

Financial Statements

2012/13

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

Chairman's Foreword



I am pleased to report that SOAS' financial position continues to be relatively strong despite an exceptionally challenging higher education environment. We have generated a lower surplus than in previous years, largely due to our planned investment in new academic posts. Such investment is crucial to our mission, ensuring that we continue to swell our ranks with the most distinguished academic talent from around the world.

In 2012–13, we largely achieved our recruitment targets for Home/EU undergraduate students, in spite of the combined challenges presented by the introduction of the £9,000 annual tuition fee and increased competition through the removal of the cap on recruiting ABB students. We are not complacent, however. We are investing strategically to enhance our ability to attract the best students, undertaking more targeted promotional activity and improving our website and marketing activities. Equally, we are investing to retain the best students, improving the student experience through better academic tutoring and further considerable capital expenditure in the estate.

In 2013, we acquired the lease of the North Block of Senate House. With the help of an extensive consultation process engaging staff and students, we have made substantial progress with the design of the interior space. The redevelopment of this iconic building allows us both to create a single campus and to grow in size, offering new state-of-the-art research, teaching and student facilities that will transform the student experience.

Careful stewardship and husbanding of our resources means we have been able to generate a surplus for the seventh year in succession. I am very confident that with good financial management and strong strategic leadership, SOAS will continue to make an enormously positive impact as the world's leading institution for the study of Asia, Africa and the Middle East.

Finally, I would like to take the opportunity of thanking the Director, his team and all members of staff for their contribution and hard work. It is only through their efforts that SOAS can continue to maintain a position of excellence and academic achievement.

A handwritten signature in black ink, which appears to read 'Tim Miller'. The signature is written in a cursive style and is underlined with a single horizontal line.

Dr Tim Miller
Chairman of the Governing Body, SOAS

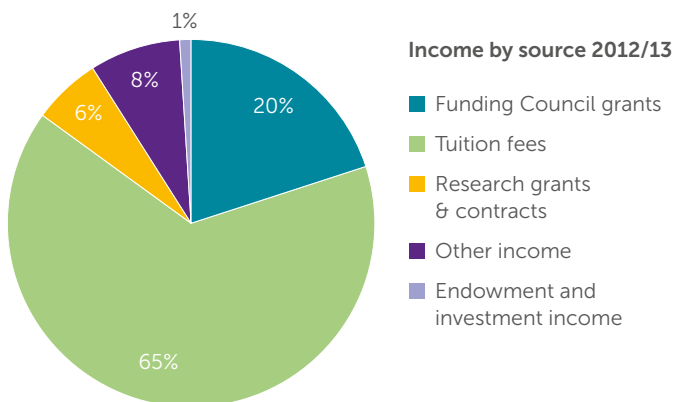
Financial Overview

For the year ended 31st July 2013 the School achieved a surplus (adjusted for the transfer to accumulated income within restricted endowments) of £0.8m which is equivalent to 1.1% of gross income and compares to a surplus of £3.0m for 2011/12 (4.3%). This is above the breakeven target set out within the School's 5 year financial strategy for the 2012/13 financial year. The target surplus is set to rise to 3.0% by 2015/16, the level needed to provide sufficient funds for investment in the School's estate and in new academic initiatives, as well as providing a buffer for unexpected income reductions.

