

Financial Statements 2016–17



SOAS
University of London
— 100 Years —



Chair's Report

Our centenary year 2016-17 has been a year of celebration, an opportunity for reflection, a time for renewal and to plan ahead.

This report sets out highlights of the last 12 months including:

- hosting world-leading thinkers and activists in the remarkable SOAS Centenary Lecture Series, including Wole Soyinka, Forest Whitaker, Mohamed ElBaradei and Claudia Roden.
- strengthening and developing partnerships with world-leading academic bodies in London and overseas including the British Library, Presidency University in India and Zhejiang University in China.
- launching our major £100m Questions Worth Asking fundraising campaign for continued investment in the SOAS estate; academic projects and endowed posts; scholarships and student experience initiatives.
- growing our research income to record levels – which at £6.3m is 8.6% rise in 12 months and more than 20% higher than four years ago.
- expanding our campus with the opening of the Paul Webley Wing focussed on enhancing the student experience and expanding teaching and learning space

This showcases SOAS at its best.

Strategy and vision

SOAS has a strong future as an independent, specialist and top-class institution focussing on our strengths as the foremost area studies School in the UK.

That is why the Board of Trustees, last July, set out clear priorities in our SOAS Vision and Strategy 2016-2020.

This identifies a series of strategic priorities which guides all decision making:

- SOAS Teaching and Learning – delivering an exceptional SOAS student experience which challenges traditional thinking and develops graduates who make an impact in the world.
- SOAS Research – focusing on research with real world impact that applies a global lens to the critical issues of our time and creates new intellectual and strategic partnerships.
- SOAS People – attracting, developing and retaining a diverse and successful community of staff who support the School in achieving our shared purpose.
- SOAS Voice – projecting our core values clearly, confidently and consistently, influencing public debate and driving social change.
- SOAS Infrastructure – making best use of the physical, financial and digital resources to achieve our shared purpose.

We are putting in place a new SOAS International Strategy to underpin these priorities.

We are confident that focusing on these priorities will retain what has made SOAS special over the last 100 years – our specialist scholarship base; our clear ethos, mission

and vision; commitment to challenging the status quo; and promoting shared values through our commitment to social justice.

We want to strengthen the institution we love: for current and future students and staff; our tens of thousands of alumni; and our global community of partners, funders and supporters.

Governance

The Board of Trustees has reviewed SOAS's governance to ensure our structures are up-to-date and fit-for-purpose.

Academic leadership has been strengthened across the School following an academic restructure. The Executive Board now includes all academic Heads of Department, alongside the Directors and three Pro-Directors. And the Academic Board continues to play a significant role in driving forward academic policy and strategically focused initiatives. The new Senate provides an important vehicle for the entire School academic community to have a voice in discussion of key issues.

I also want to acknowledge the positive contribution made by the Students' Union and wider student body. This includes its Decolonising the Curriculum project; Sanctuary Scholarships scheme for asylum seekers; and the new School-wide, anti-harassment initiative - Enough is Enough - which includes mandatory consent workshops for all incoming students.

We all have an interest in ensuring SOAS is a continued success. A strong university community where all parts of the community – trustees, students and staff, as well as our alumni and supporters – work in partnership.

External context

Small, specialist institutions like SOAS are however facing tough challenges – and we cannot be complacent about the future.

We risk being squeezed by greater competition for students, academics and funding in the UK and internationally. We are more and more reliant on teaching fee income, due to ever-tighter public investment in higher education – coupled with a lack of political clarity over how universities will be funded in future.

We are being scrutinised more than ever before. The Office for Students, which will come into being in April 2018, will introduce tough new regulations on universities. The Teaching Excellence Framework and forthcoming Research Excellence Framework round are pushing us to continually strive for excellence and drive up performance.

And we are facing ever higher expectations from students for a great teaching and learning experience - which gives them value-for-money in return for the long-term investment they are making in their own education.

All this is coupled with an uncertain national and international political and economic outlook and uncertainties about how the vote to leave the European Union will impact British universities in the future.

Financial context

So we need a stable, sound financial base to prepare to meet the challenges ahead.

While we are reporting an overall surplus of £2.9m within our financial statements, this includes a surplus of £3.4m on our endowments. These funds are not available to support general day-to-day activities. As a Board we measure our underlying financial performance by focusing on our unrestricted surplus (excluding any movement on our pension provision). On this measure we are reporting a deficit of £2.7m.

We are now projecting, in our internal forecasts, that this deficit will grow – unless we generate new income streams and bear down on operating costs.

This is due to hard decisions we have taken about how best to achieve our vision.

First, we are protecting investment in frontline teaching, research and student services so we can continue to our push for excellence.

Second, we have decided to protect the quality of our undergraduates by refusing to cut entry tariffs in 2017/18. We do not want to enter a 'race to the bottom'

And third, we are investing in targeted projects in the next 12 to 24 months to improve the student experience.

This ongoing work includes:

- implementing our learning and teaching strategy, including addressing specific issues raised in the Teaching Excellence Framework. We are also reviewing and strengthening our curriculum and rolling out the decolonisation programme across the School.
- continued implementation of our long-term research strategy in the run up to the next Research Excellence Framework, as well as our wider fundraising and public engagement work.
- strengthening academic and student services – directly addressing issues raised in the annual National Student Survey. This includes improving academic support and taking action on retention
- further professionalising our marketing, recruitment and admissions strategy and operation, including increased focus on postgraduate and international markets.
- creating more outward facing staff and student support services through the One Professional Services change programme and bringing core support services in-house.

Invest to grow

Securing a sustainable future for SOAS requires careful financial management and investment. The Board of Trustees has agreed to underwrite the projected significant loss in undergraduate tuition income as a result of the decisions taken on tariff and support other spending in the short term.

This is to give SOAS the time and space to put its finances back on a stable footing over the next 12 to 18 months and move back to surplus.

This will enable SOAS to expand our portfolio of distance learning programmes, so tens of thousands of overseas students can access our scholarship; expand our international postgraduate cohort; bring our world-famous library up to 21st century standards; set up new research centres and global partnerships; and grow our scholarship, research and teaching base.

We will be looking at each area of our work asking questions about how it is contributing to our core mission. We take pride in our commitment to raising the quality of what we do – building on what we do well and addressing any weaknesses holding us back.

Change is challenging for all organisations in the private, public, third or higher education sectors and SOAS is no different.

We are seeing massive changes in the world order – political, economic and social challenges across Africa, Asia and Middle East, the areas of SOAS expertise. That means that there has never been a more important time for a university with SOAS's global network, impact and reach.

Marie Staunton CBE

Financial overview

Summary income & expenditure

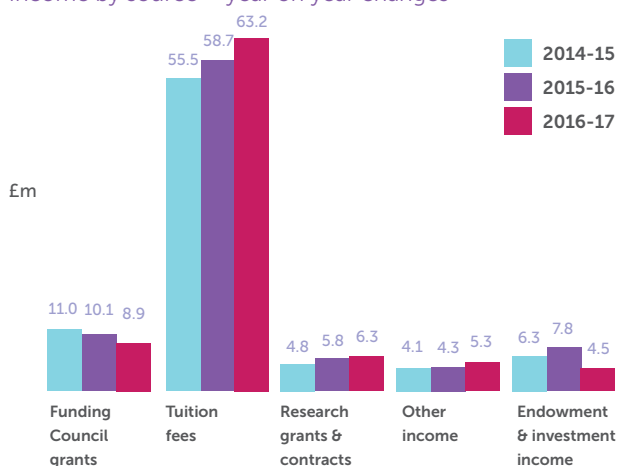
| Summary Income & Expenditure | 2017 Endowment £'000 | 2017 Unrestricted £'000 | 2017 Total £'000 | 2016 Total £'000 | Change £'000 | % |
|---|----------------------------|-------------------------------|------------------------|------------------------|-----------------|----------------|
| Operating Income | 960 | 83,786 | 84,746 | 79,930 | 4,816 | 6.0% |
| Endowments and donations | 3,388 | 134 | 3,522 | 6,833 | -3,311 | -48.5% |
| Total income | 4,348 | 83,920 | 88,268 | 86,763 | 1,505 | 1.7% |
| Operating expenditure | 3,392 | 79,669 | 83,061 | 77,287 | 5,774 | 7.5% |
| Depreciation | - | 6,441 | 6,441 | 5,221 | 1,220 | 23.4% |
| Interest and other finance costs | - | 509 | 509 | 658 | -149 | -22.6% |
| Surplus/(deficit) before movement on pension provision | 956 | -2,699 | -1,743 | 3,597 | -5,340 | -148.5% |
| Movement on pension provision | - | 2,210 | 2,210 | -940 | 3,150 | -335.1% |
| Surplus/(deficit) before other gains or losses | 956 | -489 | 467 | 2,657 | -2,190 | -82.4% |
| Gains on Investments | 2,405 | - | 2,405 | 2,658 | -253 | -9.5% |
| Surplus/(deficit) for the year | 3,361 | -489 | 2,872 | 5,315 | -2,443 | -46.0% |

