

Financial Statements 2015–16

The world's leading institution for the
study of Asia, Africa and the Middle East



Chair's foreword



We are at a significant point in the history and development of SOAS: Sunday 5 June 2016 marked the official start of our centenary – on that day 100 years ago our Royal Charter was granted.

We are celebrating our centenary with a year-long series of special academic events and activities in the UK and across the world, and partnering with leading academic bodies, including the British Library and Zhejiang University in China.

We are also hosting a number of prestigious speakers for our Centenary Lectures Series which started this autumn, with Nobel Prize winner Wole Soyinka and artist and social activist Forest Whitaker.

In autumn 2015 we also welcomed our ninth Director – Baroness Valerie Amos. With a distinguished record of public and international service, she took up her role in September 2015, following the retirement of Professor Paul Webley, CBE. In June 2016 she was made a Companion of Honour in the Queen's Birthday Honours list, recognising her services to the United Nations and emergency relief in conflict areas.

In September 2016, we opened – on time and on budget – a £33m state-of-the-art facility in the completely refurbished North Block of Senate House. The new facility provides a student hub, academic space, lecture theatres, and formal and informal learning spaces, set around a remarkable new glass atrium. This has created a unified campus for SOAS in the heart of London, providing fitting space for our excellent teaching and research.

We named this new space the Paul Webley Wing, in honour of SOAS's eighth director Professor Paul Webley, CBE who passed away in March 2016. As Chair of the SOAS Board of Trustees, I want to pay tribute to the tremendous contribution Paul made to SOAS and to the wider academic community. The naming of our new building – which Paul did so much to bring about – is truly a fitting legacy.

The fact that SOAS has been able to take forward major developments such as the Paul Webley Wing is testimony not just to leaders such as Paul, but to the hard work of all the staff, partners and supporters of SOAS, which is reflected in this financial report. This report sets out a positive picture for the School, albeit one where many challenges lie ahead that we are facing up to with confidence.

While we are pleased to report a surplus of £5.3m for the year, we recognise that this does include £1m of non cash adjustments arising from recent accounting rule changes, £3.2m in capital donations for specific purposes received in year together with donations of £4.3m ringfenced for capital investment or specific future expenditure. Our underlying position is perhaps best measured excluding

those items. We are seeking to return to a position of underlying surplus in future years in recognition of the fact that surpluses are vital to ensure we can sustain ourselves as an institution and invest in our academic future. The accounts show that we invested £22m in 2015-16 in our estate and facilities to improve the quality of provision for teaching and learning, most notably in the new Paul Webley Wing.

In a challenging recruitment climate, we have continued to attract a growing number of undergraduates with numbers increasing 8% year on year. We have also continued to grow our income from research – which at just under £6m is 17% higher than the previous year and over 50% higher than four years ago.

In relation to donations received, new gifts reached nearly £7m in 2015-16. We continue to work with trusts and individuals from across the world that share our values. And in September 2016 we have launched our centenary fundraising campaign – Questions Worth Asking – seeking support across three areas: scholarships and student experience; academic projects and endowed posts; and the continued transformation of the SOAS estate.

All of the academic scholarship that our activity supports is focussed on making a difference to the world – through our teaching, research and outreach – as the section in this report our public engagement illustrates well.

As we look to the future, we recognise that the next few years will be challenging for all universities in the UK given the current external context. One key factor in particular will be the impact of Brexit on our ability to recruit both European staff and students, coupled with the impact on EU research grant funding. Greater competition from universities across the world, tighter public finances generally, increased expectations of funders of all kind and rapid technological and social change combine to make higher education an especially demanding environment.

This report therefore also sets out how SOAS is responding positively to this broader challenge. The Sustainable SOAS Programme has been formed to take forward planning across our strategy, financial sustainability, research excellence, academic restructuring, curriculum review and governance. You can read more about this vision and the action we are taking on pages eight and nine.

As I take up my role as Chair of the SOAS Board of Trustees for the next four years, I believe there has never been a more important time for a school like SOAS. I am confident that we can remain a vital institution, sustainable academically and financially, as we move into our second century of research and teaching in order to equip and inform today's and tomorrow's global citizens and institutions.

A handwritten signature in black ink, appearing to read 'Marie Staunton'.

Marie Staunton
Chair of the Board of Trustees, SOAS

Financial overview

Summary

Our financial statements for the year ended 31 July 2016 are presented under the new statement of reporting practice (SORP) for Higher Education Institutes which now incorporates the new financial reporting standard (FRS) 102. The main impact of this change is on how we account for the amount we recognise as the obligation to pay our share of costs for pension schemes, as well as for the amounts we include for donated income. These accounting changes are likely to make our reported surplus a little bumpier than under previous accounting standards.

For the year ended 31 July 2016, we generated a surplus of £5.3m, under the new SORP. This compares to a surplus of £0.4m for 2014-15, which has been revised up from the deficit of £1.5m previously reported under the old 2007 SORP (see note 25 for a full reconciliation).

While we are pleased to report a surplus of this magnitude for 2015-16, it should be recognised that this reflects the net positive impact of £5.3m accounting adjustments as a consequence of adopting the new SORP. Exclusion of these adjustments would return us to a break even position under the old 2007 SORP.

The adjustments include non-cash adjustments comprising; £2.7m of unrealised gains from the revaluation of our investments, a £1.3m charge in recognition of our increased pension liability and £0.4m removal of deferred capital gift income. The adjustments also include cash donations of £3.3m towards capital building works completed in the year and £1m of donations ring-fenced for specific future expenditure.

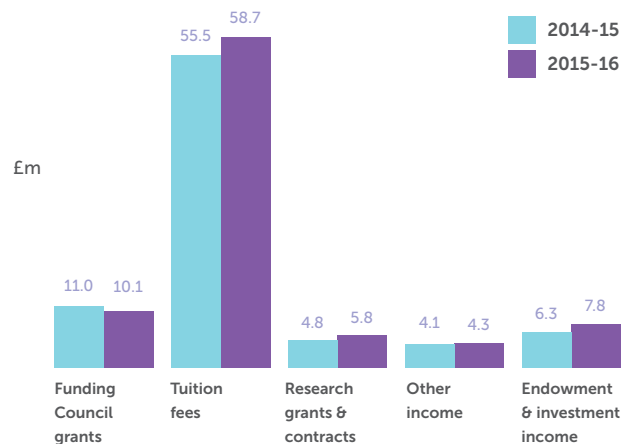
During the year we also invested £22m in our estate and facilities to improve the quality of provision for teaching and learning.

The following sections provide context and explanation for the financial position.

Income

After significant changes in the balance of income received from student fees rather than teaching grant over previous years as a consequence of the move to the new undergraduate fee regime, the income pattern in 2015-16 has stabilised and is similar to the pattern of 2014-15. Tuition fees remain our largest share of income at 68% (2014-15: 64%).

Income by source – year on year changes

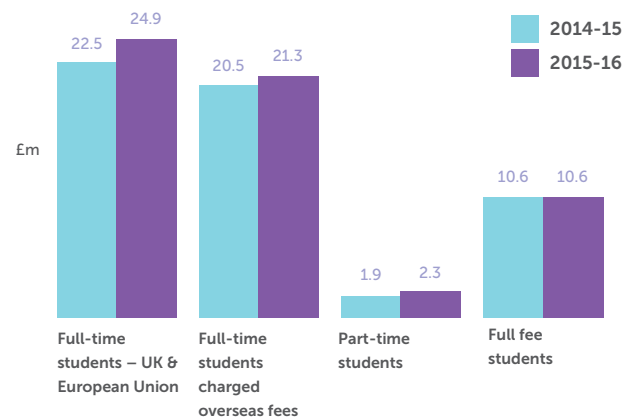


Tuition fee income

Tuition fee income in the financial statements are stated net of the £2m (2014-15: £1.4m) fee waivers and scholarships provided to students on both undergraduate and postgraduate courses.

Fee income rose by £3.2m in 2015-16, largely as a result of increased income from full time students from the UK/EU (£2m) and from overseas (£0.8m). Income from other students, including distance learning, foundation programmes and short courses has remained in line with the previous year.

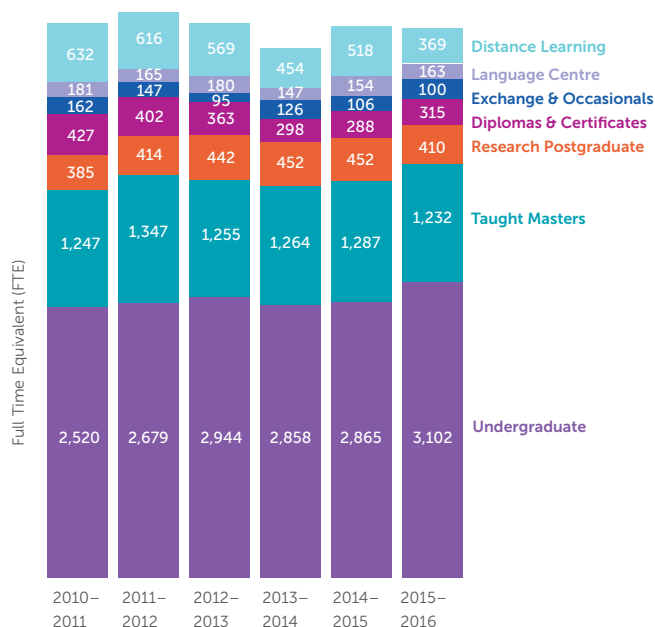
Fee income – year on year changes



Financial overview – continued

In line with strategy, we have continued to grow our undergraduate student numbers, increasing 8% compared with the prior year position, and 10% from the position five years ago.

Student FTE – Numbers



Funding Council Grants

The Higher Education for Funding England (HEFCE) provided SOAS with £10.1m of grants for use in 2015-16, including £2.5m for teaching (2014-15: £3m) and £5.8m for research (2014-15: £6.3m). Uncertainty over the future funding framework for HE means that we continue to work towards reducing our reliance on central government funding for both teaching and research.

Research Grants and contracts

We have continued to grow our income from research grants and contracts in 2015-16. Now at £5.8m, this stands 17% higher than the previous year and 53% higher than four years ago. This year we have recognised Leverhulme Trust grants of £1m, ESRC grants of £0.9m as well as European Research Council grants of £0.7m and European Commission FP7 grants of £0.5m. The balance of £2.7m was earned from over 50 funders demonstrating the diversity of our funders and disciplines.

In addition to income from core operational activities, SOAS generates income from commercial and ancillary activities, which increased to £4.4m (£4.1m 2014/15). This includes a one off exchange rate gain of £273k from translating foreign currency holdings to sterling post Brexit.

Research grants & contracts



Endowment and other income

We are, as ever, very grateful for all donations received and are pleased to report new gifts reached £6.8m in 2015-16. Of this £3.3m was to support our capital redevelopment programme of the Paul Webley Wing, Senate House, and £3.5m was received in support of scholarships, bursaries and posts within specific academic areas, including £3m in new expendable endowments.

We continue to work with trusts and individuals from across the world that share our values, and aim to maintain continued levels of donation. In particular, in September 2016 SOAS launched its centenary campaign and is seeking support across three areas: scholarships and student experience to support every step of the student journey; academic projects and endowed posts to keep languages spoken, cultures explored and religions observed; and the transforming of the SOAS estate by developing the final quadrant of Senate House, improving College Buildings, and refurbishing the world-renowned SOAS Library.