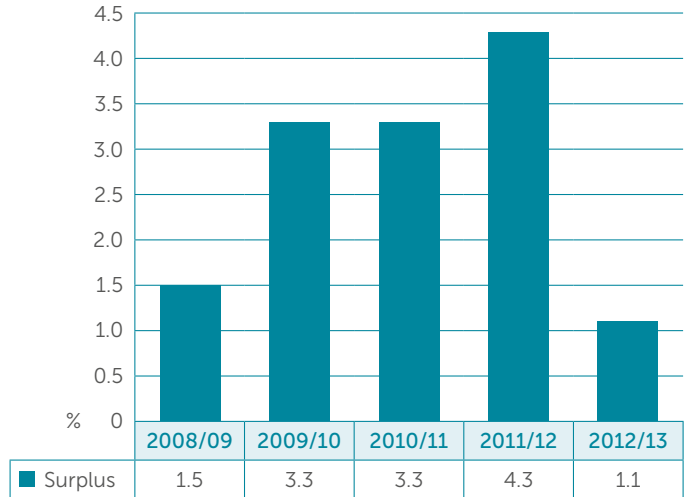
Income

Income growth

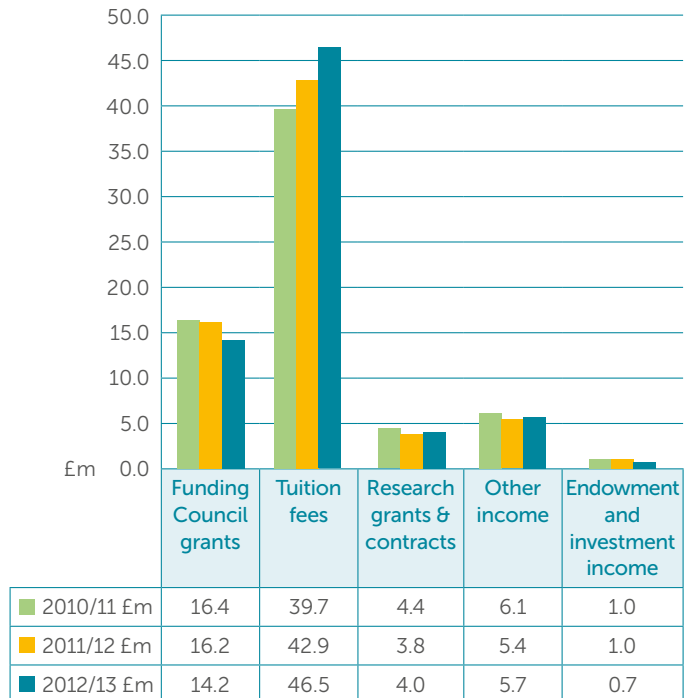
Total income increased by 2.8% compared with the previous year. Funding Council grant income has continued its downward trend under the new funding regime, falling 12.3%. Tuition fees grew by 8.5% and now represent 65% of the School's income up from 62% in the previous year. Income from research grants and contracts stands at £4.0m having fallen from the recent peak of £4.4m achieved in 2010/11. Income generated from endowment and School investments fell 26.1% as a result of the sale of the School's general investment portfolio realising £9.8m to part fund the refurbishment of the North Block at Senate House.



Surplus – as % of gross income



Income by source – year on year change



Income growth

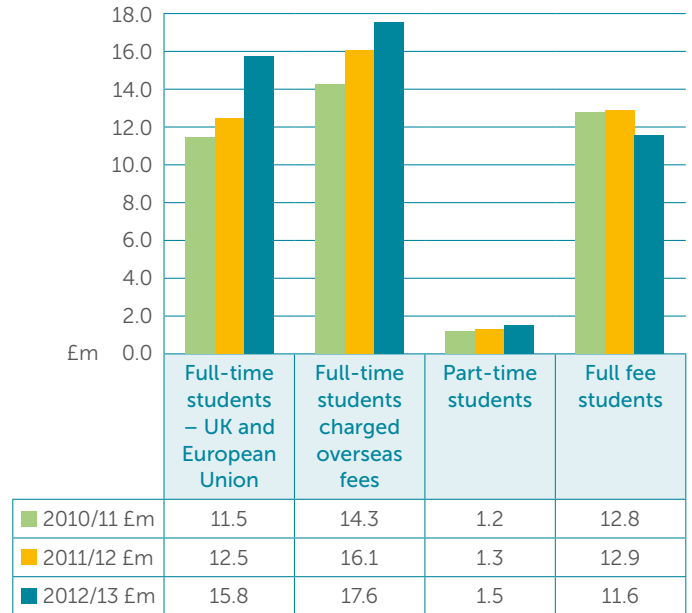
	2010/11 %	2011/12 %	2012/13 %
Funding Council grants	-1.6%	-1.5%	-12.3%
Tuition fees	3.6%	8.1%	8.5%
Research grants & contracts	12.6%	-13.2%	5.8%
Other income	10.6%	-12.6%	6.9%
Endowment and investment income	11.6%	1.5%	-26.1%
Total income	3.5%	2.4%	2.8%

Income: Tuition fees

Full-time UK and EU fee income rose 26.4% largely due to the first year intake of students paying £9,000 fees. This rise was partly offset by the fall in Funding Council Teaching grant and the cost of bursaries and fee remittance. Fee income from overseas students has risen 9.4% which is lower than the increase in the previous year of 12.6% and reflects a challenging year for student recruitment.

Income from full fee students has fallen 10.7% mainly due to a fall of 22.9% in income from Distance Learning programmes. Language Centre income fell 12.2% and International Foundation Courses and English Language Studies income fell 6.8%. These falls were offset by a significant increase in Centre for International Studies and Diplomacy income of 29.1%.