SOAS generated a surplus of £2.9m in 2016-17. This surplus is broken down into a surplus of £3.4m on our endowments and a deficit of £0.5m on our unrestricted operating activities. The latter includes a positive movement of £2.2m on our provision for USS and SAUL pension liabilities. This movement is outside of SOAS' control and volatile in nature (in 2015-16 we reported an adverse movement of -£0.9m). The SOAS Board of Trustees excludes this movement in assessing underlying financial performance with focus given to the deficit of £2.7m on our unrestricted operating activities before the movement on pension provision.

Income

Overall income grew by £1.5m (1.7%) from 2015-16. Tuition fees remained the largest component, at 72% of income (2015-16: 68%), and grew to £63.2m net of scholarships and discounts (2015-16: £58.7m). This was partially offset by a reduction of HEFCE grant income by £1.2m to £8.9m (2015-16: £10.1m), in line with changes in government policy.

Income by source – year on year changes

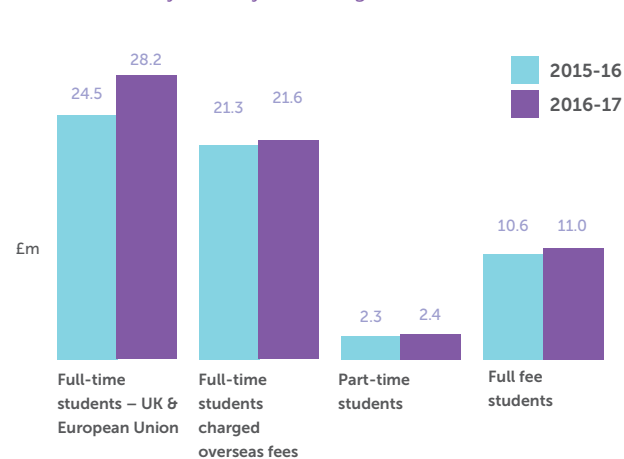


Tuition fee income

Tuition fee income in the financial statements is stated net of the £1.9m (2015-16: £2.0m) fee waivers and scholarships provided to students on both undergraduate and postgraduate courses.

Fee income rose by £4.5m in 2016-17, largely as a result of increased income from full time students from the UK/EU.

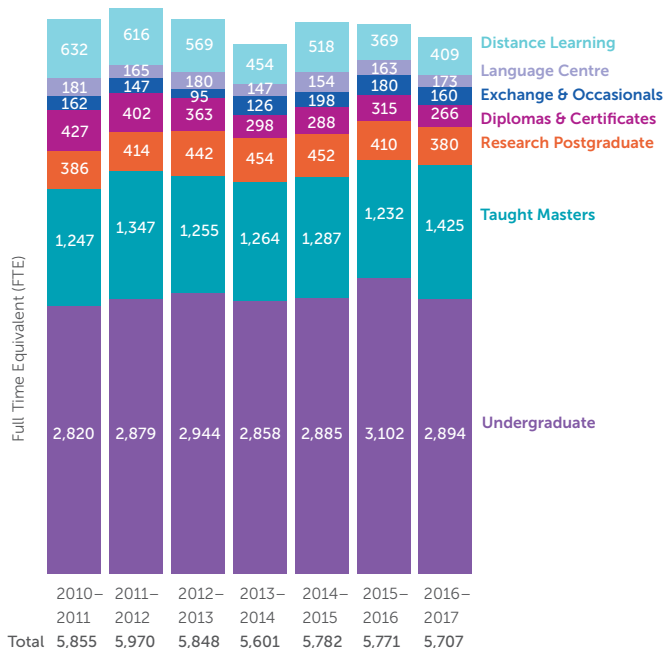
Fee income – year on year changes



Financial overview – continued

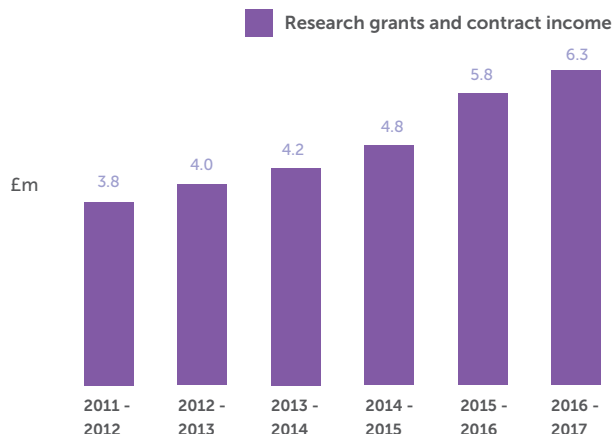
The underlying student numbers show a small reduction in undergraduate student numbers to 2,894 full time equivalent (2015-16: 3,102), offset by an increase in taught postgraduate students to 1,425 full time equivalent (2015-16: 1,232). This was expected following the introduction of the post-graduate loan scheme. Distance learning numbers in two of our centres were lower than in previous years, and we are working with the University of London to redesign our programmes and will relaunch during 2018-19.

Student FTE – Numbers



remaining £1.1m during the year, with a range of awards up to £97k in value demonstrating the diversity of funders and disciplines within SOAS.

Research grants & contracts



Endowment and other income

In addition to income from its core operational activities, SOAS generates income from its commercial and ancillary activities, which increased to £5.3m (2015-16: £4.3m), largely as a result of increased income from consultancy contracts.

We are very grateful for all donations received and are pleased to report we received new gifts of £3.5m in 2016-17 (£2015-16 £6.8m). This reduction from 2015-16 was expected after our successful capital campaign to support the refurbishment of the Paul Webley Wing during the previous year.

Our largest donations were to provide support to students through scholarships and maintenance grants, including £1.3m from the Alphawood Foundation, £0.3m from the Wolfson Foundation, £0.2m from the Mo Ibrahim Foundation, £0.1m for the Bishwa Bangla Scholarships and £0.1m for the Shapoorji Pallonji Scholarships in Zoroastrian Studies. We were also extremely pleased at the positive response from alumni and friends of SOAS in generating £130k in support of our Sanctuary Scholarship fundraising campaign. This scheme provides financial support to displaced people who cannot access student finance.

New endowments and improved returns on investments led to increased investment income on such endowments from £0.9m to £1.0m, which we have used for the purposes of the original donors, including £653k to support endowed posts and £37k on student support.

Worsening rates for treasury deposits have, however, caused other investment income to fall to £25k (2015-16: £116k).

Funding council grants

The Higher Education for Funding England (HEFCE) provided SOAS with £8.9m of grants for use in 2016-17 (2015-16: £10.1m), including £2.0m for teaching (2015-16: £2.5m) and £5.9m for research (2015-16: £5.8m).

Research grants and contracts

We have continued to grow our income from research grants and contracts in 2016-17. Now at £6.3m, research income was 8.6% higher than the previous year 2015-16: (£5.8m) and 20.4% higher than four years ago.

