universities Superannuation Scheme (USS), a multi-employer hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. UCAS is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Therefore, the scheme is accounted for as if it were a wholly defined contribution scheme (see note 19 for details).

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UCAS, a company limited by guarantee, is registered in England and Wales.

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Registered charity number: 1024741 (England and Wales) and SC038598 (Scotland).

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The UCAS logo is displayed in white text on a dark grey background. The letters 'UCAS' are in a bold, sans-serif font. The letter 'A' is stylized with a red diagonal line through it.