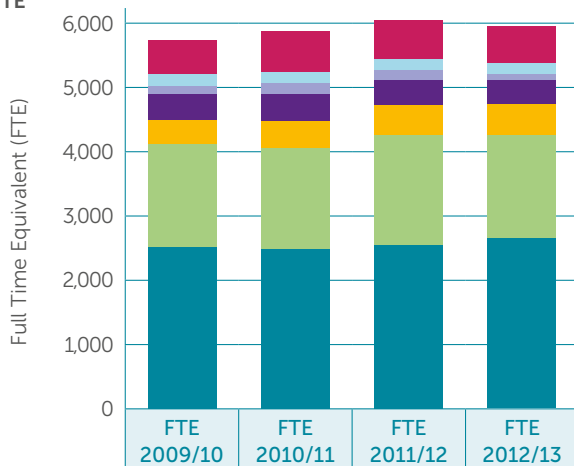
Fee income – year on year changes



Student numbers

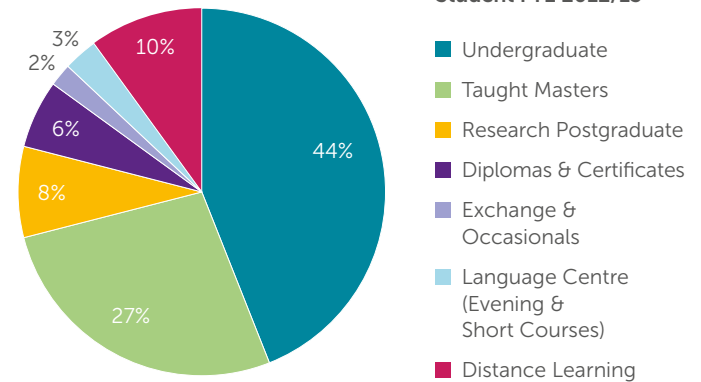
The School had 5,954 full time equivalent (FTE) students in 2012/13, a decrease of 100 compared with the previous year [6,054]. Taught Masters student numbers fell 5.5% and Distance Learning numbers fell 7.6%. In contrast undergraduate students rose by 3.8% from 2,553 to 2,650.

Student FTE

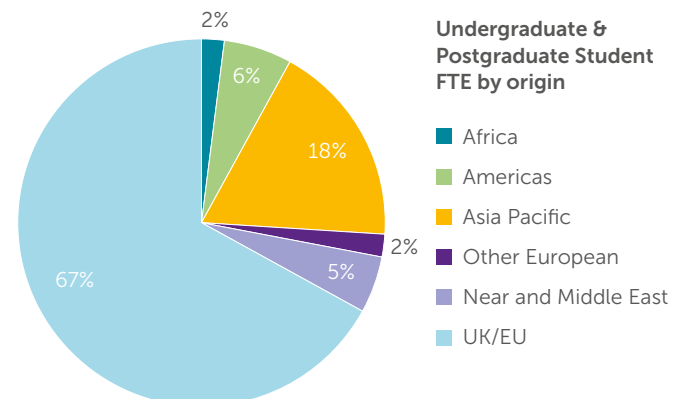


Distance Learning	539	632	616	569
Language Centre (Evening & Short Courses)	181	181	165	180
Exchange & Occasionals	124	162	147	95
Diplomas & Certificates	404	427	402	363
Research Postgraduate	389	425	464	484
Taught Masters	1,597	1,561	1,707	1,613
Undergraduate	2,514	2,488	2,553	2,650

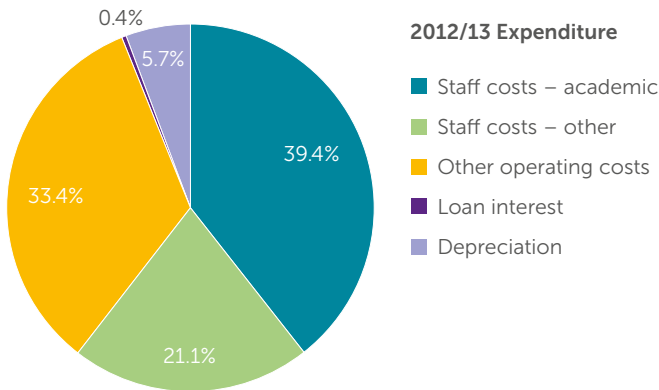
Student FTE 2012/13



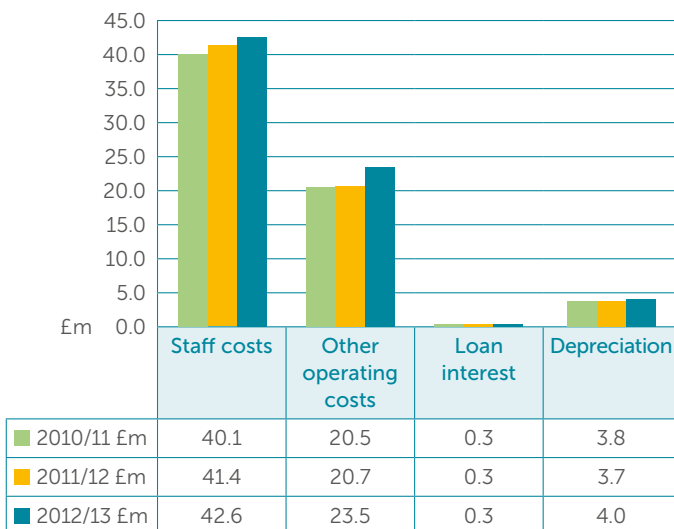
Undergraduate & Postgraduate Student FTE by origin