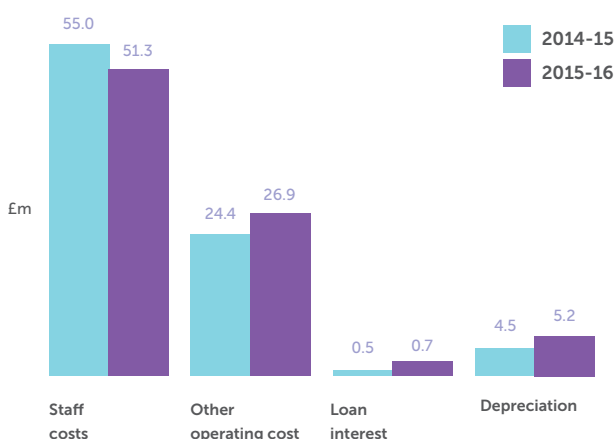
New endowments allowed us to increase our investment income on such endowments from £0.75m to £0.85m. Worsening rates for treasury deposits has however caused other investment income to fall by almost half to £0.12m.

Financial overview – continued

Expenditure

As an institution which depends on the quality of its teaching and student services, it is unsurprising that staffing continues to form the largest share of our expenditure.

Expenditure



Overall reported staffing costs have fallen £3.7m below those reported in 2014-15. However, as explained earlier, these costs include the impact of the revaluation of our pension fund liability. Excluding these provisions, staffing costs are £1.5m higher than in 2014-15, an increase of 3%.

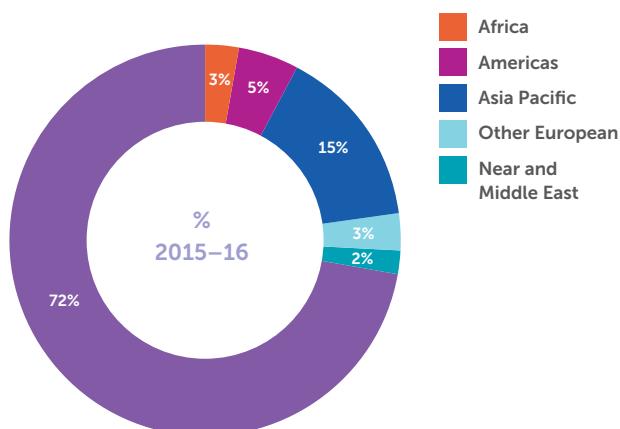
Other operating expenditure was £2.5m higher than in 2014, an increase of 10%. Contributing factors include £0.4m growth in expenditure on research projects, in line with income growth, as well as £0.8m increase in temporary staffing costs. The increase in such staffing costs can be partly attributed to pausing on the permanent recruitment of certain staffing groups within professional services in anticipation of the change in staffing requirement that may be necessary following the forthcoming restructuring of Faculties and Academic departments.

Depreciation charges were also £0.7m higher than the previous year, reflecting the increased investment in our estate and IT facilities.

Student support

We continue to attract a diverse student body from across the world, and are working to maintain our international student numbers in the challenging current environment.

Undergraduate & Postgraduate Student FTE by origin – draft figures



We are committed to making our education available to as many qualified students as possible, and invest heavily in scholarships and bursaries to provide financial support to those who would otherwise find it difficult to undertake study at SOAS.

In 2015-16 we provided fee discounts and fee waivers worth £1.0 to low income students under our OFFA agreement, as well as funded scholarships and fee waivers for masters courses worth £1.4m.

Financial overview – continued

Capital investment

During 2015-16 the School's capital programme has continued to make significant progress, with investment of £22.4m in our estate and infrastructure. Projects included:

- The main construction phase of the refurbishment of the Paul Webley Wing, Senate House where, during the year, expenditure totalled £16.4m on building and £2.7m on equipment and facilities;
- Refurbishment of the Khalili Lecture Theatre (£0.7m); and
- Work on the 22-24 Russell Square basement (£0.5m);

Our aim is to create the best possible physical environment for the SOAS community through safeguarding and developing our listed estate. Over the coming years, we aim to build upon previous good practice and seek to concentrate and expand the estate within Bloomsbury, focusing on six strategic themes:

- Expansion: developing a plan to expand the existing estate in Bloomsbury
- Campus Development Programme: ensuring that the use and layout of our buildings is well aligned with the School's wider needs and provides a modern, accessible and efficient environment in which to learn, teach and research
- Student Residential Strategy: developing a strategy that determines the best approach to securing accommodation and ensuring management arrangements are effective and deliver a high quality service
- Physical environment: maintaining the estate to an appropriate standard in a financially stable manner
- Facility Management Services: developing and delivering a portfolio of high quality facility management services that are well specified, managed and represent good value for money
- Sustainable and environmentally aware operation: ensuring a base level of environmental standards for any new buildings and a commitment to improving the environmental impact of existing buildings.

Balance sheet position

Our balance sheet has been restated in line with the latest accounting framework requirements. Using these new standards for reporting, our net assets grew in year by 5.4% (2014-15: 0.3%) to £98.3m. The School's endowment funds grew by £3.6m (2014-15 £3.8m) to £39.0m (2014-15: £35.4m), as a result of gains (£2.7m) in the market value of underlying investments and net inflow of new donated funds (£0.9m).

Our variable rate loan facility of £6.9m is hedged by two interest rate swaps, covering approximately 50% of the current loan balance, providing some protection against adverse movements in LIBOR interest rates. The outstanding loan balance is being repaid quarterly over the remaining 15 year term. During the year we had a £15m revolving credit facility in place, from which we drew down £5m in July 2016 which was repaid in full during September 2016.

Capital investment led to a reduction of £3.5m in year-end cash holdings, and movement in net current assets to a £10.8m negative position (£3.6m 2014-15). The School's holding of £34.9m investment assets at year offsets the risk this poses to short term liquidity, and having assessed its business and financial plans for the year, particularly healthy student enrolment figures and tuition fee income, and its strong asset holdings, the School is confident that it will continue to operate as a going concern for the foreseeable future.

In the short term the inflow of cash from tuition fees will reverse this position. In the longer term we plan to address this imbalance in our current net asset position through longer term financing and realisation of value from our fixed asset holdings.

Financial overview – continued

Future Outlook

Challenges

We recognise that the next few years will be challenging for all universities in the UK given the current external environment.

A key factor will be the impact of Brexit on our ability to recruit both European staff and students coupled with the impact on EU research grant funding. European students form a significant proportion of our on campus student body, accounting for 16% of our on-campus student numbers.

While we welcome the recent Government announcement extending the guarantee of student fee levels and loans to EU students starting their studies in September 2017, there is a strong possibility that legislation will require us to raise the fees for EU students to the levels currently charged to overseas students outside the EU. This coupled with the withdrawal of loan schemes currently available to EU undergraduate and postgraduate taught students will inevitably lead to a fall in student numbers. While we intend to explore the possibility of implementing an EU bursary scheme to partially mitigate the fee increase, increased recruitment effort will be needed to continue to attract EU students and to replace those students we may lose from Home and overseas markets. We shall also explore the relationship between fees and EU recruitment in order to better inform estimates of future fee income.

We recognise the further challenge that tightening of visa restrictions may have on overseas students recruitment, either directly in terms of number of visas available or indirectly in terms of the negative impact the political narrative has on promoting the UK as a welcoming place for overseas students to study. However, one mitigating factor encouraging overseas students to apply to the UK will be the fall in the real cost of studying here. Since the vote to exit the EU, sterling has fallen 15% against major world currencies. Given this is unlikely to reverse in the foreseeable future we would expect this to have a positive impact on overseas recruitment. Indeed, while it is a little early to have had any impact on undergraduate recruitment (given the long lead time for applications), overseas recruitment for 2016-17 at post graduate taught level has shown an increase compared to previous years.

An assessment of student enrolment for 2016-17 also indicates the positive impact the introduction of the postgraduate taught loan scheme has had, with new Home/EU student numbers increasing by 22% over the previous year. This impact has been largely consistent across all subject areas. While we can expect that student deferrals from 2015-16 may have contributed to this increase we are confident that the scheme has had a positive impact on propensity to study at postgraduate level.

From a cost perspective, we recognise the pressure on staffing costs as a direct consequence of the increased level of employee contributions to our pensions schemes and the loss of our national insurance rebate previously given in respect of these defined benefit schemes. Each of these has added a further 2% to our pay costs from April 2016. While the annual pay settlement of 1.1% applied from 1 August 2016 remains low, we expect pressure for higher future settlements, particularly in light of expectations of rising levels of inflation.

Financial overview – continued

SOAS Response

Sustainable SOAS:

Against this external back ground we are seeking to ensure that we remain sustainable academically and financially as we move into our second century of research and teaching. To help achieve this, the Sustainable SOAS Programme has been formed to take forward work across a number of key areas. Each is considered below:-

Strategy: During 2015-16 the School strategy has been refreshed to reflect the challenges we face and the opportunities that we feel best placed to take advantage.

In redefining our strategy, we have identified the significant opportunities for a school like SOAS whose niche is its internationalism. Given the global challenges of increasing inequality, intensified conflict over resources and threats to the existence of cultural diversity we would suggest global governance mechanisms are struggling to deliver peace, security and human rights. Within this environment we feel that there has never been a better time for a school like SOAS. The world needs SOAS more than ever before. For the last 100 years we have grown and developed to take our place as a global university, teaching and researching across a range of social science and humanities subjects, rooted in the culture and languages of the regions in which we specialise (which collectively account for over three-quarters of the world's population). We make the connections that others cannot. We have the expertise – in terms of depth and breadth. We have the understanding of cultures and contexts. We think about the world differently – from the perspective of our regions and their people. To be interconnected people need to be able to talk with each other, communicate. So SOAS has an important role to play in addressing the world's needs by:

- Challenging perspectives through its research and teaching
- Helping to build bridges in a complex world
- Applying a global lens to the critical issues of our time
- Developing graduates who can influence and make an impact throughout their careers
- Developing new intellectual and strategic partnerships

And SOAS students leave our university with the ability to:

- Challenge and interpret the world
- Connect communities and cultures
- Change and impact the world

SOAS's strength lies in using our strong language base, area studies specialisms and disciplinary expertise to show the interconnectedness of the world. By advancing knowledge and understanding of our regions and their diasporas through excellent research, teaching and independent scholarship we promote a sense of global citizenship and mutual understanding, because even as our world has become more interconnected through trade, travel and global communications it also seems more fragmented, requiring innovative approaches to help us understand the world's unity and complexity. Scholars at SOAS work collectively to demonstrate the interconnectedness and changing contours of the world.

We see ourselves continuing as a niche institution with regional specialisms, providing a balanced portfolio and maintaining excellence in all our areas of research and scholarship. We will need to grow to thrive but that growth will be in line with our commitment to excellence. Our base in Bloomsbury enables us to provide an intimate, welcoming and dynamic experience for our students. The opening of our new building the Paul Webley Wing, Senate House North Block will further enhance that experience and we hope to consolidate our Bloomsbury campus through further development as opportunities arise. We see our overseas expansion taking place through the development of strong collaborations and partnerships with universities and institutions around the world.