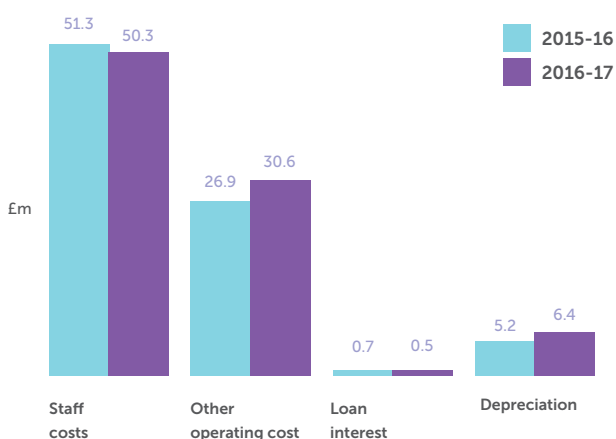
The largest source of funding was the European Research Council, with grants of £1.3m and European Commission (£0.2m), an increase of 28% since 2015-16. Other large funders include the ESRC (£0.9m), Leverhulme Trust grants of £0.8m, down from £1.0m last year, AHRC grants of £0.7m (2015-16: £0.3m) and British Academy at £0.5m. DFID grants were £0.4m, Arcadia provided £0.3m, and the Academy of Korean Studies £0.2m. 53 other funders contributed the

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



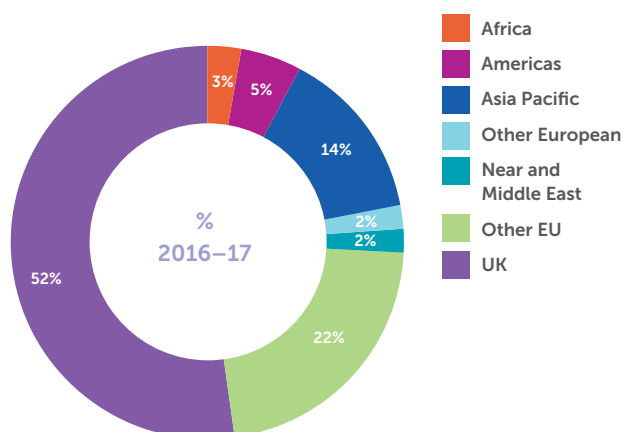
Total reported staffing costs fell £1.0m below those reported in 2015-16. However, these figures include restructuring costs of £0.7m and a reduction of £2.2m in our pension provision as explained in note 17. Further information on the USS and SAUL pension schemes can be found in note 24. Excluding these two factors from both years, staffing costs in 2016-17 were £2.4m higher than in 2015-16, an increase of 5%.

Other operating expenditure was £3.7m higher than in 2015-16, an increase of 13%. Contributory factors include; a £1.0m increase in security and cleaning costs, as a consequence of an expansion of our estate and improvement in staff terms and conditions; £0.6m additional spend on accommodation and catering; and £0.4m additional spend on professional fees, particularly on progressing options around our estate and to restructure our administrative services. Depreciation charges were also £1.2m higher than the previous year, reflecting our 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 current challenging environment. Since 2015-16 our proportion of undergraduates and postgraduate students from the Asia Pacific Region has reduced slightly to 14% (2015/16 15%) while the proportion of Home/EU students has grown to 74% (2015-16: 71%).

Undergraduate & Postgraduate Student FTE by origin



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 2016-17 we provided bursaries and fee remittances worth £1.1m to low income students under our OFFA agreement (2015-16: £1.0m), as well as school funded maintenance and fee waivers worth £2.6m (2015-16: £2.1m).

Financial overview – continued

Capital investment

After the major capital investment in the refurbishment of the Paul Webley Wing during 2015-16, 2016-17 was a year of reduced capital activity as we focused our investment programme on the replacement of out-dated equipment.

Projects included:

- Completion of the Paul Webley Wing, Senate House (£0.8m);
- Work to prepare for refurbishment of the windows in the Grade 2 listed Phillips building (£0.9m);
- Campus development work (£0.6m);
- Network improvements and other systems investment (£1.4m);
- Classroom AV upgrades (£0.3m).

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 net assets grew in year by 3.2% (2015-16: 5.4%) to £101.4m. Within this our endowment investments grew by £3.0m (2015-16: £3.6m) to £37.9m (2015-16: £34.9m) as a result of a £2.4m gain in the market value of underlying investments and net inflow of £0.6m in donated funds.

Our variable rate loan facility of £6.5m is hedged by two interest rate swaps, covering 56% 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 14 year term. During the year we had a £15m revolving credit facility in place, from which we drew down £5m in July 2017 which was repaid in full during October 2017.

Capital investment led to a reduction in our year end cash holdings of £3.3m to £7.5m. Net current liabilities grew to £11.5m (2015-16: £10.8m). Following the move to a single Bloomsbury campus, the School's Vernon Square site near Kings Cross is surplus to operational requirements and more than offsets the net current liability position. Having assessed its business and financial plans for the year, 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.

SOAS and public benefit

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



Fiona Bruce with Professor Keith Howard discussing a mid-17th century picture scroll from Japan at the BBC's Antiques Roadshow. The scroll is held in the SOAS Library.

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.

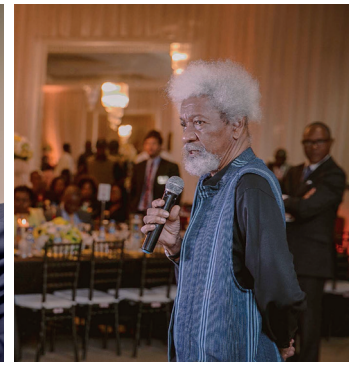
The Act requires that institutions clearly identify benefits related to the aims of the charity; that the benefits must be to the public, or to a section of the public; that where the benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by geographical 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 such organisations too. Over the last year, our researchers made their valuable insights available through a wide range of public forums.



The artist and social activist Forest Whitaker speaking at SOAS as part of the SOAS Centenary Lecture Series (above centre).

Nobel Prize winning poet and playwright Wole Soyinka speaking at SOAS centenary celebrations in Lagos (above right).

Baroness Valerie Amos gives welcome address at formal opening of Paul Webley Wing (left).

Public events

This year saw a major series of centenary events that offered a well-developed programme of public events across SOAS's disciplines.

SOAS started the year with the grand opening of its new estate – the Paul Webley Wing in the North Block of Senate House. The building was named in honour of SOAS's eighth director, Professor Paul Webley, who passed away in March 2016.

The opening of the Paul Webley Wing was followed by a special centenary alumni weekend featuring a panel debate hosted by Baroness Valerie Amos CH on "Faith, Politics and Freedom of Speech" with Professor Nasser David Khalili. The weekend hosted around 1,000 special alumni guests and members of the public who experienced language taster sessions, dance workshops and seminars offered by SOAS academics on a range of topics.

SOAS hosted the public launch of its largest fundraising campaign in the history of the School: 'Questions Worth Asking'. The fundraising launch was opened by the premier musical performance of '391 for gamelan' – a piece specially composed for SOAS's centenary by Dr Nick Gray, Associate Head of the Department of Music at SOAS.

The SOAS Centenary Lecture Series – the flagship events for SOAS's special year – hosted a number of prestigious speakers including the Nobel Prize winning playwright and poet Wole Soyinka, the artist and social activist Forest Whitaker, food writer Claudia Roden and Nobel Peace Prize winner Mohamed ElBaradei.

SOAS hosted the BBC's Antiques Roadshow at Senate House – attracting around 1,800 visitors to SOAS's new home. The filming resulted in two programmes – one of which featured SOAS academic Professor Keith Howard with BBC presenter Fiona Bruce discussing a mid-17th century Japanese picture scroll held in the SOAS Archives – the Procession of Korean Ambassadors.

In addition, SOAS hosted a number of international events as part of its centenary celebrations. The Centre of African Studies hosted Honorary Fellow Dr Gus Casely-Hayford

in Ghana, discussing heritage, history and identity as well as a special centenary celebration in Lagos, Nigeria, with a panel discussion on girls' education. The speakers included Chair of the Executive Council of Women in Management Aishah Ahmad and the Founder of Murtala Muhammed Foundation Aisha Muhammed Oyebode. Wole Soyinka also attended this event. International centenary events also took place in New York - with David Milliband speaking on the refugee crisis - Hong Kong, Delhi and Kolkata. SOAS also held a series of over 100 alumni events in 100 different cities around the world. Organised with the help of alumni and friends of SOAS around the world, 112 events took place over thirty days in October. Alumni gathered to reminisce about their time in Russell Square, share memories of London and discuss the next 100 years of SOAS.

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 Amos is continually engaged with the media – both on the UK and internationally. She has been interviewed on a wide range of issues including the situation in Syria and the failures of the international community, the EU referendum and the impact on international students, safe spaces and freedom of speech as well as the role universities can play in the refugee crisis. She has also given keynote lectures on a range of topics including 'International relations, foreign policy and diplomacy: implications for higher education post-Brexit' at the UUK Annual Conference and on 'Mobilising Global Voices' at the AHRC summit. Baroness Amos also continues to provide talks on women in leadership.