Expenditure



Expenditure



Capital investment

The last 12 months have seen significant progress in the School's capital programme, with investment of £6.6m in the estate. Projects have included:

- Expenditure of £2.5m on planning and design work relating to the refurbishment of the North Block of Senate House.
- The acquisition of the lease for 21/22 Russell Square previously occupied by the School of Pharmacy for £0.7m.
- Completion of the refurbishment of 53 Gordon Square (the former home of the Percival David Collection). In addition to the £1.2m cost of the 99 year lease incurred in the previous year, a total of £2.3m has now been spent on the refurbishment programme including £0.5m in 2012/13. The building provides a much needed facility for the School's Postgraduate Research student body and represents an important stage in the development of the recently formed SOAS Doctoral School.

Key expenditure year on year changes

	2010/11 %	2011/12 %	2012/13 %
Staff costs	2.5%	3.3%	2.7%
Other operating costs	0.3%	1.0%	13.4%
Depreciation	15.1%	-3.0%	9.8%
Total Expenditure	2.4%	2.2%	6.4%

Expenditure year on year growth

Continued pay restraint within the sector has kept down the growth in staff costs. The rise in staff costs of 2.7% in 2012/13 is in line with the rises in the previous two years. The increase in staff costs is largely due to the 2012–13 national pay award of 1% and the rise in costs as staff progress up incremental pay scales. In addition staff numbers increased marginally.

Other operating costs rose by 13.4%, of which 5.4% was due to an increase in the use of non-contract staff. Increased bursaries and fee remittance provided to students accounted for 2.3% of the rise and premises and repairs accounted for 2.5%. The remaining increase was largely due to greater expenditure on marketing and an increase in legal costs. Depreciation rose as a result of the completion of several capital projects and increased capital investment discussed in the section below.

The refurbished building, which opened in October 2012, brought back approximately 704 sq metres into use.

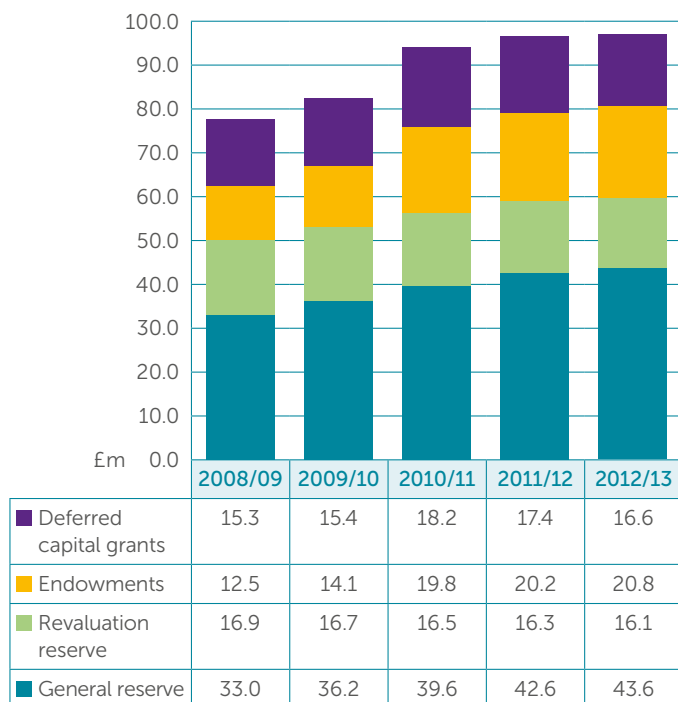
- Successful completion of a programme of classroom refurbishment with a further £0.7m spent in 2012/13.

During the next 12 months the School will progress the capital programme with:

- The commencement of the construction phase of refurbishing the North Block of the University of London building Senate House in Spring 2014. The North Block project is expected to cost approximately £33m and has the potential to transform SOAS by providing much needed additional space adjacent to the School's Russell Square campus and facilitating the consolidation of the estate onto one site.
- Completion of ventilation plant work with a total cost £1.5m and improvement in electrical infrastructure estimated at £0.8m.