We aim to:

- Produce high quality research that shapes global scholarship and learning
- Produce high quality graduates, postgraduates and researchers who understand and engage with the world and the regions in which we specialise
- Develop well rounded individuals who can make a difference in their communities and in the world, and
- Make an impact in the local and global communities with which we engage.

Financial overview – continued

Financial Sustainability: The Financial Sustainability work stream is led by the Director of Finance and Planning and is responsible for meeting a target operating surplus of 5% of income by 2017/18, as agreed by the Board of Trustees. Each of the Faculties and Professional Services has developed a plan for addressing the shortfall through a combination of increased income and staff and non-staff savings. The plans identified financial improvement of £4.0m [£1.5m in income, £0.5m in non-staff costs and £2m in staff cost], leaving a balance (at the time of £2.5m to be addressed). To date £0.5m of savings have been found within non-pay budgets for 2016-17 and £1.7m within staffing budgets, via voluntary severance, reduction in teaching hours and by non-replacement of vacant posts. Further staffing savings will be achieved utilising the current voluntary severance scheme, which will remain open to the end of the calendar year.

Research Excellence: The Research Excellence work stream is led by the Pro Director (Research) and is responsible for ensuring research excellence and specifically an improved REF outcome for 2020. The work stream has developed a Research Excellence Plan that outlines a vision, strategy, objectives and plan of actions for achieving research excellence. A new Research Excellence Manager has been appointed to the School who has responsibility for both the REF and non-REF parts of the Research Excellence Plan. A new Academic Performance framework has been developed and is currently being rolled out across academic departments in order to identify and address performance issues prior to the next REF.

Curriculum Review: The Curriculum Review work stream is led by the Pro Director (Learning and Teaching) and is responsible for ensuring academic sustainability through the ongoing development of an attractive and relevant curriculum. The work stream has developed a new Learning, Teaching and Student Experience (LTSE) Strategy.

A curriculum review process has commenced to review the curriculum at the departmental level and to address cross-School issues around dual programmes and overlap and duplication. The first departmental pilot (History) has been undertaken with lessons to be incorporated into further roll out across the School.

Governance: The Governance work stream is led by the School Secretary and is responsible for improving governance structures to ensure clearer involvement of staff and students in the School's decision-making processes. The initial focus of the work stream has been on academic governance, working with Democratise SOAS to establish a Senate, which had its first meeting in the summer of 2016. The Good Governance Institute is now working with the School on other areas of governance, including the Committee structure.

Restructuring: The Restructuring work stream is led by the Pro-Director (Research), working closely with Executive Board, and is responsible for restructuring the School's academic departments to support an attractive curriculum, excellent research, improved decision-making and management, financial sustainability, and cross-disciplinary work. Consultation is currently underway within the School on proposals with the aim of implementing the new structure for the 2017-18 academic year.

Other areas of activity:

Estates: A major element of our recently refreshed estates strategy was achieved with the completion of the Paul Webley Wing Senate House North Block in the summer of 2016. Completed on time and within budget this building will not only provide much needed additional space, it will allow consolidation of the estate on the Russell Square site. An important objective of the project is the provision of improved quantity and quality of academic space thereby removing an existing constraint on growth. While further investment of £20m is planned over the next three years to refurbish current facilities, further aspirations, including building a new facility near to campus will require external financing in addition to philanthropic donations.

Fundraising: SOAS will be celebrating its centenary in 2016-17 and is using this as a platform to launch an ambitious fundraising campaign building upon its recent fund raising successes.

The campaign is centred around the theme 'Questions worth asking' and is seeking support across three areas: scholarships and student experience initiatives, academic projects and endowed posts and transforming the SOAS estate

Financial Strategy:

In an environment of increasing competition, investment is key to attracting future students, particularly in view of ever increasing student expectations for high quality facilities and seamless and effective administrative processes. Competition and the transition from a relatively stable grant-funded environment to a highly volatile fee-funded environment has increased the level of cash balances we need to retain to withstand any income shocks or unexpected changes in our cost base.

We aim to achieve continued financial sustainability through:

- Growth in new and existing programmes (recognising the constraints of space in our Bloomsbury estate for on-campus delivery)
- Cost savings from staff and non-pay costs, and
- Maintaining a portfolio of activity across the School that balances our smaller-scale niche specialisms with areas of broader market appeal.

SOAS and public benefit

Since it was established in 1916, SOAS has made a unique contribution to intellectual scholarship in its specialist subject areas of Asia, Africa and the Middle East. SOAS has also made a significant contribution to public benefit through its services to society.



Afrikult, one of the projects supported by SOAS Impact – a platform which crowdfunds student-led projects that have a positive impact on the world

SOAS is a legally independent corporate body as well as an exempt charity. The Charities Act 2011 places an obligation on charities to demonstrate explicitly how they provide public benefit and in preparing this statement the School has had regard to the Charity Commission's guidance on public benefit. The Act requires that institutions clearly identify benefits related to the aims of the charity; that the benefits must be to the public, or to a section of the public; that where the benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by geographical or other restrictions or by ability to pay fees; and that people in poverty must not be excluded from the opportunity to benefit.

SOAS makes a significant contribution through its teaching, research and other activities to many of the specific categories of charitable purposes set out in the Charities Act 2011. This is primarily through the advancement of education.

- SOAS also contributes through the advancement of citizenship or community development;
- the advancement of the arts, culture, heritage or science;
- the advancement through human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity;
- the prevention or relief of poverty; and
- the advancement of environmental protection or improvement

SOAS teaches courses which cover all of these categories. Our research informs the policy and initiatives of governments, charities, NGOs and other agencies around the world. Our graduates go on to work in these organisations too. Over the last year, our researchers made their valuable insights available through a wide range of public forums.



Babu grinds rice, Madhya Pradesh, 2013, a photograph exhibited at *The Future of the Rural World? Indian villages, 1950-2015*

Camden Cares (right), a student project to help settle incoming refugee families from Syria. The project initiated under the ParliaMentors programme, a UN award-winning leadership enterprise which offers a platform for university students to effect social change in their communities under the guidance of MPs and Peers



Public events

SOAS has a well developed programme of public events across its disciplines, which are held throughout the year. The SOAS China Institute, launched in 2014, put the modernisation of China in the spotlight at a Beijing conference co-hosted with the China Academy of Social Management. Ageing, family relations, food security, urbanisation and housing, trade unions, and banking reform were all brought to the forefront at this public event. SOAS hosted a number of public dialogues to examine the role of leaders in encouraging peace, reconciliation and forgiveness in conflict-affected societies. The event series, led by Dr Phil Clark as part of a Fetzer Institute-funded project, hosted leaders representing different sides of the conflicts in Uganda, Sri Lanka and Colombia. The events were attended by politicians, policy-makers and the media. The SOAS Centre of African Studies organised the 2016 Governance for Development in Africa Residential School in association with the Mo Ibrahim Foundation, hosting it in Morocco. The annual event creates a dedicated environment for African students, government officials, and professionals to study the socio-economic, political and legal links between governance and development. SOAS hosted the first ever 'Queer' Asia Conference – which specifically focussed on LGBT and queer issues in Asia. LGBT leaders, film-makers and academics from across the Asian continent spoke at the event, which received widespread media interest and coverage. In addition SOAS hosted an event on the elections in Myanmar 'All change at the top: Myanmar's new government takes shape' which brought together media and non-Government organisations to discuss this topic. 'The Everlasting Flame: Zoroastrianism in history and imagination', first exhibited in SOAS's Brunei Gallery in 2013, took place in Delhi in spring 2016. Sponsored by the Government of India's Ministry for Minority Affairs, the exhibition formed part of the Everlasting Flame Programme in collaboration with the Parzor Foundation and the Culture Ministry of India.

Media engagement

Many SOAS academics either advise policy makers or participate in relevant policy areas themselves. Our experts are frequently sought by the news media to make sense of global developments and history. Our Director Baroness Valerie Amos CH is continually engaged with the media. She featured in two lead articles in the Guardian after her appointment at SOAS, and provided a wide-range of commentary on Syria and the refugee crisis, and on the future of the UN. Baroness Amos also gave lectures at LSE on the global refugee crisis, at LSHTM on 'Why Women are Central to Conflict Resolution and Humanitarianism' and at UUK on 'Equality and diversity: learning from an international perspective'. SOAS experts have also provided commentary on the impact of the EU referendum on our regions, President of China Xi Jinping's state visit to the UK, Indian Prime Minister Narendra Modi's UK visit as well as India's local elections and on border relations between Burundi and Rwanda. BBC Radio 4's Today Programme featured a special report on the story of the Dulwich Boys, a group of young men who studied Japanese at SOAS and had a significant impact on UK-China relations and SOAS's yoga expert James Mallinson travelled to the world's largest religious festival, Kumbh Mela, with actor and friend Dominic West for a BBC Four documentary.

Local initiatives

SOAS has participated in a number of local initiatives. Our significance in the local community was celebrated with London school pupils, the Mayor of Islington Councillor Kat Fletcher, the Mayor of Camden Councillor Nadia Shah and SOAS's Director. The pupils submitted their vision of the world in 100 years' time for a time capsule competition. The winning schools attended SOAS this summer to celebrate the burial of the capsule. The day also marked 100 years since SOAS was founded. SOAS brought languages and music to London's learning



The Everlasting Flame: Zoroastrianism in history and imagination, produced by SOAS, was exhibited at the National Museum in Delhi in March to May 2016. The exhibition was first exhibited in the SOAS Brunei Gallery in 2013

Hong Ling: A Retrospective curated by Professor Shane McCausland and Dr Tian S. Liang



festival - Curious? - a two-day festival of learning and knowledge at King's Cross, also the first summer festival of London's Knowledge Quarter. The SOAS World Music stage was part of the 2015 Bloomsbury Festival and brought international music to London during the weekend of activities. SOAS students launched a new project in London called 'Camden Cares' to help settle incoming refugee families from Syria. Through sport sessions, cultural events and translation services, the students helped 20 Syrian refugee families who have recently been housed by the London Borough of Camden. SOAS students also worked with London school pupils to explore linguistic diversity and its relationship with human rights through a SOAS Widening Participation programme. The pupils, aged between 13 and 17 years old, explored the history of the Universal Declaration of Human Rights to learn how language is central to a universal declaration.

A national resource

SOAS contributes to the advancement of education and preservation of academic heritage through our extensive Library collections and Archives. The SOAS Library is one of the five UK National Research Libraries (the others are Cambridge, LSE, Manchester and Oxford). It is home to more than 1.2 million volumes and significant special collections including the archives of missionary societies, NGOs and diplomats.

Given its status and reputation, the Library has more than 13,000 registered external users. In total, the Library was visited more than 800,000 times in 2015-16 and many visits were made by Alumni. The Library continues to offer a range of seminars and training sessions for members of the School and visitors, focussing particularly on study skills and the use of electronic resources.

The Library is also part of a British Library digitisation project 'Two Centuries of Indian Print'. The project will digitise and give free online access to one of the world's most important collections of South-Asian language printed books.

Widening Participation

SOAS has a strong track record in widening participation and our access initiatives aim to ensure that the School engages with students from disadvantaged backgrounds. 2015-16 saw the continuation of successful initiatives such as SOAS Scholars: Thinking Globally!, and subject-specific summer schools (for History, Politics, Law, and Development Studies).