In the 2016-17 academic year, SOAS featured in approximately 50-80 news clippings each month. These range from SOAS experts providing commentary, high



Her Royal Highness The Princess Royal with Baroness Valerie Amos CH and Professor Anna Contadini.

Local school pupils attend a Uli painting workshop at SOAS.



profile events receiving coverage to alumni and student success stories. SOAS experts have provided insight on a diverse range of topics including: the impact of the US elections, Donald Trump's presidency and international relations; China's 'Belt and Road' initiative and the impact of Brexit and the UK elections on our regions. Dr Laura Hammond was interviewed on the droughts in Somaliland. Professor Hazel Smith, Dr James Hoare and Professor Steve Tsang all provided substantial comment throughout the year on the political situation in North Korea on the Today programme, BBC News and Sky News, and Dr Marloes Janson was a key commentator on the impact of the elections in Gambia. The year ended with the anniversary of The Partition of India– Professor Gurharpal Singh spoke widely in the press on the topic, and Dr Amina Yaqin reflected on her own family's experiences in a Radio 3 programme. Professor Rachel Dwyer has provided definitive 'top ten' Bollywood Film lists for the BFI and Dr Mark Singleton gave an insight into the modern history of yoga following the release of his new book 'Roots of Yoga' – an extensive collection of annotated translations on the practice of yoga – co-written with Dr James Mallinson.

In January 2017, SOAS became a member organisation of *The Conversation*, an independent online platform that uses content sourced from the academic and research community. This has resulted in approximately 30 published articles by SOAS experts ranging from topics such as the UK's main political parties' response to the refugee crisis, China's development in its ethnic minority regions and India's garment industry. The publication has also been used to support the promotion of major SOAS-informed exhibitions, such as the Hokusai exhibition at the British Museum, where Dr Angus Lockyer published an article on 'How Hokusai's Great Wave came into the world'.

London initiatives

SOAS has participated in a number of initiatives based within London.

The SOAS China Institute celebrated the School's centenary with an exhibition on Chinese migration at the China Exchange. The exhibition 'British or Chinese? Stories of Migration, Family and Identity' was based on the research of the Institute's Deputy Director Dr Jieyu Liu and drew on interviews Dr Liu and her team conducted with UK residents of Chinese ethnic origins over the past 18 months. SOAS's World Languages Institute and the Endangered Languages Archive collaborated with artist Lena Herzog in the creation of an immersive multimedia installation *Last Whispers* (Oratorio for Vanished Voices, Collapsing Universes and a Fallen Tree), exhibited at the British Museum's Wellcome Trust Gallery in October 2016. The SOAS World Music stage was once again part of the 2016 Bloomsbury Festival and brought international music to London during the weekend of activities.

Widening Participation hosted local school pupils to attend a Uli painting workshop delivered by the Nigerian artist Chike Azuonye and Dr Louisa Egbunike, as part of SOAS's Black History Month programme. The workshop included an Igbo language taster. The department also hosted 'Global Politics Panel Discussion/Debate' with the Department of Politics. The event was for students in year 12 and 13 attending state schools and colleges within the UK where they explored the impact of current world leaders and their influence on world affairs.

SOAS also piloted an extracurricular language learning programme which employs refugees to help deliver language education to university students. Chatterbox offered language students one-hour sessions with native language speakers to practise and improve their speaking and listening skills.



Chatterbox teacher Eiad with SOAS student, Lena Garrett Chatterbox 2016.

The SOAS Library was visited more than 850,000 times in the 2016-17 academic year.



Baroness Amos became a patron of a new educational charity 'Why Comics' now based at SOAS which brings issues such as racism, conflict, trafficking and climate change into the classroom - aimed at 14-18 year-olds and their teachers.

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 was visited more than 850,000 times in 2016-17 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 studyskills and the use of electronic resources.

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. 2016-17 saw the continuation of successful initiatives such as SOAS Scholars: Thinking Globally! and subject specific summer schools (for History, Politics, Law, Economics, 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 2016 undergraduate intake, SOAS distributed financial support bursaries worth over £1 million 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 2,500 students in over 160 countries access our world class research and teaching, gaining a range of specialist postgraduate qualifications in the process. This diverse offering has grown to include MA Global Diplomacy, with pathways in South Asia and MENA – delivered in association with the Foreign & Commonwealth Office (FCO)'s Diplomatic Academy. Global Corporations and Policy (GCP) and Global Energy and Climate Policy which are 100% delivered online alongside longer-standing programmes in development, environment, finance and management programmes.

Massive Open Online Courses (MOOCs) have continued to feature in the online and distance learning suite of programmes. More than 100,000 students are currently enrolled in SOAS MOOCs. SOAS has launched three further MOOCs through CISD and CeFiMS.

SOAS and public benefit – continued

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 fifth year and in succession with our renowned World Music Summer School.

The Academic Summer School showed further growth this year, hosting around 140 students in total, including four undergraduate Fulbright scholars. Students from China, India, US and Europe attended courses covering areas such as development, politics, law, business and finance and culture, society and history.

SOAS Impact continues to support a range of student projects initiatives. In the 2016-17 academic year just over £31,000 for eight student projects has been raised. Projects supported include the SOAS Sanctuary Scholarships, the student-led 'Queer' Asia Conference and the African Development Forum which aims to generate lively thought-provoking discussion and Stories On Our Plate (SOOP) which promotes employability and challenges the social exclusion of refugees living in London.

Student Enterprise was revitalised to engage with a much wider proportion of students and support them to develop entrepreneurial skills. Benefiting from its membership in The Careers Group, Student Enterprise commissioned research into enterprise practices and policy recommendations to inform and build on the previous offering. The department has more than tripled the number of Tier 1 Graduate Entrepreneurs applications and endorsements made in the 2015-16 academic year, and added a range of monthly workshops to support SOAS entrepreneurs. As part of supporting students to develop their experiences and skills, some of the Enterprise budget was invested into projects led by our interns. These included delivering the Make a Difference Awards, the pilot micro-placements programme and volunteering.

Engaging communities through art

SOAS's Brunei Gallery had more than 35,000 visitors in 2016-17. The year featured two special centenary exhibitions – the first 'Academics, Agents & Activists' A History of the School of Oriental and African Studies 1916-2016, curated by Dr Stacey Pierson and John Hollingworth, which was followed by 'Celebrating Art and Music: The SOAS Collections' later in this year. This exhibition, curated by Professor Anna Contadini, was officially opened by Her Royal Highness The Princess Royal. It featured material from the SOAS collections

to explore and acclaim the visual and sound arts of Asia, Africa and the Middle East. Other exhibitions were 'Embroidered Tales and Woven Dreams' an exhibition of traditional embroidered textiles from the lands of the Indus, Afghanistan, the Near East and Central Asia. The year ended with 'Buildings That Fill My Eye' Architectural Heritage of Yemen which was curated by Emeritus Professor Trevor Marchand.

Public education

SOAS presented approximately 1,500 public events throughout the year. The centenary lecture series hosted around 2,000 guests in total with subjects ranging from Nigerian politics, art and political change, human rights and a sustainable world order. All the lectures were live streamed on the SOAS Facebook page – which has in the region of 50,000 followers. A broad range of research outcomes extended the School's public education work. Lecturer in the History of Japan, Dr Angus Lockyer's work on an AHRC-funded project on Hokusai, in collaboration with the British Museum, informed a major exhibition launched at the museum on the artist's work. The work of award-winning non-profit PositiveNegatives, founded by SOAS Senior Fellow Dr Ben Dix, was displayed in a public exhibition at the Brunei Gallery, bringing stories of migration to a wider audience. SOAS language researchers hosted a 4D translation game for the Being Human Festival and Dr Ruba Salih, Reader in Gender Studies, gave a talk at TEDxCoventGardenWomen on refugees. Later in the year the remake of the legendary ROOTS TV series was broadcast in the UK which featured ethnomusicologist Dr Lucy Durán, and kora player Kadialy Kouyate, of the Music Department at SOAS advising on the music, language and culture. Dr Marloes Janson's work on Islam, youth and modernity in the Gambia was also used by the novelist Zadie Smith in her Man Booker Prize shortlisted novel 'Swing Time'.