Balance Sheet and Liquidity

Net Assets

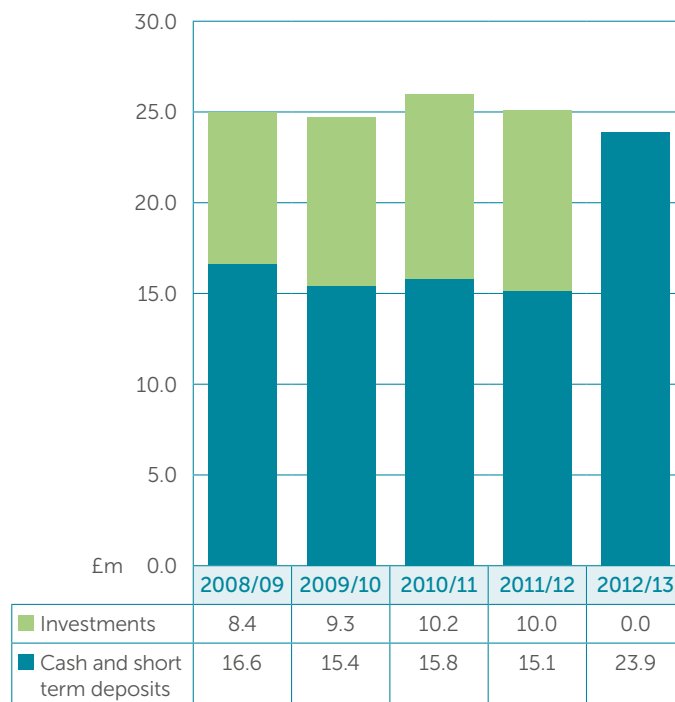


During 2012/13 the School's net assets grew by 0.7% (2011/12: 2.5%) to £97.1m.

The School's endowment funds grew by £0.6m to £20.8m. The increase in the market value of the underlying investments of £2.7m was offset by a transfer of £2.1m to a separate charity, 'The Sir Percival David Foundation Academic and Research Fund.'

During the year, the School sold its general investment portfolio realising £9.8m to part fund the refurbishment of the North Block of Senate House. The balance of cash and short term deposits at 31 July 2013 is broadly in line with the combined cash and investment total of previous years.

Cash, short term deposits & investments



In view of the continuing uncertainty in the banking sector, the School's investment criteria and limits for cash deposits have been temporarily amended to:

- limit the number of institutions for depositing funds to UK high street banks satisfying the agreed minimum ratings.
- raise the minimum criteria for deposit takers to Fitch grade A
- lower the maximum period of deposit from 12 months to 6 months

The School's variable rate loan of £8.8m is hedged by two interest rate swaps, covering approximately 50% of the current loan balance, providing some protection against any adverse movements in LIBOR interest rates. The outstanding loan balance is being repaid quarterly over the remaining 18 year term.

Future outlook

The School recognises that the next few years will be challenging and uncertain times for all universities in England in light of changes to the funding and undergraduate fee regimes for home and EU students.

The recent changes to the funding regime saw the School lose almost all of its HEFCE teaching funding for new home/EU students from September 2012 as funding shifted from direct funding to indirect funding via student loans and increased undergraduate fees. The School received £5.5m in teaching grant in 2012/13. By 2014/15 this is anticipated to fall to £0.6m. As in the previous year, the School is charging a fee of £9,000 in 2013/14, the maximum chargeable under the new funding regime. Our forecasts assume no further increases in the maximum fee in the next three years signifying a fall in the funding available per student after taking account of inflation. In common with all universities, this fee level has been accepted by the Office of Fair Access (OFFA) as part of the School's access agreement. The centrality of the School's aim to widen participation is demonstrated by the inclusion within our access agreement of a commitment to invest almost 27.5% of additional fee income (by 2017/18) on widening access and retention. As part of the School's commitment to ensuring that students from disadvantaged backgrounds are not discouraged from accessing Higher Education for financial reasons, this commitment includes increasing the School's financial support for these students to nearly £1.5m by 2017/18.

The Home/EU undergraduate market was further changed with the introduction of a core and margin system for student number control. This has effectively reduced the regulated undergraduate student numbers for all institutions setting average fees of above £7,500 and removed the cap on the number of undergraduate students that may be recruited with A level grades of ABB or above for 2013/14 (2012/13: AAB or above).

Initial enrolment statistics would suggest that the increase in fee level combined with increased competition for students achieving A level grades of ABB and above has not materially affected Home/EU overall undergraduate recruitment levels. The impact however has not been consistent across all subjects with certain subjects performing better than in previous years while others have performed worse.

In terms of overseas student recruitment (upon which the School is heavily reliant) SOAS continues to perform well relative to its peers. It is however recognised that the movement of students across international borders is unstable and may be adversely affected by the global economy, exchange rates, international competition and perceived underinvestment in student facilities.

In an environment of increasing competition for both home and overseas students and heightened student expectations, the School cannot be complacent in attracting and retaining the best students. As such the School has embarked on a number of actions to address this including:

- A review of student recruitment strategy (including competitor analysis) to identify as yet untapped markets
- More targeted promotional activity
- A comprehensive review of the School's website to ensure its effectiveness is maximised
- Further improvements to academic tutoring with a specific aim of enhancing the timeliness and quality of assessment and feedback
- Enhanced capital expenditure in the estate.

More general actions to address student recruitment risk and the risks of moving from grant funding to fee funding:

- a review of the School's postgraduate fee structure to ensure that, where possible, fees are aligned to the full cost of provision
- diversifying sources of income by expanding contract research, consultancy, enterprise and short course provision
- establishing high quality internship schemes to improve employment outcomes for students
- building on the recent successes in endowment fund raising.