Participants use the School's expertise to explore global perspectives, develop the skills needed to fulfil their potential, and find out about higher education. In addition to our extensive range of outreach activities, SOAS routinely considers an applicant's socioeconomic and educational context during the offer-making process. In the 2015 undergraduate intake, SOAS distributed financial support bursaries worth over one million pounds to over 150 of the most socioeconomically disadvantaged home students.

As well as this vital financial support, we continue to provide broader transition support in the form of Bridging Courses for new students. These are offered to students who are the first in their family to go to university; who grew up in an area where there is low progression to higher education; and to mature students entering university for the first time.

SOAS continues to be the largest provider of postgraduate online and distance learning programmes in the University of London's International Programmes. More than 3,000 students in over 160 countries access our world class research



The SOAS Library houses over 1.2 million volumes at the SOAS campus at Russell Square in central London, together with a major collection of archives, manuscripts, rare books and special collections, an expanding Digital Library and a growing network of electronic resources.

London school pupils from Maria Fidelis Catholic School in Camden and Hammersmith Academy in Shepherds Bush won the SOAS time capsule competition for their vision of the world in 100 years' time. Their visions have been preserved in the capsule for the next 100 years.



and teaching, gaining a range of specialist postgraduate qualifications in the process. This diverse offering has grown to include four programmes delivered 100% online alongside the traditionally delivered development, environment, finance and management programmes.

Massive Open Online Courses (MOOCs) have continued to feature in the online and distance learning suite of programmes. Nearly 60,000 learners from around the world have enrolled onto SOAS MOOCs since the first, 'Understanding Research Methods', launched in 2015. Since then SOAS has launched three more MOOCs through CISD and CeFiMS. The new programmes include the MA Global Diplomacy (South Asia) delivered in association with the Foreign & Commonwealth Office (FCO)'s Diplomatic Academy.

Developing students to make a contribution to society

SOAS has more than 5,000 full time equivalent students from more than 130 countries. These include full-time and part-time students and those studying for undergraduate and postgraduate degrees. Students from around the world also benefit from our academic Summer Schools, which ran for the fourth year and in succession with our renowned World Music Summer School. This year the academic Summer School doubled in student figures compared to the previous year hosting 92 students in total. SOAS also joined a small group of UK Universities to provide up to eight undergraduate Fulbright scholars the opportunity to attend the Summer School. Students from Australia, US, Canada and Europe attended courses covering areas such as development, politics, law, business and finance and culture, society and history. SOAS also launched a crowdfunding platform, SOAS Impact, to help support

student projects and initiatives. In the 2015-16 academic year just over £62,000 for eight student projects has been raised. Projects supported include an online platform that explores and celebrates African literature, Afrikult, and the creation of a Sylheti-language children's picture storybook to help promote one of London's under-resourced community languages.

The Student Enterprise department has awarded funding to a variety of student projects, focussing on arts, politics and community action. One of our most successful projects of the year has been the photography platform Afroshoot, set up by third year student Lisa Aissaoui, which officially launched online this summer. Student Enterprise also supported over 240 students through a comprehensive training programme of workshops and personal development events, including three student enterprise boot camps. Graduate Entrepreneur Visas which enable international students to set up a business in the UK post-study, were also given to four new applicants as well as to two existing businesses.

Engaging communities through art

SOAS's Brunei Gallery had more than 30,000 visitors in 2015-16. This year began with **The Future of the Rural World? Indian Villages, 1950-2015** which provided photographs, film and artefacts on the study of rural India by SOAS anthropologists across a 65-year period. Curated by Edward Simpson, Professor of Social Anthropology, the exhibition was attended by more than 6,000 visitors and made the long-term study of three Indian villages accessible to the public, encouraging visitors to think more broadly about the possible futures of the rural world.

SOAS and public benefit – continued

The Painted Forest Villages of Hazaribagh showcased work by Photographer Deidi Von Schaewen. The exhibition explored the traditional painted houses of the Adevasi villages in Hazaribagh, in the Indian state of Jharkhand and Khovar and Sohrai. **The Triumph of the Grassroots: British Social History 1972-2012** displayed 40 years of charitable work at a 'grassroots' level by Afrikans, who arrived in Britain from the British Commonwealth during the 1960s, 1970s and 1980s. Artist Paddy Hartley created a series of highly emotive and thought provoking handmade poppy sculptures using pathologically preserved lamb's heart tissue. Drawing on the poppy's synonymy with the commemoration of the First World War, Papaver Rhoëas are finely crafted artworks produced by a team of art and science practitioners.

Sand in My Eyes: Sudanese Moments by Enikő Nagy provided a collection of photographs and everyday moments from over 45 tribes and ethnic groups across 30,000km of Sudan. Nagy visited some of the hardest-to-access regions of the world to produce the English-Arabic bilingual poetic picture book *Sand in My Eyes: Sudanese Moments* on which this exhibition was based.

In Search of Lost Time presented work by 13 artists who seek to reframe conventional interpretations of time in the Gulf. World IKAT textiles presented by The World Crafts Council and The World Crafts Council Asia Pacific celebrated the rich legacy of Ikat. The exhibition, **World Ikat Textiles... ties that bind**, curated by Edric Ong and Manjari Nirula, brought together an array of priceless pieces of "IKAT" with live demonstrations by master weavers.

The year ended with **Hong Ling: A Retrospective** curated by Professor Shane McCausland and Dr Tian S. Liang. The exhibition, which began with a rare work from 1979, told the story of the artist's personal development, his embrace of the natural world and his spiritual growth. It also documented the dramatic social and political changes that have transformed life in China over the last half century.

Public education

SOAS presented approximately 1,500 public events throughout the year. The 2015-16 Inaugural Lecture Series attracted hundreds of people to six free public lectures, with subjects ranging from conflict in the Afghan borderlands, literature in a multilingual society and farmers, pipelines and capitalist development in the Sardar Sarovar project. As a flagship lecture series, it showcased the range of SOAS's expertise.

A broad range of research outcomes extended the School's public education work. Professor of Babylonian Andrew George's work was widely reported when he translated part of a newly discovered clay tablet from the Epic of Gilgamesh with fellow assyriologist Professor Farouk Al-Rawi. Later in the year the acclaimed performance storyteller Ben Haggarty performed the Epic of Gilgamesh at SOAS as part of Professor George's work attracting more than 200 people to SOAS. Dr Amina Yaqin, as part of the RCUK-funded Muslims, Trust and Cultural Dialogue project, contributed to producing a film on 'Journey into Europe: Islam, Immigration and Empire'. Narrated by SOAS alumnus Professor Akbar Ahmed, the film was produced after intensive field research travelling across Europe. The Former Archbishop of Canterbury Dr Rowan Williams, who also features in the film, said: "It is hard to exaggerate the importance of this work." Matthew Wilkinson trained over 100 senior UK judges on Islamic values with English Common Law. The talk, titled 'Complementary Partners of Competing Alternatives: Islamic Shari'a, English Common Law and Serious Crime', prompted a discussion about legal theory and practice amongst senior judges and has led to a number of other significant opportunities for the work of the Curriculum for Cohesion, which sits in the School's Centre for Islamic Studies. SOAS Japan expert, Dr Griseldis Kirsch, Lecturer in Contemporary Japanese Culture, consulted on a major new drama series exploring alternative post-Second World War history 'The Man in the High Castle' and Ethnomusicologist Dr Lucy Durán and Senior Teaching Fellow Kadialy Kouyate provided music and language expertise for the remake of one of the most watched programmes in television history, *Roots*, recently broadcast in the US. SOAS alumna Deborah Smith won the Man Booker International Prize for her translation of Han Kang's *The Vegetarian*.

Supporting students

This year the Senate House appeal closed and it raised an overall total of £164,000 from 850 donors worldwide thanks to the generosity of alumni and friends of the School. All proceeds go towards the SOAS Alumni & Friends Fund (AFF), having a direct impact on more scholarships, improving student life and welfare support and providing better learning resources and facilities. The American Friends of SOAS body, our alumni network in the USA, also successfully raised a third scholarship to support a fully-funded Masters student. Together with increasing events and outreach work in cities around the world, including Abuja, Beijing, New York, Delhi and Tokyo, the School is constantly working to raise its international profile of regional expertise, with the kind support of our international network of 35,000 alumni network.

SOAS and public benefit – continued

Our Student Services office leads the provision of support to students with disabilities to ensure that they can benefit from study at the School. The office advises students with disabilities on exam arrangements, appropriate library services, disability related funding and learning support to ensure that students gain everything they can from their time at SOAS. This has been further improved as SOAS opened the Weston Student Hub in the Paul Webley Wing.

SOAS is particularly aware of the need to ensure that people from all backgrounds can benefit from its degree courses and activities and that access to benefits is not unreasonably restricted by fees. SOAS launched seven new scholarships for refugee students wishing to study at the School. These are in addition to the Cultures of Resistance scholarships that have been offered by the School since 2013 to MA students from countries affected by war and extreme poverty. The new scholarships are available for four undergraduate and two Master's students and one research student. SOAS is very grateful for the generous support of a number of organisations which has enabled the school to provide nearly 150 scholarships in 2015-16. These include new awards such as Prospect Burma as well as continuing support from the Mo Ibrahim Foundation, the Wolfson Foundation and the Allan and Nesta Ferguson Charitable Trust, and corporate partners such as Santander UK and HSBC.

SOAS has also secured funding for 20 internships in small and medium-sized enterprises (SMEs) through the Santander Universities initiative, which are available for final year SOAS undergraduate and postgraduate students as well as alumni who have graduated within the past two years. The internships will allow students to gain important work experience at a wide range of UK-based SMEs; past placements have included small charities, NGOs and social enterprise organisations.

Environmental sustainability

Sustainability is one of SOAS's core values. The School has made great progress in reducing its carbon footprint. The School recently topped the Brite-Green university league table with a 55 per cent reduction in carbon emissions since 2005. Earlier this year SOAS was awarded the Carbon Champion mark of achievement by the Camden Climate Change Alliance. Together with other Bloomsbury colleges (Birkbeck and London School of Hygiene and Tropical Medicine), SOAS also reached EcoCampus Platinum Status by achieving the international standard for environmental management after a rigorous auditing process.



Wartime languages students at SOAS: BBC Radio 4's Today programme's special report on the story of the Dulwich Boys, a group of young men who studied Japanese at SOAS and helped to build post-war UK-Japan entente.

Service to society

In 2010, HEFCE published a report – Service to Society – outlining six key areas where universities provide services to society:

- Developing people to make a contribution to society
- Innovating, informing and inspiring: opening up university knowledge, expertise and resources
- Engaging communities and working in partnership
- Informing public policy and the professions
- Stimulating local economic and social development
- Building international connections

SOAS is a leading contributor to all of these areas and many of our activities, such as widening participation, contribute to more than one area. For a century SOAS has produced graduates who have influenced and changed the world including presidents, ambassadors, human rights lawyers, diplomats, journalists, philosophers and writers. As the school celebrates its centenary, our work continues to have a significant impact in the world today.

Corporate governance statement

SOAS is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the School has applied the principles set out in the UK Corporate Governance Code and the Memorandum of Assurance & Accountability with the Higher Education Funding Council for England (HEFCE). Its purpose is to help the reader of the financial statements understand how the principles have been applied.