Supporting students

In the 2016-2017 academic year, SOAS received new gifts of £3.5m for scholarships, research, and academic programmes. The Sanctuary Scholarship fundraising campaign was particularly well received by the SOAS community and raised £130K for students who cannot access student finance due to displacement and refugee status. SOAS also received a pledge of £5m from the Shapoorji Pallonji Group to establish the SOAS Shapoorji Pallonji Zoroastrian Institute and a donation from the Government of West Bengal to establish the Bishwa Bangla Scholarships. The Alphawood Foundation, American Friends of SOAS Inc, Felix Scholarship, Mo Ibrahim Foundation, Arcadia and the Pears Foundation all continued to support the School in the last academic year.

SOAS and public benefit – continued



'Why Comics' is a new charity based at SOAS - the image above is taken from one of the graphic novels 'Khalid's Story'.

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 has agreed to work with the Students' Union to enhance the effectiveness of these programmes

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. Working with the Students' Union and the SOAS Solidarity with Refugees and Displaced People Society, SOAS launched the SOAS Student Sanctuary Scheme to help improve access to higher education for people displaced from their home country. The five-year scheme will provide six undergraduate fee waivers and one postgraduate fee waiver.

Environmental sustainability

Sustainability is one of SOAS's core values. A clean energy initiative set up by SOAS students and alumni, in partnership with SOAS and the SOAS Students' Union, become the first community energy project to successfully install crowd-funded solar panels at a UK

university. SOAS was also awarded a 'First Class' award in the recent Green League by People and Planet, now ranking the School at 25 out of 150 institutions. This is also a significant improvement from 2015 where SOAS was rated 49th in the same assessment.

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 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 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 Memorandum of Assurance and Accountability with HEFCE. 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 18 members of Board of Trustees as at 27th November 2017.

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

Mr Kofi Adjepong-Boateng
Baroness Valerie Amos
Mr Mehdi Baraka *wef 1/8/17*
Professor Richard Black
Dr Tamsyn Barton
Mr Dimitri Cautain *wef 1/8/17*
Professor Michael J Charney * *wef 9/10/16*
Ms Neelam Chhara *from 01/8/16 to 31/7/17*
Mr Gautam Dalal
Mr Ali Habib *from 01/8/16 to 31/7/17*
Sir Martin Harris (Vice-Chair)
Dr Deborah Johnston
Ms Rosna Mortuza *until 10/7/17*
Mr Andrew Popham
Mr Geoffrey Robertson
Professor Alfredo Saad Filho * *wef 9/10/16*
Mr David Skinner
Sir Richard Stagg
Ms Marie Staunton (Chair) * *wef 1/11/16*
Mr Steve Tinton
Lord Michael Williams *until 24/4/17*
Mr Nizam Uddin

The membership of the Board of Trustees is contained within the School's Articles, which are approved by the Privy Council .

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

The Board of Trustees regularly reviews its effectiveness in line with the Higher Education Code of Governance. 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 has taken place in 2016-17 to align the governance arrangements with the School's new academic structure and changes to the organisation of its professional services.

Corporate governance statement – continued

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. During 2016-17 it was agreed that the School's Executive Board would be expanded from 2017-18 to include all the academic Heads of Department within the new academic structure.

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 (to become departments from 2017-18) 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 2017.

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 Governance & 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 the Memorandum of Assurance & Accountability (MAA) 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 MAA 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 (Heads of Department from 2017-18) 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

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.

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.

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 Trustees 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). The School also has an Ethics Framework, approved by the Board of trustees, which it applies to its VfM activities.

SOAS continues to develop this framework for the achievement of VfM across the institution. The school is addressing significant areas under its refreshed 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

Opinion on the financial statements

We have audited the financial statements of SOAS ("the School") for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the School's affairs as at 31 July 2017 and of the School's income and expenditure, gains and losses, changes in reserves and the School's cash flows for the year then ended;
- 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 and relevant legislation.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Board of Trustees are responsible for the other information. Other information comprises the information included in the Governors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information in the financial overview, public benefit statement, corporate governance and statement of trustees responsibilities, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters 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 the School 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.

Independent Auditors' Report to the Trustees of SOAS – continued

Responsibilities of the Board of Trustees

As explained more fully in the statement of trustees responsibilities set out on page 17, the Board of Trustees is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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 the School 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.



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

Date: 28 November 2017

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 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|-------|---------------|---------------|
| Income | | | |
| Tuition fees and education contracts | 1 | 63,192 | 58,736 |
| Funding body grants | 2 | 8,935 | 10,115 |
| Research grants and contracts | 3 | 6,344 | 5,764 |
| Other income | 4 | 5,290 | 4,349 |
| Investment income | 5 | 985 | 966 |
| Total income before endowments and donations | | 84,746 | 79,930 |
| Endowments and donations | 6 | 3,522 | 6,833 |
| Total income | | 88,268 | 86,763 |
| Expenditure | | | |
| Staff costs | 7 | 49,586 | 50,389 |
| Fundamental restructuring costs | 7 | 706 | 918 |
| Other operating expenses | 8 | 30,559 | 26,920 |
| Depreciation | 11 | 6,441 | 5,221 |
| Interest and other finance costs | 9 | 509 | 658 |
| Total expenditure | 10 | 87,801 | 84,106 |
| Surplus before other gains or losses | | 467 | 2,657 |
| Gain on investments | 13 | 2,405 | 2,658 |
| Surplus for the year | | 2,872 | 5,315 |
| Change in fair value of hedging financial instruments | | 269 | (291) |
| Total comprehensive income for the year | | 3,141 | 5,024 |
| Represented by: | | | |
| Endowment comprehensive income for the year | | 3,221 | 3,630 |
| Unrestricted comprehensive income for the year | | (145) | 1,889 |
| Revaluation reserve comprehensive income for the year | | (204) | (204) |
| Cash flow hedge reserve | | 269 | (291) |
| | | 3,141 | 5,024 |

The notes on pages 26 to 45 make up part of the financial statements.
All items of income and expenditure relate to continuing activities

Statement of changes in reserves

For the year ended 31 July 2017

| | Income and expenditure account | | | Revaluation reserve | Cash flow hedge reserve | Total |
|--|--------------------------------|---------------------|-----------------------|---------------------|-------------------------|---------|
| | Endowment £'000 | Restricted £'000 | Unrestricted £'000 | £'000 | £'000 | £'000 |
| 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 1 August 2016 | 39,010 | - | 45,009 | 15,445 | (1,193) | 98,271 |
| Surplus/(deficit) from the income and expenditure statement | 3,361 | - | (489) | - | - | 2,872 |
| Other comprehensive income | - | - | - | - | 269 | 269 |
| Transfers between revaluation and income and expenditure reserve | - | - | 204 | (204) | - | - |
| Release of restricted funds spent in year | (140) | - | 140 | - | - | - |
| Total comprehensive income for the year | 3,221 | - | (145) | (204) | 269 | 3,141 |
| Balance at 31 July 2017 | 42,231 | - | 44,864 | 15,241 | (924) | 101,412 |

The notes on pages 26 to 45 make up part of the financial statements.

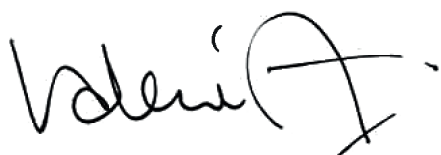
Balance sheet

As at 31 July 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|--|-------|---------------|---------------|
| NON-CURRENT ASSETS | | | |
| Fixed assets | 11 | 99,645 | 101,826 |
| Heritage assets | 11/12 | 330 | 330 |
| Investments | 13/18 | 37,882 | 34,866 |
| | | 137,857 | 137,022 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 14 | 7,355 | 5,236 |
| Cash and cash equivalents | 20 | 7,470 | 10,757 |
| | | 14,825 | 15,993 |
| LESS: CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 15 | (26,288) | (26,812) |
| NET CURRENT LIABILITIES | | (11,463) | (10,819) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 126,394 | 126,203 |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 16 | (14,340) | (15,302) |
| PROVISIONS | | | |
| Pension liabilities | 17 | (10,642) | (12,630) |
| TOTAL NET ASSETS | | 101,412 | 98,271 |
| RESTRICTED RESERVES | | | |
| Income and expenditure reserve – endowment reserve | 18 | 42,231 | 39,010 |
| UNRESTRICTED RESERVES | | | |
| Income and expenditure reserve – unrestricted | | 44,864 | 45,009 |
| Revaluation reserve | | 15,241 | 15,445 |
| Cash flow hedge reserve | | (924) | (1,193) |
| TOTAL RESERVES | | 101,412 | 98,271 |

The notes on pages 26 to 45 make up part of the financial statements.