The School's Senior Management Team will appraise all of the School's academic activities and professional services functions with a view to ensuring best value, without compromising on the quality of academic or service delivery.

In addition to the initiatives to improve the effectiveness of the School's operations and the quality of its infrastructure the School is also planning important changes to its academic portfolio. Notably, 2013–14 marks the establishment of two major academic Institutes for the study of China and South Asia. Both Institutes have the potential to significantly advance the profile of SOAS, reinforcing its position as a world leading Higher Education Institution. The Institutes are headed by Directors of international standing and will act as a focal point for the breadth and depth of expertise within SOAS in China and South Asia.

In recognition of the challenging environment faced by all Higher Education Institutions, the School's primary strategy shall be one of improving efficiency in the delivery of academic activities and professional services functions alongside continued diversification and expansion of income-generating activities.

The School's Governing Body has approved the lease acquisition and subsequent full refurbishment of the North Block of the Senate House building, University of London, which is adjacent to the Russell Square Campus. The project is budgeted at £33m and the refurbishment programme is expected to be completed in Summer 2015. On completion the North Block will not only provide much needed additional space, it will allow consolidation of the estate on the Russell Square site. An important objective of the project is the provision of improved quantity and quality of academic space thereby removing an existing constraint on growth. The latest forecasts show that the North Block development will be a significant contributor to the financial performance of the School.

SOAS and Public Benefit

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

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 including:

- the prevention or relief of poverty
- the advancement of education
- 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 advancement of environmental protection or improvement.

SOAS teaches courses which cover all of these categories and our research informs the policy and initiatives of government, charities, NGOs and other agencies around the world. Our graduates go on to work in these organisations too. Major research projects in the Department of Development Studies further our understanding of labour conditions in China, India, Ethiopia and Uganda. The Centre for International Studies and Diplomacy, the Centre for African Studies and the Centre for the International Politics of Conflict, Rights and Justice contribute to furthering human rights and resolving conflict. The Centre for Development, Environment and Policy (CeDEP) contributes to the

advancement of environmental protection, and the Endangered Languages Academic Programme (ELAP), which is supported by grant-making fund Arcadia, contributes to the advancement of culture and heritage.



Research by Dr Anna Lindley and Dr Laura Hammond, Department of Development Studies, seeks to identify potential solutions to the precarious existence of thousands of displaced Somalis like this man who has been displaced for 20 years *Photo: Laura Hammond*

Many SOAS academics either advise policy makers or participate in relevant policy areas themselves. SOAS' experts are frequently sought after by the news media to make sense of global developments and history. This year alone, SOAS experts contributed extensive analysis on the Egypt unrest, the Syrian crisis, the Westgate attacks in Kenya and al-Shabab, remittances to Somalia from the UK, conflict in Mali and post-conflict governance in Rwanda. Media commentary is a crucial part of SOAS' work. Through mainstream media SOAS spokespeople help to shape the dialogues by debating the issues and offering informed perspectives, which ultimately have a direct impact upon the many actors involved in these often complex situations.

A national resource

SOAS contributes to the advancement of education and preservation of academic heritage through its extensive Library collections and archives. The SOAS Library is one of only five National Research Libraries. It is home to over 1.5 million volumes and significant special collections including archives of missionary societies, NGOs and diplomats. Given its status and reputation, the Library has many registered external users who made more than 80,000 visits to the Library in 2012–13. The Library continues to offer a range of seminars and training sessions for members of the School and visitors, focusing particularly on study skills and the use of electronic resources.



SOAS Library is one of the UK's five National Research Libraries

Widening participation

SOAS has a strong track record in delivering successful widening participation and access initiatives with the aim of ensuring the School engages with students from disadvantaged backgrounds. With the introduction of higher UK undergraduate fees in 2012, the School is strengthening and increasing its efforts to work with the most able students from disadvantaged backgrounds. This year SOAS' widening participation work focused on three distinct areas: helping to raise the aspirations of people under-represented in higher education, improving the achievement levels of students in schools and colleges and providing support for transition into study at SOAS. This work extended mainly to London and the South East with the School working with students in primary schools through to mature students in Further Education colleges. Programmes include subject masterclasses led by academics, taster days led by students, GCSE/'A'Level support classes and long-term mentoring.