SOAS' Board of Trustees (formerly known as Governing Body) is responsible for the School's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The School's principal regulator is HEFCE. SOAS aims to exhibit best practice in all its activities to ensure that public funds awarded to the School by HEFCE are used properly and the School offers value for money. The School's Board of Trustees is guided by, but not limited by, the CUC's governance code of practice and general principles within the CUC's Higher Education Code of Governance issued in 2014. The School's practices are consistent with the provisions of the code and it has taken the necessary steps to ensure that it is compliant with the new Code. These steps have been reviewed by the Audit Committee.

The Board of Trustees is satisfied that there is an ongoing process for identifying, evaluating and managing the School's significant risks that has been in place for the period covered by the Annual Review and Financial Statements. This process is regularly reviewed by the Audit Committee on behalf of the Board of Trustees and accords with the internal control guidance in the UK Corporate Governance Code as deemed appropriate for higher education. The identification and management of risk, as detailed in the School's risk register, is linked to the achievement of institutional objectives. The approach to internal control is risk-based and prioritises actions to be taken against an evaluation of the likelihood and impact of risks becoming a reality. Review procedures cover business, operational and compliance as well as financial risk. On behalf of the Board of Trustees, the Audit Committee receives regular reports during the year on internal control and risk. The principal results of risk identification, evaluation and management review are reported to the Board of Trustees in the form of an updated risk register. Further details of this process can be found in the Statement of Trustees Responsibilities.

SOAS' Board of Trustees comprises lay members and academics appointed under the Charter of the School. There were 20 members of Board of Trustees as at 29th November 2016.

The Governors who served during the year, up to and including the signing off on accounts on 29 November 2016, are listed as follows:

Mrs Susie Alier * until 9/11/15
Mr Kofi Adjepong-Boateng * wef 1/9/15
Baroness Valerie Amos * wef 14/09/15
Professor Richard Black
Dr Tamsyn Barton * wef 01/9/15
Professor Michael J Charney * wef 9/10/16
Ms Neelam Chhara * wef 1/8/16
Professor Sir Ivor Crewe * until 31/8/15
Mr Gautam Dalal
Sir Graham Fry * until 31/08/15
Mr Ali Habib * from 1/8/16
Sir Martin Harris (Vice-Chair)
Mr Charles Ilako * until 9/11/15
Dr Deborah Johnston * wef 1/1/16
Mr Tom King * until 31/7/16
Dr Tim Miller (Chair) * until 19/2/16
Ms Rosna Mortuza
Professor David Mosse * until 31/7/16
Professor Christine Oughton * until 31/7/16
Mr Andrew Popham
Professor Nirmala Rao * until 31/12/15
Sir David Reddaway from 01/9/15 to 9/11/15
Mr Geoffrey Robertson * wef 27/11/15
Mr John Robinson * until 30/10/16
Professor Alfredo Saad Filho * wef 9/10/16
Mr David Skinner
Sir Richard Stagg * wef 22/4/16
Ms Hannah Slydel * until 31/7/16
Ms Marie Staunton (Chair) * wef 1/11/16
Mr Steve Tinton
Ms Zoe Weaver * until 31/8/15
Professor Paul Webley (Ex-officio) * until 07/09/15
Lord Michael Williams
Mr Nizam Uddin * from 9/11/15

Following a review into the effectiveness of the Board, the Privy Council approved a new Board made up of 21 members. As of 1 August 2010 Board appointments have been divided into the following categories:

- The Chair (lay member to be appointed by the Board);
- Twelve further lay members (11 appointed by the Board, one appointed by the Secretary of State for Foreign and Commonwealth Affairs);
- The Director of the School (ex officio);
- Five members of the Academic Board (two Pro-Directors, two academic) and one professional services staff); and
- Two student members

Corporate governance statement – continued

The Board of Trustees undertook a review of its effectiveness in 2013–14 and has made a number of changes to its Standing Orders. The Privy Council approved changes to its nomenclature that took effect from 1 September 2015. A further review of governance in 2015-16 created a new Senate, a sub-committee of the School's Academic Board and further work will take place in the coming year.

The Board of Trustees has set out a 'Statement of Primary Responsibilities', listing ten core areas of responsibility covered by it and its sub-committees. These are based on standard national guidelines and are as follows:

- The Proper Conduct of Business
- Strategic Planning, Policies and Strategies
- Monitoring Performance
- Financial Stewardship and Estate Management
- Audit and Risk Management
- Student Issues
- Health and Safety
- Employment
- Legal Matters
- Reputation

Members of the academic staff and student representatives are members of the Board of Trustees and the Resources and Planning Committee. Under the terms of the School's Charter, the Board of Trustees is required to seek the advice of the Academic Board on certain matters. The matters specifically reserved for the Board of Trustees for decision are set out in the Charter of the School, by custom and under the Memorandum with HEFCE.

The Board holds to itself the responsibilities for the ongoing strategic direction of the School, approval of major developments and the receipt of regular reports from executive officers on the day-to-day operations of the School. The day-to-day management of the School's affairs is the responsibility of the Director and their executive team, known collectively as the Executive Board.

The Board of Trustees meets four times a year. It is supported by several sub-committees, full details of which can be found on the SOAS website (<http://www.soas.ac.uk/committees/>). The Board delegates a number of its responsibilities to either the Academic Board or the Resources and Planning Committee, which advise the Board of Trustees on academic and resource matters respectively. A range of other committees have primary responsibility for ownership of the School's sub-strategies. These committees report into either the Academic Board or the Resources and Planning Committee and all are formally constituted with terms of reference.

The Resources and Planning Committee meets four times a year. It acts on behalf of the Board of Trustees to monitor the finances of the School and its Faculties and to advise on the financial implications of new proposals. It also approves the School's budget, co-ordinates the development of the School's strategic and related plans, recommends to the Board of Trustees the School's annual return to HEFCE and recommends to the Board of Trustees capital expenditure.

The Audit Committee meets four times per year and reports directly to the Board of Trustees. It is chaired by a lay member of the Board and is comprised of lay members only. School officers attend the meeting but are not members. It is responsible for providing assurance to the Board of Trustees on the effectiveness of the arrangement for risk management, value for money, control and governance at SOAS. The risk register was last updated in October 2016.

The Audit Committee approves the annual internal audit plan and considers reports arising from those audits.

These reports will highlight any significant internal audit issues, management responses received and conclusions drawn. The Audit Committee is responsible for meeting External Auditors to discuss the nature and scope of the annual audit of the Financial Statements, resultant audit findings and the management letter arising.

The Nominations Committee advises the Board of Trustees on the appointment and re-appointment of individuals as lay members of the Board of Trustees and other committees. In doing so it seeks to maintain an appropriate balance of skills on the Board and ensure that the needs of committees for lay members with specific skills are met. It also approves minor amendments to the School's procedures for recruiting Trustees and recommends any major changes to these procedures.

Corporate governance statement – continued

The Executive Board receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by merely warning mechanisms which are embedded within the operational units and reinforced by risk awareness training.

The Executive Board also receives regular reports from internal audit which include recommendations for improvement. The Board of Trustees' agenda includes a regular item for consideration of risk and control and it receives reports thereon from the Executive Board and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

The Secretary has overall responsibility to the Board of Trustees in ensuring that the School meets its regulatory obligations. This includes oversight of the risk and financial profiles of the School and regular reviews into the effectiveness of the School's Board of Trustees and other Committees. The Secretary reports to the Registrar who has responsibility for the supervision of the School's Directors of Professional Services.

Statement of Trustees responsibilities

In accordance with SOAS' Royal Charter of Incorporation, the Board of Trustees is responsible for the administration and management of the School's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

SOAS's Board of Trustees is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the School and enable it to ensure that the financial statements are prepared in accordance with the Royal Charter, the Statement of Recommended Practice: Accounting for Further and Higher Education and other applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice). In addition, within the terms and conditions of a Financial Memorandum agreed between HEFCE and the Board of Trustees of the School, the Board of Trustees, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the School and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, the Board of Trustees has to ensure that:

- a) suitable accounting policies are selected and applied consistently;
- b) judgments and estimates are made that are reasonable and prudent;
- c) applicable accounting standards have been followed; and
- d) the School has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of financial statements.

The Board of Trustees has taken reasonable steps to:

- a) ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE, the Education Reform Act 1988 and any other conditions which the Funding Council may from time to time prescribe;
- b) ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- c) safeguard the assets of the School and to prevent and detect fraud; and
- d) secure the economical, efficient and effective management of the School's resources and expenditure.

Risk and internal controls

The Board of Trustees has responsibility for overseeing risk management overall and plays a fundamental role in the management of risk. The Board of Trustees sets the tone and influences the culture of risk management within the School. The following principles outline the School's approach to risk and internal controls:

- A proactive and engaged approach to risk and internal control of those risks has been adopted by the Board of Trustees;
- the Director and members of the Executive Board support, advise and implement policies approved by the Board of Trustees;
- the School makes conservative and prudent recognition and disclosure of the financial and non- financial implications of risks;
- Deans of faculty and directors of professional services are responsible for encouraging good risk management practice within their faculty or directorate; and
- key risk indicators will be identified and closely monitored on a regular basis.

Statement of Trustees responsibilities – continued

Risk management

The Board of Trustees oversees the School's risk management programme by:

- Determining the appropriate risk appetite or level of exposure for the School;
- approving major decisions affecting the School's risk profile or exposure;
- setting the standards and expectations of staff with respect to conduct and probity;
- monitoring the management of significant risks to reduce the likelihood of unwelcome surprises;
- satisfying itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively;
- annually reviewing the School's approach to risk management and approving changes or
- improvements to key elements of its processes and procedures; and
- reviewing the risks at each of its meetings and conducting a full review of the School's strategic risks on an annual basis.

The Executive Board contributes to the School's risk management programme by:

- Identifying and evaluating the significant risks faced by the School for consideration by the Audit Committee;
- providing adequate information in a timely manner to the Audit Committee on the status of risks and controls;
- formally reviewing the strategic risks each term, prior to each Audit Committee meeting, taking appropriate action where the status of an individual risk has changed; and
- undertaking an annual review of effectiveness of the system of internal control and providing a report to the Audit Committee which in turn reports to the Board of Trustees.

Within the institution as a whole there is an established system of risk monitoring. SOAS has a Risk Register whereby its key risks are outlined, assessed, assigned a RAG status (Red, Amber, Green) and regularly monitored.

The School has eight key risks relating to income, student expectations, staff's reputation, academic reputation, strategic opportunity, sustainability, cost base and business continuity.

Internal controls

Internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the School. External audit provides feedback to the Audit Committee on the operation of those internal financial controls reviewed as part of the annual audit.

The key elements of the School's system of internal controls include the following:

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Trustees;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Board of Trustees; and
- an outsourced internal audit function, whose annual programme is approved by the Audit Committee and endorsed by the Board of Trustees, provides the
- Board of Trustees with a report on internal audit activity within the School and an opinion on the adequacy and effectiveness of the School's system of internal control.

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

The Audit Committee is required to report to the Board of Trustees on internal controls and alert governors to any emerging issues. The Committee approves

an annual programme of internal audit reviews. Core systems are audited annually while other activities of the School are audited to a programme approved by the Committee following consultation with the Director. In addition, the Committee oversees internal audit,

external audit and management as required in its review of internal controls. The Committee is therefore well-placed to provide advice to the Board of Trustees on the effectiveness of the internal control system, including the School's system for the management of risk.