The financial statements were authorised and approved by the Board of Trustees on 27 November 2017 and were signed on its behalf on that date by:



Baroness Valerie Amos
Director



Mr G Dalal
Honorary Treasurer



Mr G Appleby
Deputy Chief Operating Officer,
Resources and Planning

Cash flow statement

For the year ended 31 July 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|--|-------|----------------|-----------------|
| Cash flow from operating activities | | | |
| Surplus for the year | | 2,872 | 5,315 |
| Adjustment for non-cash items | | | |
| Depreciation | 11 | 6,441 | 5,221 |
| Gain on investments | 13/18 | (2,405) | (2,658) |
| Increase in debtors | 14 | (2,119) | (1,056) |
| Increase / (decrease) in creditors | 15 | 1,916 | (627) |
| (Decrease) / Increase in pension liabilities | 17 | (1,988) | 1,285 |
| Adjustment for investing or financing activities | | | |
| Investment income | 5 | (985) | (966) |
| Interest payable | 9 | 287 | 312 |
| Endowment income | 18 | (3,388) | (3,096) |
| Deferred capital grants released to income | | (736) | (722) |
| Net cash (outflow) / inflow from operating activities | | (105) | 3,008 |
| Cash flows from investing activities | | | |
| Capital grant receipts | | 530 | 521 |
| Transfer from short term deposits | | - | 8,071 |
| Investment income | | 985 | 966 |
| Payments made to acquire fixed assets | | (6,377) | (22,673) |
| Payments to acquire investments | 13 | (611) | (467) |
| | | (5,473) | (13,582) |
| Cash flows from financing activities | | | |
| Interest paid | 9 | (261) | (268) |
| Interest element of finance lease | 9 | (26) | (44) |
| Endowment cash received | 18 | 3,388 | 3,096 |
| New unsecured loans | 16 | 5,000 | 5,000 |
| Repayments of amounts borrowed | | (5,483) | (494) |
| Capital element of finance lease | | (327) | (226) |
| | | 2,291 | 7,064 |
| Decrease in cash and cash equivalents in the year | | (3,287) | (3,510) |
| Cash and cash equivalents at beginning of the year | 20 | 10,757 | 14,267 |
| Cash and cash equivalents at end of the year | 20 | 7,470 | 10,757 |

Statement of principal accounting policies

For the year ended 31 July 2017

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 (company number 02796535), 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.

On Campus 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. Distance and Online Learning tuition fees are deferred at year end based on the variable cost element of providing modules in future years with the balance of income recognised in the year of receipt.

Where the amount of the tuition fee is reduced, by a fee waiver or 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.

Statement of principal accounting policies – continued

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.

4. Accounting for retirement benefits

Universities Superannuation Scheme (USS)

SOAS participates in the Universities Superannuation Scheme (the scheme). With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

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 in accordance with section 28 of FRS 102. 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 17. 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 currency 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 land and buildings, after initial purchase or production, are capitalised to the extent that they increase the expected future benefits to SOAS from the existing land and buildings beyond their previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the land and buildings concerned.

Freehold land is not depreciated. Freehold Buildings are depreciated at 2 percent per annum. Leasehold buildings are depreciated over the life of the lease or life of the building if shorter. Building refurbishments are depreciated at 5 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 land and buildings maintain their 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 and furniture – five years;
Capital projects – five to twenty years.

Borrowing costs

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

9. Heritage assets

A heritage asset is a tangible or intangible asset with historic, artistic, scientific, technological, geophysical, or environmental qualities that is held and maintained principally for its contribution to knowledge and

culture. Heritage assets held at SOAS include valuable publications and works of art. 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.

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

Statement of principal accounting policies – continued

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

The University 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 UK Corporation Tax 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 16). 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. 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.
- Determine 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.
- Assessment of the assumptions used in the calculation of income recognised in the financial year, including interpretation of contract wording.
- 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 2017

| 1. TUITION FEES AND EDUCATION CONTRACTS | 2017 | 2016 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Full-time students – UK and European Union | 28,176 | 24,517 |
| Full-time students charged overseas fees | 21,566 | 21,280 |
| Part-time students | 2,406 | 2,345 |
| Full fee students | 11,044 | 10,594 |
| Tuition fees net of scholarships, bursaries and awards | 63,192 | 58,736 |
| Scholarships, bursaries and awards | 1,880 | 2,011 |
| Tuition fees inclusive of scholarships, bursaries and awards | 65,072 | 60,747 |
| 2. FUNDING BODY GRANTS | 2017 | 2016 |
| | £'000 | £'000 |
| Recurrent grant | | |
| Teaching | 2,035 | 2,487 |
| Research | 5,872 | 5,779 |
| Specific grants | | |
| Other specific grants | 292 | 1,127 |
| Deferred capital grants released to income | 736 | 722 |
| | 8,935 | 10,115 |
| 3. RESEARCH GRANTS AND CONTRACTS | 2017 | 2016 |
| | £'000 | £'000 |
| Research councils | 2,038 | 1,668 |
| UK based charities | 1,426 | 1,591 |
| European Commission | 1,550 | 1,135 |
| Other grants and contracts | 1,330 | 1,370 |
| | 6,344 | 5,764 |

Notes to the accounts – continued

| 4. OTHER INCOME | | 2017 | 2016 |
|--|--|--------------|--------------|
| | | £'000 | £'000 |
| Rent receivable | | 119 | 71 |
| Room lettings | | 214 | 235 |
| Library fees | | 137 | 115 |
| Accommodation, catering and conferences | | 703 | 725 |
| Resales and reimbursements | | 355 | 351 |
| Grant income | | 581 | 466 |
| Enterprise income | | 1,289 | 688 |
| University of London International Programme | | 731 | 502 |
| Other income | | 1,161 | 1,196 |
| | | 5,290 | 4,349 |

| 5. INVESTMENT INCOME | Notes | 2017 | 2016 |
|---------------------------------|-------|-------------|-------------|
| | | £'000 | £'000 |
| Investment income on endowments | 18 | 960 | 850 |
| Other investment income | | 25 | 116 |
| | | 985 | 966 |

| 6. ENDOWMENTS AND DONATIONS | Notes | 2017 | 2016 |
|------------------------------------|-------|--------------|--------------|
| | | £'000 | £'000 |
| New endowments | 18 | 3,388 | 3,096 |
| Donations with restrictions | 19 | 134 | 3,737 |
| | | 3,522 | 6,833 |

| 7. STAFF COSTS | | 2017 | 2016 |
|--|--|---------------|---------------|
| | | £'000 | £'000 |
| Staff Costs : | | | |
| Salaries | | 41,078 | 39,895 |
| Social security costs | | 4,137 | 3,565 |
| Other pension costs | | 6,592 | 5,991 |
| Movement on USS and SAUL provision (Note 17) | | (2,210) | 940 |
| Holiday pay accrual | | (11) | (2) |
| Fundamental restructuring costs | | 706 | 918 |
| Total | | 50,292 | 51,307 |

Notes to the accounts – continued

7. STAFF COSTS Cont.

| | 2017 | 2016 |
|---|-----------------------|-----------------------|
| Average full time equivalent staff numbers by major category : | | |
| Academic | 462 | 455 |
| Support | 393 | 384 |
| | 855 | 839 |
| Emoluments of the Director: | | |
| Salary – Baroness Valerie Amos (appointed: September 2015) | £ 229,967 | £ 200,082 |
| Pension contributions to USS – Baroness Valerie Amos | 41,394 | 33,528 |
| Salary – Professor Paul Webley (resigned: September 2015) | - | 23,253 |
| Pension contributions to USS – Professor Paul Webley | - | 3,720 |
| | 271,361 | 260,583 |
| No other remuneration was given to either Director. | 2017 Number | 2016 Number |
| Remuneration of other higher paid staff, excluding employer's pension contributions | | |
| £100,000 to £109,999 | 2 | 2 |
| £110,000 to £119,999 | 1 | 1 |
| £120,000 to £129,999 | 1 | 2 |
| £180,000 to £190,000 * | 1 | - |
| | 5 | 5 |

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.

| | 2017 | 2016 |
|--|--------------|--------------|
| | £'000 | £'000 |
| | 1,046 | 1,027 |

Key management personnel compensation

* One member of staff earning in excess of £100,000 was paid £120,590 for compensation in relation to loss of office and this amount is included in the salary band disclosure above (2016: Nil). The compensation was paid from non-HEFCE unrestricted reserves.