Pupils at Bow School in east London discovered the value of their own multilingualism through the Language Landscape project run by SOAS postgraduate students and alumni *Photo: Ebany Dohle*

All programmes offered potential students insight into the unique and highly relevant topics and subjects they may not have experienced previously, such as world languages, anthropology and development studies. The work is having significant impact. We have increased the proportion of students at SOAS from low income groups and those living in areas of low HE participation, had over 70 academics directly involved in delivering activities and distributed over £900,000 in financial support to the most disadvantage students. Last year SOAS engaged with over 6,000 students from around 150 schools and colleges. Further information can be found at <http://www.soas.ac.uk/add/wp/>

Scholarships

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. The School strives to provide education to the best and most deserving students, regardless of their background, country of origin or family income and scholarships play a key part in our strategy. Scholarships can give an education to deserving individuals who would not otherwise have had the opportunity, whether from the UK or internationally.

In 2012–13 SOAS provided over 165 scholarships including new awards from major corporate partners such as Standard Chartered while securing the renewed support of valued trusts and foundations such as the Mo Ibrahim Foundation, the Wolfson Foundation and the Allan and Nesta Ferguson Charitable Trust.

Developing students to make a contribution to society

SOAS has 6,054 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 Summer Schools. In addition to the well-established world music and language programmes, this year SOAS ran a pilot academic programme which showcased our profound research expertise in international relations, development and conflict, the government and politics of the Middle East, law, multiculturalism and intercultural human rights, and the state and politics in Africa.

SOAS has an exceptional Student Services office that 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.

SOAS is the largest provider of postgraduate distance learning courses in the University of London's International Programmes. 3,600 students in over 160 countries are able to access our world class research and teaching, gaining a range of postgraduate qualifications in the process. All our courses have been designed and written specifically for study by distance learners. Students are supported throughout their studies by our team of tutors via an online learning environment, and by our support staff. These University of London qualifications are recognised throughout the world for their high standards and are equal to those taught on campus.



40 students took part in the SOAS Enterprise Bootcamp, an intense three-day programme designed to develop business and innovation skills

Student enterprise supported 17 start-up social enterprises in 2012/13 through the UnLtd partnership, which enabled students, staff and alumni to access start-up funding and mentoring for a year. We also welcomed our first cohort on to the Graduate Entrepreneur Visa scheme, which enables international graduates to stay in the UK to set up a business post-study. Businesses include a human rights consultancy, art advisory service and e-tutoring company reflecting the diverse interests and skills of SOAS students.

Engaging communities

SOAS' contribution to the arts and public education is well known. In 2012/13 more than 38,000 people visited Brunei Gallery exhibitions and events. *Britain in Palestine 1917–1948* was extremely popular, telling the story of what happened to Palestine and its people under the British mandate through photographs, personal testimonies, original documents, and poignant personal belongings.



Ehon mushi no erami, an exquisite 1788 book which featured in **1000 Years of the Art of Japanese Books**, at the Brunei Gallery

As a result of the academic partnership formed between SOAS and Tenri University, the Brunei Gallery displayed for the first time in the UK some of the finest and most interesting Japanese antiquarian books, manuscripts and documents held by Japan's Tenri Central Library. *1000 Years of the Art of Japanese Books* also offered an accessible insight into the historical relationship between Japan and the UK, encouraging a greater understanding of the shared knowledge, interests and experiences and the influence of the previous 400 years on this relationship today. A programme of public events and demonstrations served to introduce and explain some of the key themes in the exhibition to new audiences, including Sake tasting, calligraphy and origami.



Malaysian weaver Nancy Ngali on a loomcrop

Weaver Nancy Ngali demonstrates her skill with a loomcrop during *WEFT*, the World Eco-Fiber and Textile Art exhibition, an exploration of Malaysian textile traditions and contemporary work. The exhibition launched with a two-day symposium at SOAS entitled *Endangered Textile Traditions*, which brought together the current work and research of international textile artists and scholars.

An Ethiopian coffee ceremony was part of the SOAS Alumni & Friends Weekend 2013 which welcomed over 700 alumni, families and friends to 24 events over two fantastic days.

Photo: Colin Boyd Shafer



The 2012–13 SOAS Inaugural Lecture Series delivered ten lectures on topics ranging from women's empowerment, human rights in the middle-east, linguistic variations in Bantu and Britain's crisis economy and to cultural contacts between the Middle East and Medieval Europe and chrysanthemums and China's literati. As our flagship lecture series, it showcases the amazing depth and breadth of SOAS' expertise in every aspect of its specialist regions. The series attracts more than 2000 visitors each year to SOAS including members of the public, entrepreneurs, media officials, NGO leaders, journalists, special interest groups and many others.

SOAS presented approximately 1500 public events throughout the year, including a performance by Aziza Brahim, the renowned Saharawi singer and a world ceramics study workshop. The SOAS World Music Stage was one of the most popular features of the Bloomsbury Festival and the Centre for South East Asian Studies presented the Indonesia Kontemporer 2013 to showcase Indonesian arts and cultural traditions through exhibitions, performances, workshops, crafts, film screenings, as well as food and handicrafts stalls.