Statement of Trustees responsibilities – continued

Value for money

The Board of Trustees is tasked with ensuring that the School adheres to the Memorandum of Assurance & Accountability with HEFCE for the use it makes of the public funds it receives by ensuring the School's resources and expenditure are economical, efficient and effectively managed. The Board has an explicit duty imposed by HEFCE 'to take reasonable steps to ensure that there are sound arrangements for economy, efficiency and effectiveness (value for money)' within the School.

SOAS recognises its responsibility to achieve value for money (VfM) from all of its activities and is committed to the pursuit of economy (minimising the cost of resources for an activity), efficiency (performing tasks with reasonable effort) and effectiveness (the extent to which objectives are met).

SOAS has made significant progress in the development and implementation of a more formal framework for the achievement of VfM across the institution. The school is addressing significant under its new strategy that are vital to the health of the school's financial position and attaining its academic objectives.

Additionally, the School's Executive Board has encouraged a bottom up approach to VfM whereby managers are encouraged to critically appraise operations under their supervision to identify areas where VfM can be achieved. To embed this approach the School has a VfM Steering Group which has operational responsibility for developing the School's VfM plans, identifying resource requirements, coordinating work and monitoring progress towards delivering these plans.

The group has developed a plan of VfM activities over a rolling two year period, which is agreed by the Executive Board. The School's Audit Committee, as part of its obligations under HEFCE's audit code of practice, has responsibility for monitoring progress against specific VfM plans arising out of the VfM strategy.

Disclosure of information to the auditors

Financial statements are published on the School's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which varies from legislation in other jurisdictions. The maintenance and integrity of the School's website is the responsibility of the Board of Trustees. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

At the date of making this Review, the Board of Trustees confirms:

- So far as each Trustee is aware all relevant information required by the School's auditors to prepare their statement contained within this Annual Review was given to the auditors and no information was withheld; and
- so far as each Trustee was able, all reasonable steps were taken to understand what relevant information was required by the auditors to aid their preparation of their statement contained within this Annual Review and to ensure the auditors were made aware of that relevant information.

Independent Auditors' Report to the Trustees of SOAS

We have audited the financial statements of SOAS for the year ended 31 July 2016 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustees of SOAS, as a body, in accordance with the Charter and Statutes of SOAS. Our audit work has been undertaken so that we might state to the 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 SOAS and the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the SOAS Board of Trustees and Auditors

As explained more fully in the statement of responsibilities of the Board of Trustees, the members of the Board of Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, regulatory requirements and International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England. Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by SOAS have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England.

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of affairs of SOAS as at 31 July 2016 and of SOAS's income and expenditure, gains and losses, reserves and cash flows for the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters required by the Higher Education Funding Council for England (HEFCE) Audit Code of Practice

In our opinion, in all material respects:

- Funds from whatever source administered by SOAS for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- Funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- The requirements of HEFCE's Accounts Direction have been met.



James Aston
Senior Statutory Auditor
for and on behalf of BDO LLP
Statutory Auditor
Gatwick
United Kingdom

Date: 29 November 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2016

	Notes	2016 £'000	2015 £'000
Income			
Tuition fees and education contracts	1	58,736	55,496
Funding body grants	2	10,115	11,008
Research grants and contracts	3	5,764	4,763
Other income	4	4,349	4,144
Investment income	5	966	941
Total income before endowments and donations		79,930	76,352
Endowments and donations	6	6,833	5,328
Total income		86,763	81,680
Expenditure			
Staff costs	7	50,389	53,894
Fundamental restructuring costs	7	918	1,183
Other operating expenses	8	26,920	24,376
Depreciation	11	5,221	4,502
Interest and other finance costs	9	658	481
Total expenditure	10	84,106	84,436
Surplus / (deficit) before other gains losses		2,657	(2,756)
Gain on investments	19	2,658	3,150
Surplus for the year		5,315	394
Change in fair value of hedging financial instruments		(291)	(135)
Total comprehensive income for the year		5,024	259
Represented by:			
Endowment comprehensive income for the year		3,630	3,779
Unrestricted comprehensive income for the year		1,889	(3,181)
Revaluation reserve comprehensive income for the year		(204)	(204)
Cash flow hedge reserve		(291)	(135)
		5,024	259

All items of income and expenditure relate to continuing activities

Statement of changes in reserves

For the year ended 31 July 2016

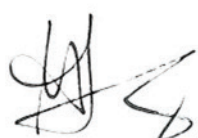
	Income and expenditure			Revaluation reserve	Cash flow hedge reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000	£'000
Balance at 1 August 2014	31,601	-	46,301	15,853	(767)	92,988
Surplus/(deficit) from the income and expenditure statement	3,779	2,455	(5,840)	-	-	394
Other comprehensive income	-	-	-	-	(135)	(135)
Transfers between revaluation and income and expenditure reserve	-	-	204	(204)	-	-
Release of restricted funds spent in year	-	(2,455)	2,455	-	-	-
Total comprehensive income for the year	3,779	-	(3,181)	(204)	(135)	259
Balance at 1 August 2015	35,380	-	43,120	15,649	(902)	93,247
Surplus/(deficit) from the income and expenditure statement	3,630	3,251	(1,566)	-	-	5,315
Other comprehensive income	-	-	-	-	(291)	(291)
Transfers between revaluation and income and expenditure reserve	-	-	204	(204)	-	-
Release of restricted funds spent in year	-	(3,251)	3,251	-	-	-
Total comprehensive income for the year	3,630	-	1,889	(204)	(291)	5,024
Balance at 31 July 2016	39,010	-	45,009	15,445	(1,193)	98,271

Balance sheet

As at 31 July 2016

	Notes	2016 £'000	2015 £'000
NON-CURRENT ASSETS			
Fixed assets	11	101,826	84,648
Heritage assets	11/12	330	330
Investments	13/19	34,866	31,741
		137,022	116,719
CURRENT ASSETS			
Trade and other receivables	14	5,236	4,180
Investments	15	-	8,071
Cash and cash equivalents	21	10,757	14,267
		15,993	26,518
LESS: CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(26,812)	(22,952)
NET CURRENT (LIABILITIES)/ASSETS		(10,819)	3,566
TOTAL ASSETS LESS CURRENT LIABILITIES		126,203	120,285
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(15,302)	(15,693)
PROVISIONS			
Pension liabilities	18	(12,630)	(11,345)
TOTAL NET ASSETS		98,271	93,247
RESTRICTED RESERVES			
Income and expenditure reserve - endowment reserve	19	39,010	35,380
UNRESTRICTED RESERVES			
Income and expenditure reserve - unrestricted		45,009	43,120
Revaluation reserve		15,445	15,649
Cash flow hedge reserve		(1,193)	(902)
TOTAL RESERVES		98,271	93,247

The financial statements were authorised and approved by the Board of Trustees on 29 November 2016 and were signed on its behalf on that date by:



Baroness Valerie Amos
Director



Mr G Dalal
Honorary Treasurer



Mr G Appleby
Director of Finance
and Planning

Cash flow statement

For the year ended 31 July 2016

	Notes	2016 £'000	2015 £'000
Cash flow from operating activities			
Surplus for the year		5,315	394
Adjustment for non-cash items			
Depreciation	11	5,221	4,502
Gain on investments	13/19	(2,658)	(3,150)
Increase/(decrease) in debtors	14	(1,056)	94
Decrease/(increase) in creditors	16	(627)	856
Increase in pension liabilities	18	1,285	6,019
Adjustment for investing or financing activities			
Investment income	5	(966)	(941)
Interest payable	9	312	353
Endowment income	19	(3,096)	(2,483)
Deferred capital grants released to income		(722)	(810)
Net cash inflow from operating activities		3,008	4,834
Cash flows from investing activities			
Capital grant receipts		521	434
Transfer from short term deposits		8,071	2,241
Investment income		966	941
Payments made to acquire fixed assets		(22,673)	(9,626)
Payments to acquire investments	13	(467)	(395)
		(13,582)	(6,405)
Cash flows from financing activities			
Interest paid	9	(268)	(292)
Interest element of finance lease	9	(44)	(61)
Endowment cash received	19	3,096	2,483
New unsecured loans	17	5,000	-
Repayments of amounts borrowed		(494)	(535)
Capital element of finance lease		(226)	(210)
		7,064	1,385
Decrease in cash and cash equivalents in the year		(3,510)	(186)
Cash and cash equivalents at beginning of the year	21	14,267	14,453
Cash and cash equivalents at end of the year	21	10,757	14,267

Statement of principal accounting policies

For the year ended 31 July 2016

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

1. Basis of preparation

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

2. Basis of consolidation

SOAS has one subsidiary undertaking, SOAS International Ltd, and exercises control over the London Middle East Institute (LMEI, charity registration number 1103017, company number 4758915). Consolidated accounts have not been prepared as SOAS International has been dormant since incorporation and the LMEI's activities are immaterial in comparison to SOAS. The activities of the Students' Union have not been consolidated because SOAS does not exercise control over those activities.

3. Income recognition

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

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

Grant funding

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which SOAS recognises the related costs for which the grant is intended to compensate.

Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

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

Endowments and donations

Non exchange transactions without performance related conditions are endowments and donations. Endowments and donations with donor imposed restrictions are recognised in income when SOAS is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when SOAS is entitled to the funds.

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

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

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

Capital grants

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

Statement of principal accounting policies – continued

4. Accounting for retirement benefits

Universities Superannuation Scheme (USS)

SOAS participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. SOAS 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 and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), SOAS recognises 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 the income and expenditure account.

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 that provided by USS. 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 is recognised in profit or loss. The Trustees are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

Superannuation Arrangements of the University of London (SAUL)

SOAS is a Participating Employer in SAUL. The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,927 million representing 97% of the liabilities for benefits accrued up to 31 March 2014.

It is not possible to identify an individual Employer's share of the underlying assets and liabilities of SAUL. SOAS accounts for its participation in SAUL as if it were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 28.11 of FRS 102.

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of Salaries between 1 April 2016 and 31 March 2018 (inclusive). The defined benefit liability recognised by SOAS in respect of the deficit contributions due to SAUL (i.e. the present value of the deficit contributions) is shown in note 18. This liability is based on a projection of Salaries over the period to 31 March 2018.

5. Employment benefits

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

6. Finance leases

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

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

7. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of SOAS at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Statement of principal accounting policies – continued

8. Fixed assets

Fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

Land and buildings

Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to SOAS from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned.

Freehold land is not depreciated. Freehold Buildings are depreciated at 2% per annum in accordance with an estimate of their useful economic life. Leasehold buildings are depreciated over the life of the lease or life of the building if shorter. Building refurbishments are depreciated at five or 10 percent per annum depending upon estimates of their useful economic life. Where material, a depreciable asset's anticipated useful economic life is reviewed annually and the accumulated and future depreciation adjusted. No depreciation is charged on assets in the course of construction.

Repairs and maintenance expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred. SOAS has a planned maintenance programme, which is reviewed on an annual basis.

Equipment

Equipment costing less than £20,000 is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic life as follows:

Computer equipment - five years;
Furniture - four years;
Capital projects - five to ten years.