Related party transactions

M Neelam Chhara and Ali Habib served as Trustees of the SOAS Student's Union during 2016-17. During the year SOAS paid a grant of £175,000 (2015-16: £197,000) to SOAS Students' Union which is a registered charity.

At 31 July 2017, SOAS owed the Students' Union £53,019 (2016: Students' Union owed SOAS £77,000). No expenses were reimbursed to Trustees during 2016-17 (2015-16: 1 Trustee – £51). No payments were made to Trustees for serving as a trustee during the year (2015-16: Nil). There were no waivers of such payments during the year (2015-16: Nil).

No payments to Trustees were made for services, other than under a contract of employment, during the year (2015-16: Nil). SOAS has a majority interest on the LMEI's Board of Trustees – please see note 22 for further details of transactions with the LMEI.

Notes to the accounts – continued

| 8. OTHER OPERATING EXPENSES | 2017 | 2016 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Research grants and contracts | 1,906 | 2,258 |
| Non-contract staff | 3,844 | 3,666 |
| Course development | 147 | 145 |
| Examinations | 18 | 42 |
| Year abroad and study tours | 458 | 395 |
| Intercollegiate teaching | 317 | 334 |
| Fellowships, scholarships and other fees | 3,306 | 2,936 |
| Published materials | 1,896 | 2,021 |
| Information technology | 1,173 | 1,106 |
| Marketing and student recruitment costs | 1,292 | 917 |
| Student related costs | 700 | 460 |
| Grant to SOAS Students' Union | 175 | 197 |
| Accommodation, catering and conferences | 1,541 | 902 |
| Consumables | 198 | 184 |
| Furniture and equipment | 128 | 108 |
| Hire of plant and equipment | 182 | 229 |
| Repairs and maintenance | 1,235 | 868 |
| Rent, rates and insurance | 790 | 945 |
| Heat, water and power | 648 | 556 |
| Security, caretaking and cleaning | 3,711 | 2,670 |
| Telecommunications and postage | 281 | 313 |
| Staff recruitment, development and travel | 1,389 | 1,330 |
| Student recruitment commission | 587 | 585 |
| University of London Fee | 722 | 656 |
| Subscriptions | 534 | 599 |
| Professional fees | 1,332 | 987 |
| Auditor's remuneration – internal audit fee | 73 | 60 |
| Auditor's remuneration – external audit fee | 56 | 44 |
| Auditor's remuneration – other | 2 | 2 |
| Legal fees | 96 | 194 |
| Enterprise contracts | 663 | 154 |
| Other expenses | 1,159 | 1,057 |
| | 30,559 | 26,920 |

Notes to the accounts – continued

| 9. INTEREST AND OTHER FINANCE COSTS | Notes | 2017 £'000 | 2016 £'000 |
|--|-------|----------------------|----------------------|
| Loan interest | | 261 | 268 |
| Finance lease interest | | 26 | 44 |
| Net charge on pension scheme | 17 | 222 | 346 |
| | | 509 | 658 |

| 10. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY | 2017 £'000 | 2016 £'000 |
|--|----------------------|----------------------|
| Academic departments | 39,212 | 37,580 |
| Academic services | 10,996 | 10,156 |
| Central administration and services | 10,290 | 9,955 |
| General education expenditure | 7,915 | 6,909 |
| Staff and student facilities | 1,678 | 1,622 |
| Repairs and maintenance | 1,979 | 1,466 |
| Premises other expenditure | 10,677 | 7,739 |
| Residences, catering and conferences | 1,250 | 1,271 |
| Research grants and contracts | 4,760 | 4,849 |
| Restructuring | 706 | 918 |
| Pension movement (see note 17) | (1,988) | 1,286 |
| Other expenditure | 326 | 355 |
| | 87,801 | 84,106 |

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 2016 | 11,624 | 110,742 | 14,563 | 478 | 330 | 137,737 |
| Additions | - | 829 | 1,881 | 1,550 | - | 4,260 |
| Transfers | - | 28 | - | (28) | - | - |
| At 31 July 2017 | 11,624 | 111,599 | 16,444 | 2,000 | 330 | 141,997 |
| Consisting of valuation as at 31 July 2017: | | | | | | |
| Valuation | - | 24,250 | - | - | - | 24,250 |
| Cost | 11,624 | 87,349 | 16,444 | 2,000 | 330 | 117,747 |
| | 11,624 | 111,599 | 16,444 | 2,000 | 330 | 141,997 |
| Depreciation | | | | | | |
| At 1 August 2016 | 1,608 | 25,429 | 8,544 | - | - | 35,581 |
| Charge for the year | 109 | 4,171 | 2,161 | - | - | 6,441 |
| At 31 July 2017 | 1,717 | 29,600 | 10,705 | - | - | 42,022 |
| Net book value | | | | | | |
| At 31 July 2017 | 9,907 | 81,999 | 5,739 | 2,000 | 330 | 99,975 |
| At 31 July 2016 | 10,016 | 85,313 | 6,019 | 478 | 330 | 102,156 |

At 31 July 2017, freehold land and buildings included £6.1m (2016 – £6.1m) in respect of freehold land and is not depreciated.

Assets in the course of construction relate to the refurbishment of the Philips Building, including the replacement of windows. SOAS is committed to completing this project and the main works are scheduled to commence between 2020 and 2022. The majority of costs incurred as at 31 July 2017 relate to professional fees and planning costs.

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: | | | | | | |
| Net Book Value: | | | | | | |
| At 31 July 2017 | - | - | - | - | - | - |
| At 31 July 2016 | - | - | 290 | - | - | 290 |

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

| | 2017 £'000 | 2016 £'000 |
|--------------------------|----------------------|----------------------|
| Cost | 1,073 | 1,073 |
| Accumulated depreciation | (783) | (568) |
| Charge for year | (290) | (215) |
| Net book value | - | 290 |

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 | 2017 | 2016 |
|---|---------------|---------------|
| | £'000 | £'000 |
| At 1 August 2016 | 34,866 | 31,741 |
| Net additions to investments | 611 | 467 |
| Increase in market value of investments | 2,405 | 2,658 |
| At 31 July 2017 | 37,882 | 34,866 |

The non-current investments have been valued at market value

| 14. TRADE AND OTHER RECEIVABLES | 2017 | 2016 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Amounts falling due within one year: | | |
| General debtors less provision for bad debts | 4,092 | 2,964 |
| Research grants receivables | 1,636 | 740 |
| Prepayments and accrued income | 1,515 | 1,439 |
| Staff loans | 112 | 93 |
| | 7,355 | 5,236 |

Notes to the accounts – continued

| 15. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR | 2017 | 2016 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Unsecured loans | 5,472 | 5,483 |
| Obligations under finance leases | - | 326 |
| Trade payables and accruals | 7,643 | 9,182 |
| Other creditors | 1,759 | 2,058 |
| Social security and other taxation payable | 1,336 | 1,144 |
| Derivatives | 169 | 155 |
| Research grants and contracts in advance | 3,493 | 1,730 |
| Deferred income | 6,416 | 6,734 |
| | 26,288 | 26,812 |

Deferred income

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

| | 2017 | 2016 |
|-------------------|--------------|--------------|
| | £'000 | £'000 |
| Tuition Fees | 5,788 | 5,685 |
| Grant income | 425 | 539 |
| Enterprise Income | 188 | 416 |
| Conferences | - | 94 |
| Other | 15 | - |
| | 6,416 | 6,734 |

Notes to the accounts – continued

| 16. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 2017 £'000 | 2016 £'000 |
|--|----------------------|----------------------|
| Unsecured loans | 6,001 | 6,473 |
| Deferred income | 7,584 | 7,791 |
| Derivatives | 755 | 1,038 |
| | 14,340 | 15,302 |
| | 2017 £'000 | 2016 £'000 |
| Analysis of unsecured loans: | | |
| Due within one year or on demand (Note 15) | 5,472 | 5,483 |
| Due between one and two years | 462 | 472 |
| Due between two and five years | 1,386 | 1,386 |
| Due in five years or more | 4,153 | 4,615 |
| Due after more than one year | 6,001 | 6,473 |
| Total unsecured loans | 11,473 | 11,956 |
| | 2017 £'000 | 2016 £'000 |
| Included in loans are the following: | | |
| RBS Bank revolving credit facility | 5,000 | 5,000 |
| Barclays Bank unsecured loan at LIBOR plus 0.22% (variable interest rate) repayable by July 2031 | 6,462 | 6,924 |
| Salix Interest Free Energy Efficiency Loan | 11 | 32 |
| | 11,473 | 11,956 |
| Less due within one year | (5,472) | (5,483) |
| | 6,001 | 6,473 |

Notes to the accounts – continued

16. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR Cont.