Borrowing costs

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

9. Heritage assets

Heritage assets include valuable publications and works of art held at SOAS. Heritage assets are excluded from fixed assets if it would not be practicable to obtain an accurate valuation at the date of acquisition and the cost of doing so would be disproportionate to the benefits of establishing accurate valuations. Where insurance valuations are available and can be reliably related to the value of the underlying asset at acquisition, these are included within fixed assets at their insurance value at acquisition.

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

10. Investments

Investments are held at fair value with movements recognised in the Statement of Comprehensive Income.

11. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 90 days.

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

12. Financial assets and liabilities

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

13. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) SOAS has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

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

Statement of principal accounting policies – continued

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

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

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

14. Taxation

SOAS is an exempt charity within the meaning of Part 3 of the Charities Act 2011, it is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, SOAS is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

15. Derivatives

SOAS has entered into fixed rate interest swaps to manage a proportion of its exposure to interest rate cash flow risk on its variable rate debt (see note 17). These derivatives are measured at fair value at each reporting date and SOAS has assessed the hedge as effective. As a result movements in fair value are recognised in Other Comprehensive Income and presented in a separate cash flow hedge reserve.

16. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to SOAS, are held as a permanently restricted fund which SOAS must hold in perpetuity.

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

17. Transition to 2015 SORP

SOAS is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the results of SOAS is provided in note 26.

18. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Board of Trustees have made the following judgements:

- Determination of whether leases entered into by SOAS either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determination of whether there are indicators of impairment of the tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- The underlying assumptions in relation to the estimate of the present value of the obligation in respect of the funding deficit plan for the USS pension scheme such as the salary inflation over the period of the funding deficit plan and the discount rate to be used.
- The assessment of fair value of interest rate swap agreements.

Other key sources of estimation uncertainty include:

Tangible fixed assets (see note 11)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Trade debtors (see note 14)

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

Notes to the accounts

For the year ended 31 July 2016

1. TUITION FEES AND EDUCATION CONTRACTS	2016	2015
	£'000	£'000
Full-time students - UK and European Union	24,517	22,490
Full-time students charged overseas fees	21,280	20,519
Part-time students	2,345	1,874
Full fee students	10,594	10,613
Tuition fees net of scholarships, bursaries and awards	58,736	55,496
Scholarships, bursaries and awards	2,011	1,406
Tuition fees inclusive of scholarships, bursaries and awards	60,747	56,902
2. FUNDING BODY GRANTS	2016	2015
	£'000	£'000
Recurrent grant		
Teaching	2,487	2,960
Research	5,779	6,300
Specific grants		
Other specific grants	1,127	938
Deferred capital grants released to income	722	810
	10,115	11,008
3. RESEARCH GRANTS AND CONTRACTS	2016	2015
	£'000	£'000
Research councils	1,668	1,501
UK based charities	1,591	1,480
European Commission	1,135	667
Other grants and contracts	1,370	1,115
	5,764	4,763

Notes to the accounts – continued

4. OTHER INCOME		2016	2015
		£'000	£'000
Rent receivable		71	73
Room lettings		235	309
Library fees		115	106
Accommodation, catering and conferences		725	861
Resales and reimbursements		351	345
Grant income		466	753
Enterprise income		688	716
University of London International Programme		502	306
Other income		1,196	675
		4,349	4,144

5. INVESTMENT INCOME	Notes	2016	2015
		£'000	£'000
Investment income on endowments	19	850	746
Other investment income		116	195
		966	941

6. ENDOWMENTS AND DONATIONS	Notes	2016	2015
		£'000	£'000
New endowments	19	3,096	2,483
Donations with restrictions	20	3,737	2,845
		6,833	5,328

7. STAFF COSTS		2016	2015
		£'000	£'000
Staff Costs :			
Salaries		39,895	39,035
Social security costs		3,565	3,212
Other pension costs		5,991	5,658
Movement on USS and SAUL provision (Note 18)		940	5,891
Holiday pay accrual		(2)	98
Fundamental restructuring costs		918	1,183
Total		51,307	55,077

Notes to the accounts – continued

	2016 £	2015 £
Emoluments of the Director:		
Salary - Professor Paul Webley (resigned: September 2015)	23,253	194,400
Pension contributions to USS - Professor Paul Webley	3,720	31,104
Salary - Baroness Valerie Amos (appointed: September 2015)	200,082	-
Pension contributions to USS - Baroness Valerie Amos	33,528	-
	260,583	225,504

	2016 Number	2015 Number
Remuneration of other higher paid staff, excluding employer's pension contributions		
£100,000 to £109,999	2	4
£110,000 to £119,999	1	2
£120,000 to £129,999	2	1
	5	7

	2016 Number	2015 Number
Average full time equivalent staff numbers by major category :		
Academic	455	435
Support	384	392
	839	827

Key management personnel

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

	2016 £'000	2015 £'000
Key management personnel compensation	1,027	1,050

Board of Trustees

Mr T King and Ms H Sylidel served as Trustees of the SOAS Student's Union during 2015/16.

During the year SOAS paid a grant of £197,000 (2015: £201,000) to SOAS Students' Union which is a registered charity. At 31 July 2016, the SOAS Student's Union owed SOAS £77,000 (2015: £77,000). Expenses amounting to £51 were reimbursed to 1 Trustee during the year (2015: 2 Trustees - £391).

No payments were made to Trustees for serving as a trustee during the year (2015: Nil). There were no waivers of such payments during the year (2015: Nil). No payments to Trustees were made for services, other than under a contract of employment, during the year (2015: Nil). SOAS has a majority interest on the LMEI's Board of Trustees - please see note 23 for further details of transactions with the LMEI.

Notes to the accounts – continued

8. OTHER OPERATING EXPENSES	2016	2015
	£'000	£'000
Research grants and contracts	2,258	1,836
Non-contract staff	3,666	2,904
Course development	145	123
Examinations	42	26
Year abroad and study tours	395	412
Intercollegiate teaching	334	410
Fellowships, scholarships and other fees	2,936	2,344
Published materials	2,021	1,925
Information technology	1,106	1,207
Marketing and student recruitment costs	917	785
Student related costs	460	314
Grant to SOAS Students' Union	197	201
Accommodation, catering and conferences	902	952
Consumables	184	163
Furniture and equipment	108	120
Hire of plant and equipment	229	205
Repairs and maintenance	868	860
Rent, rates and insurance	945	640
Heat, water and power	556	772
Security, caretaking and cleaning	2,670	2,428
Telecommunications and postage	313	303
Staff recruitment, development and travel	1,330	778
Student recruitment commission	585	503
University of London Fee	656	546
Subscriptions	599	583
Professional fees	987	715
Auditor's remuneration - internal audit fee	60	54
Auditor's remuneration - external audit fee	44	42
Auditor's remuneration - other	2	2
Legal fees	194	88
Enterprise contracts	154	249
Other expenses	1,057	1,886
	26,920	24,376

Notes to the accounts – continued

9. INTEREST AND OTHER FINANCE COSTS	Notes	2016 £'000	2015 £'000
Loan interest		268	292
Finance lease interest		44	61
Net charge on pension scheme	18	346	128
		658	481

10. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY	2016 £'000	2015 £'000
Academic departments	37,316	36,509
Academic services	7,791	7,995
Central administration and services	12,583	11,620
General education expenditure	6,909	5,297
Staff and student facilities	1,622	1,391
Repairs and maintenance	1,466	1,410
Premises other expenditure	7,739	7,668
Residences, catering and conferences	1,271	1,106
Research grants and contracts	4,849	3,804
Other expenditure	2,560	7,636
	84,106	84,436

Notes to the accounts – continued

11. FIXED ASSETS

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Heritage assets £'000	Total £'000
Cost and valuation						
At 1 August 2015	11,624	78,519	10,613	14,252	330	115,338
Additions	-	5	3,950	18,444	-	22,399
Transfers	-	32,218	-	(32,218)	-	-
At 31 July 2016	11,624	110,742	14,563	478	330	137,737
Consisting of valuation as at 31 July 2016:						
Valuation	-	24,250	-	-	-	24,250
Cost	11,624	86,492	14,563	478	330	113,487
	11,624	110,742	14,563	478	330	137,737
Depreciation						
At 1 August 2015	1,499	22,283	6,578	-	-	30,360
Charge for the year	109	3,146	1,966	-	-	5,221
At 31 July 2016	1,608	25,429	8,544	-	-	35,581
Net book value						
At 31 July 2016	10,016	85,313	6,019	478	330	102,156
At 31 July 2015	10,125	56,236	4,035	14,252	330	84,978

At 31 July 2016, freehold land and buildings included £6.1m (2015 - £6.1m) in respect of freehold land and is not depreciated.

Notes to the accounts – continued

11. FIXED ASSETS cont.

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Heritage assets £'000	Total £'000
Leased assets included above:						
At 31 July 2015	-	-	505	-	-	505
At 31 July 2016	-	-	290	-	-	290

Fixtures, fittings and equipment include assets held under finance leases as follows:

	2016 £'000	2015 £'000
Cost	1,073	1,073
Accumulated depreciation	(568)	(353)
Charge for year	(215)	(215)
Net book value	290	505

12. HERITAGE ASSETS

SOAS holds various valuable publications and works of art originating from or relating to Africa and Asia. Heritage assets at SOAS comprise of two main categories:

- Brunei Gallery artwork, artefacts and books on display
- The SOAS library rare books collection.

There have been three significant additions to heritage assets within the last ten years as shown below.

Donor	Insurance Valuation £'000	Description
Fereydoun Djam Charitable Trust	150	Archives and artwork
Benjamin Haines	100	Artwork
Dr Cyrus Ala'l	80	Artwork
	330	

These individual insurance valuations were assessed internally in discussion with the insurance providers. The remaining items within heritage assets are excluded from fixed assets as it would not be practicable to obtain an accurate valuation of the institutions's historic heritage assets at the date of acquisition as the cost would be disproportionate to the benefits of establishing accurate valuations. These heritage assets are insured for £28m.

Heritage assets include a copy of the Anvar-i Suhayli, a 16th century Mughal text, the Library Special collection and a map used by David Livingstone during his exploration of the African interior.

Notes to the accounts – continued

13. NON-CURRENT INVESTMENTS	2016	2015
	£'000	£'000
At 1 August 2015	31,741	28,196
Net additions to investments	467	395
Increase in market value of investments	2,658	3,150
At 31 July 2016	34,866	31,741

The non-current investments have been valued at market value

14. TRADE AND OTHER RECEIVABLES	2016	2015
	£'000	£'000
Amounts falling due within one year:		
General debtors less provision for bad debts	2,964	2,564
Research grants receivables	740	491
Prepayments and accrued income	1,439	992
Staff loans	93	133
	5,236	4,180

15. CURRENT INVESTMENTS	2016	2015
	£'000	£'000
Short term deposits	-	8,071
	-	8,071

Notice deposits held during the year were with banks operating in the London market and licensed by the Financial Services Authority with more than three months maturity at the balance sheet date.