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 £1,600,000 (2016: £1,760,000) 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. £84,000 (2016: £82,000) 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. £85,000 (2016: £74,000) of interest expense in the accounts relates to interest paid on the swap contract

17. PENSION LIABILITIES

| | Obligation to fund deficit on USS Pension £'000 | Obligation to fund deficit on SAUL Pension £'000 | Total Pensions Liabilities £'000 |
|----------------------------------|--|---|--|
| At 1 August 2016 | 12,267 | 363 | 12,630 |
| Unwinding of discount factor | 219 | 3 | 222 |
| Deficit contributions paid | (716) | (150) | (866) |
| Change in expected contributions | (1,281) | (63) | (1,344) |
| At 31 July 2017 | 10,489 | 153 | 10,642 |

The total of deficit contributions paid (£866k) and change in expected contributions (£1,344k) above of £2,210k is shown as a reduction in staff costs in note 7. The change in expected contributions arose due to a 1% reduction in the assumed rate of salary growth in future years.

Notes to the accounts – continued

| 18. ENDOWMENT RESERVES | Restricted Permanent Endowments £'000 | Expendable Endowments £'000 | 2017 Total £'000 | 2016 Total £'000 |
|--|--|-----------------------------------|---------------------------------|---------------------------------|
| Restricted net assets relating to endowments are as follows: | | | | |
| Balances at 1 August 2016 | | | | |
| 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 |
| New endowments | 411 | 2,977 | 3,388 | 3,096 |
| Investment income | 846 | 114 | 960 | 850 |
| Expenditure | (752) | (2,640) | (3,392) | (2,974) |
| Transfers | (9) | (131) | (140) | - |
| Increase in market value of investments | 2,302 | 103 | 2,405 | 2,658 |
| Total endowment comprehensive income for the year | 2,798 | 423 | 3,221 | 3,630 |
| | At 31 July 2017 | 36,172 | 6,059 | 42,231 |
| At 31 July 2017 | 36,172 | 6,059 | 42,231 | 39,010 |
| Represented by: | | | | |
| Capital | 35,384 | 5,411 | 40,795 | 37,855 |
| Accumulated income | 788 | 648 | 1,436 | 1,155 |
| | 36,172 | 6,059 | 42,231 | 39,010 |
| Analysis by type of purpose: | | | | |
| Staff posts | 27,564 | 465 | 28,029 | 25,956 |
| Scholarships and bursaries | 4,704 | 4,922 | 9,626 | 8,656 |
| Academic support | 2,589 | 127 | 2,716 | 2,499 |
| Research support | 142 | 3 | 145 | 132 |
| Prize funds | 408 | 6 | 414 | 391 |
| Lectures | 643 | 10 | 653 | 617 |
| Library | 117 | 294 | 411 | 430 |
| Events | - | 23 | 23 | 130 |
| Department specific funding | 5 | 209 | 214 | 199 |
| | 36,172 | 6,059 | 42,231 | 39,010 |
| Analysis by asset | | | | |
| Non-current asset investments | | | 37,882 | 34,866 |
| Cash and cash equivalents | | | 4,349 | 4,144 |
| | | | 42,231 | 39,010 |

Notes to the accounts – continued

| 19. RESTRICTED RESERVES | 2017 | 2016 |
|---|-------------|-------------|
| Reserves with restrictions are as follows: | £'000 | £'000 |
| Balances at 1 August 2016 | - | - |
| New donations | 134 | 3,737 |
| Capital expenditure | - | (3,251) |
| Other expenditure | (134) | (486) |
| Total restricted comprehensive income for the year | - | - |
| At 31 July 2017 | - | - |

| | 2017 | 2016 |
|---|-------------|-------------|
| | £'000 | £'000 |
| Analysis of restricted donations by type of purpose: | | |
| Senate House North Block Refurbishment | - | 3,251 |
| Scholarships and bursaries | 50 | 325 |
| Staff posts | 36 | 76 |
| Department specific funding | 41 | 2 |
| Library | 7 | - |
| Research and Enterprise | - | 83 |
| | 134 | 3,737 |

| 20. CASH AND CASH EQUIVALENTS | At 1st August 2016 | Cash Flows | At 31st July 2017 |
|--------------------------------------|-------------------------------|-----------------------|------------------------------|
| | £'000 | £'000 | £'000 |
| Cash and cash equivalents | 10,757 | (3,287) | 7,470 |
| | 10,757 | (3,287) | 7,470 |

| 21. CAPITAL AND OTHER COMMITMENTS | 2017 | 2016 |
|--|-------------|-------------|
| Provision has not been made for the following capital expenditure commitments at 31 July 2017: | £'000 | £'000 |
| Commitments contracted for | 1,828 | 500 |
| | 1,828 | 500 |

Notes to the accounts – continued

22. 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, registered address Thornhaugh Street, Russell Square, London WC1H 0XG. 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 £21k for the year ended 31 July 2017 (2016: surplus of £15k). At the 31 July 2017, LMEI had reserves of £209k (2016: £188k). During the year, costs of £95k were charged to the LMEI (2015-16: £98k) and at 31 July 2017 £3k was owed to the LMEI (2016: £3k 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 £150k per annum, of which £100k 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.

| 23. FINANCIAL INSTRUMENTS | 2017 | 2016 |
|--|-------------|-------------|
| The institute's financial instruments may be analysed as follows: | £'000 | £'000 |
| Financial assets: | | |
| Financial assets measured at fair value through Surplus or Deficit | 37,882 | 34,866 |
| Financial assets that are debt instruments measured at amortised cost | 14,825 | 15,993 |
| | 52,707 | 50,859 |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | (50,346) | (53,551) |
| Derivative financial instruments designated as hedges of variable interest rate risk | (924) | (1,193) |
| | (51,270) | (54,744) |

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 16).

Notes to the accounts – continued

24. 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)

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

While the actuarial valuation for 31st March 2017 has not been published, the USS 2017 accounts disclose that under their monitoring approach, the deficit on the technical provisions basis (as determined at the 2014 valuation) has increased from £5.3bn in 2014 to £12.6bn at 31 March 2017. The monitoring position as at 31 March 2017 does not reflect the updated financial position of the scheme, which is being reviewed as part of the 31 March 2017 formal triennial valuation.

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

| | 2017 | 2016 |
|---------------------------|-------|-------|
| Discount rate | 2.57% | 3.60% |
| Pensionable salary growth | n/a | n/a |
| Pension increases (CPI) | 2.41% | 2.20% |

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:

| | 2017 | 2016 |
|---------------------------|------|------|
| Males currently aged 65 | 24.4 | 24.3 |
| Females currently aged 65 | 26.6 | 26.5 |
| Males currently aged 45 | 26.5 | 26.4 |
| Females currently aged 45 | 29.0 | 28.8 |

| | 2017 | 2016 |
|------------------------------|---------|---------|
| Scheme assets | £60.0bn | £49.8bn |
| Total scheme liabilities | £77.5bn | £58.3bn |
| FRS 102 total scheme deficit | £17.5bn | £8.5bn |
| FRS 102 total funding level | 77% | 85% |

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 currently 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.



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