Notes to the accounts – continued

16. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	2016	2015
	£'000	£'000
Unsecured loans	5,483	494
Obligations under finance leases	326	552
Trade payables and accruals	9,182	10,103
Other creditors	2,058	1,946
Social security and other taxation payable	1,144	1,047
Derivatives	155	155
Research grants and contracts in advance	1,730	1,898
Deferred income	6,734	6,757
	26,812	22,952

Deferred income

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

	2016	2015
	£'000	£'000
Tuition Fees	5,685	5,386
Grant income	539	1,134
Enterprise Income	416	180
Conferences	94	57
	6,734	6,757

Notes to the accounts – continued

17. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2016 £'000	2015 £'000
Unsecured loans	6,473	6,955
Deferred income	7,791	7,991
Derivatives	1,038	747
	15,302	15,693
	2016 £'000	2015 £'000
Analysis of secured and unsecured loans:		
Due within one year or on demand (Note 16)	5,483	494
Due between one and two years	472	483
Due between two and five years	1,386	1,396
Due in five years or more	4,615	5,076
Due after more than one year	6,473	6,955
Total secured and unsecured loans	11,956	7,449
	2016 £'000	2015 £'000
Included in loans are the following:		
RBS Bank revolving credit facility	5,000	-
Barclays Bank unsecured loan at LIBOR plus 0.22% (variable interest rate) repayable by July 2031	6,924	7,384
Salix Interest Free Energy Efficiency Loan	32	65
	11,956	7,449
Less due within one year	(5,483)	(494)
	6,473	6,955

Notes to the accounts – continued

Deferred Income

Deferred income shown above relates to government capital grants which are recognised in income over the expected useful life of the asset purchased with the grant.

Derivatives

A swap contract was signed with Barclays Bank on 19 October 2001 in order to reduce the institution's exposure to interest rate fluctuations on the variable rate loan. The effective start date of the contract was 28 June 2002. The termination date is 30 June 2027. At year end the swap covered £1,760,000 (2015: £1,920,000) of borrowing, amortising in line with the loan repayments. The swap rate is 5.38%. This is compared to the three month LIBOR rate and the difference is payable to / by Barclays Bank. £82,000 (2015: £97,000) of interest expense in the accounts relates to interest paid on the swap contract.

A second swap contract was signed with Lloyds Bank on 2 November 2006. This swap contract further reduces the institution's exposure to interest rate fluctuations on the unsecured loan. The effective start date of the swap contract is 2 November 2006, the termination date is 30 September 2026. The underlying principle of the swap contract is £2,000,000 for the life of the swap. The swap rate is 4.65%. This is compared to the three month LIBOR rate and the difference is payable to / by Lloyds Bank. £74,000 (2015: £83,000) of interest expense in the accounts relates to interest paid on the swap contract.

Notes to the accounts – continued

18. PROVISIONS FOR LIABILITIES

	Obligation to fund deficit on USS Pension (Note 25) £'000	Obligation to fund deficit on SAUL Pension (Note 25) £'000	Total Pensions Liabilities £'000
At 1 August 2015	11,345	-	11,345
Unwinding of discount factor	346	-	346
Deficit contributions paid	(425)	(42)	(467)
Change in expected contributions	1,001	405	1,406
At 31 July 2016	12,267	363	12,630

Notes to the accounts – continued

19. ENDOWMENT RESERVES	Restricted Permanent Endowments £'000	Expendable Endowments £'000	2016 Total £'000	2015 Total £'000
Restricted net assets relating to endowments are as follows:				
Balances at 1 August 2015				
Capital	30,135	4,109	34,244	30,336
Accumulated income	702	434	1,136	1,265
	30,837	4,543	35,380	31,601
New endowments	75	3,021	3,096	2,483
Investment income	750	100	850	746
Expenditure	(831)	(2,143)	(2,974)	(2,600)
Increase in market value of investments	2,543	115	2,658	3,150
Total endowment comprehensive income for the year	2,537	1,093	3,630	3,779
At 31 July 2016	33,374	5,636	39,010	35,380
Represented by:				
Capital	32,753	5,102	37,855	34,244
Accumulated income	621	534	1,155	1,136
	33,374	5,636	39,010	35,380
Analysis by type of purpose:				
Staff posts	27,851	604	28,455	26,289
Scholarships and bursaries	4,276	4,380	8,656	7,435
Research support	132	-	132	123
Prize funds	384	7	391	361
Lectures	617	-	617	538
Library	110	320	430	372
Events	-	130	130	92
Department specific funding	4	195	199	170
	33,374	5,636	39,010	35,380
Analysis by asset				
Non-current asset investments			34,866	31,741
Cash & cash equivalents			4,144	3,639
			39,010	35,380

Notes to the accounts – continued

20. RESTRICTED RESERVES	2016	2015
Reserves with restrictions are as follows:	£'000	£'000
Balances at 1 August 2015	-	-
New donations	3,737	2,845
Capital expenditure	(3,251)	(2,455)
Other expenditure	(486)	(390)
Total restricted comprehensive income for the year	-	-

At 31 July 2016	-	-
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	2016	2015
	£'000	£'000
Analysis of restricted donations by type of purpose:		
Senate House North Block Refurbishment	3,251	2,455
Scholarships and bursaries	325	253
Staff posts	76	44
Research and Enterprise	83	-
Department specific funding	2	93
	3,737	2,845

21. CASH AND CASH EQUIVALENTS	At 1st August 2015	Cash Flows	At 31st July 2016
	£'000	£'000	£'000
Cash and cash equivalents	14,267	(3,510)	10,757
	14,267	(3,510)	10,757

22. CAPITAL AND OTHER COMMITMENTS	2016	2015
Provision has not been made for the following capital expenditure commitments at 31 July 2016:	£'000	£'000
Commitments contracted for	500	14,294
	500	14,294

Notes to the accounts – continued

23. SUBSIDIARY UNDERTAKINGS

SOAS owns 100% of the issued share capital of 1,000 £1 ordinary shares of SOAS International Limited, a company registered in England and Wales. This company is dormant.

SOAS acts as guarantor for the London Middle East Institute (LMEI) a charitable company limited by guarantee. SOAS has a majority interest on the LMEI's Board of Trustees and the Director of SOAS is the Chair of the LMEI Board. As a result SOAS exercises control over the LMEI but consolidated accounts have not been prepared as LMEI's activities are immaterial in comparison to SOAS. The LMEI's unaudited financial statements showed a surplus of £6,000 for the year ended 31 July 2016 (2015: surplus of £11,000). At the 31 July 2016, LMEI had reserves of £179,000 (2015: £173,000). During the year, costs of £98,000 were recharged to the LMEI (2015: £69,000) and at 31 July 2016 £3,000 was owed to the LMEI (2015: £13,000 was owed to SOAS).

SOAS provides the LMEI with office space, IT and administrative support and certain staff free of charge. The fair value of this donation is approximately £150,000 per annum, of which £90,000 is funded by income from endowments. The London Middle East Institute owns 100% of the issued share capital of LMEI Trading Limited, a dormant company registered in England and Wales.

24 FINANCIAL INSTRUMENTS	2016	2015
	£'000	£'000
The institute's financial instruments may be analysed as follows:		
Financial assets:		
Financial assets measured at fair value through Surplus or Deficit	34,866	31,741
Financial assets that are debt instruments measured at amortised cost	15,993	26,518
	50,859	58,259
Financial liabilities		
Financial liabilities measured at amortised cost	(53,551)	(49,088)
Derivative financial instruments designated as hedges of variable interest rate risk	(1,193)	(902)
	(54,744)	(49,990)

FRS 102 defines a financial instrument as a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets measured at fair value through other comprehensive income relates to non-current asset investments in a trading portfolio of listed company shares and bonds.

Financial assets measured at amortised cost comprise cash, trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors, accruals and pension liabilities.

Derivative financial instruments designated as hedges of variable interest rate risk comprise interest rate swaps (see note 17).

Notes to the accounts – continued

25. PENSION SCHEMES

Different categories of staff were eligible to join one of two different schemes:

- Universities' Superannuation Scheme (USS)
- Superannuation of University of London (SAUL)

The two main schemes, being USS and SAUL, are both defined-benefit schemes contracted out of the State Second Pension (S2P) the assets of which are held in separate trustee administered funds.

(i) Universities Superannuation Scheme

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme 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. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	N/A	3.5% in the first year and 4.0% thereafter
Pension increases (CPI)	2.2%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ["light"] YoB tables – No age rating
Female members' mortality	99% of S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted.

The current life expectancies on retirement at age 65 are:

	2016	2015
Males currently aged 65	24.3	24.2
Females currently aged 65	26.5	26.4
Males currently aged 45	26.4	26.3
Females currently aged 45	28.8	28.7

	2016	2015
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

Notes to the accounts – continued

(ii) Superannuation Arrangements of the University of London (SAUL)

SOAS participates in the Superannuation Arrangements of the University of London (“SAUL”), which is a centralised defined benefit scheme within the United Kingdom and is contracted-out of the Second State Pension (prior to April 2016).

SAUL is an independently-managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL build up on either a Final Salary basis or a Career Average Revalued Earnings (“CARE”) basis. Following a consultation with Members, the SAUL Final Salary Section closed from 31 March 2016 and all Members build up benefits on a CARE basis from 1 April 2016.

SOAS is not expected to be liable to SAUL for any other current participating employer’s obligations under the Rules of SAUL, but in the event of an insolvency event of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the next actuarial valuation.

Funding Policy

SAUL’s statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL’s benefits as they fall due (the “Technical Provisions”). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments which arise from Members’ accrued pension rights to be met.

The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2014. Informal reviews of SAUL’s position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed in November 2015 and are due to be reviewed at SAUL’s next formal valuation in 2017.

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of salaries between 1 April 2016 and 31 March 2018 (inclusive). The overall level of the Employers’ contributions have, therefore, increased from 13% of salaries to 16% of salaries with effect from 1 April 2016.

Notes to the accounts – continued

26. TRANSITION TO FRS102 AND THE 2015 SORP

As explained in the accounting policies, these are the institution's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, SOAS has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP).

An explanation of how the transition to FRS 102 and the SORP has affected the institution's financial position and financial performance is set out in the following tables.

FINANCIAL POSITION	1 August 2014	31 July 2015	Change
	£'000	£'000	£'000
Total reserves under 2007 SORP	91,285	95,466	4,181
USS pension deficit recovery plan provision	(5,326)	(11,345)	(6,019)
Change in fair value of hedging financial instruments	(767)	(902)	(135)
Employee leave accrual	(1,037)	(1,135)	(98)
Transfer of deferred capital gifts to unrestricted reserves	7,887	10,199	2,312
Reclassification of operating lease to finance lease	(42)	(47)	(5)
Move from general to specific debt provision	341	369	28
Reclassification of deferred income funds	318	318	-
Reclassification of endowment funds	(52)	(57)	(5)
Reclassification of University of London grant for development of MSc Finance and Financial Law	381	381	-
Total effect of transition to FRS 102	1,703	(2,219)	(3,922)
Total reserves under 2015 SORP	92,988	93,247	259




Notes to the accounts – continued

FINANCIAL PERFORMANCE	31 July 2015 £'000
Deficit for the year under 2007 SORP	(1,457)
USS pension deficit recovery plan provision	(6,019)
Change in fair value of hedging financial instruments	(135)
Employee leave accrual	(98)
Capital gifts	2,312
Finance leases	(5)
Move from general to specific debt provision	28
	(3,917)
Items previously reported in the statement of total recognised gains and losses	
Gain on investments	3,150
Donations	2,483
	5,633
Total effect of transition to FRS 102	1,716
Total comprehensive income for the year under 2015 SORP	259



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