SOAS also convened significant events which engaged with major developments in world affairs. Last year, renowned scholar Professor Haideh Moghissi, of York University, Toronto explored '*Women and the Arab Spring: Lessons from Iran*' for the Globalisation Lecture Series, while the Centre for African Studies staged a major two-day symposium, *Mali in Transition*, to discuss the political and humanitarian crisis in Mali.

Thanks to the generosity of the School's alumni, the SOAS Alumni & Friends Fund makes a direct impact on student life, supporting current students through scholarships, welfare support, learning resources and projects for developing new skills and experiences. The award-winning 'Take an Alum for Coffee' scheme connects volunteer alumni mentors with current students. In the past year, the scheme connected 430 students with alumni, giving students the opportunity to seek direct career advice from alumni who now work across a variety of sectors. Highlights of the summer SOAS Alumni and Friends Weekend included high profile panel debates with SOAS academics on topical issues of India's social and gender challenges, US foreign policy, and a unique 'SOAS University Challenge' event.

Environmental sustainability

SOAS has implemented a number of measures over the last year to reduce energy and carbon emissions from the operation of its estate. Against our 2008/09 Carbon Management Plan baseline, last year we reduced

electricity by 22%, gas by 29% and heat from the district heating by 40%. The major refurbishment of 53 Gordon Square, home to the new Doctoral School, included many energy saving measures such as heating zoning and lighting controls. The new double glazed windows installed in the College building have contributed to 21% of the heat demand reduction and have improved the appearance and comfort throughout the building. Energy management activities continue across the estate with the installation of new LED light fittings, further improvements to our building management system and the replacement of old plant and equipment. As part of the Bloomsbury Colleges Consortium, SOAS achieved BS 8555, the British Standards for Environmental Management Systems (EMS), demonstrating that we comply with environmental legislation and are committed to improving our impact on the environment.

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 almost 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 looks forward to its centenary in 2016, and as the world looks ever more to the East and the South, the relevance and contribution to its fields of excellence and to public benefit have never been greater or more essential.

Corporate Governance Statement

SOAS is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the School has applied the principles set out in the UK Corporate Governance Code issued by the London Stock Exchange in June 2010 and the Financial Memorandum 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' Governing Body is responsible for the School's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The School's primary 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 Governing Body is guided by, but not limited by, the CUC's governance code of practice and general principles within the CUC Guide for Higher Education Governing Bodies in the UK issued in 2009. The School's practices are consistent with the provisions of the code.

The Governing Body 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 Governing Body and accords with the internal control guidance for directors on the UK Corporate Governance Code as deemed appropriate for higher education. The identification and management of risk, as detailed in the School's risk register, is linked to the achievement of institutional objectives. The approach to internal control is risk-based and prioritises actions to be taken against an evaluation of the likelihood and impact of risks becoming a reality. Review procedures cover business, operational and compliance as well as financial risk. On behalf of the Governing Body, 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 Governing Body in the form of an updated risk register. Further details of this process can be found in the Statement of Governors' Responsibilities.

SOAS' Governing Body comprises lay members and academics appointed under the Charter of the School. There were 21 members of Governing Body as at 28th November 2013.

The Governors who served during the year, up to and including the signing off of accounts on 28th November 2013, are listed as follows:

- Dr Fiona Adamson¹
- Mrs Susie Alier
- Professor Sir Ivor Crewe
- Mr Gautam Dalal
- Sir Graham Fry
- Ms Alex Fulton¹
- Professor Graham Furniss¹
- Professor Barbara Harriss-White¹
- Mr Charles Ilako
- Mr Harrison Lanigan-Coyte¹
- Mr Neil Lerner¹
- Ms Rosna Mortuza
- Dr John Parker¹
- Mr John Robinson
- Dr Tim Miller (Chair)
- Professor Nirmala Rao
- Mr Steve Tinton
- Ms Zoe Weaver
- Professor Paul Webley (Ex-officio)
- Lord Michael Williams
- Ms Elizabeth Wright (Vice-Chair)
- Mr Andrew Popham²
- Mr David Skinner²
- Professor Richard Black²
- Professor Christine Oughton²
- Professor David Mosse²
- Mr David East²
- Ms Leah Edwards¹

¹ Term ended 31st August 2013

² Term began 1 September 2013

Following a review into the effectiveness of the Governing Body, the Privy Council approved a new Governing Body made up of 21 members. As of 1st August 2010 the Governing Body has been divided into the following categories:

- The Chair (lay member to be appointed by Governing Body);
- Twelve further lay members (11 appointed by Governing Body, 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 Governing Body has initiated a review of its effectiveness during 2012/13, in line with the guidance issued by the CUC, and this will be considered in 2013/14.

The Governing Body 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 Governing Body and the Resources and Planning Committee. Under the terms of the School's Charter, the Governing Body is required to seek the advice of the Academic Board on certain matters. The matters specifically reserved for the Governing Body for decision are set out in the Charter of the School, by custom and under the Financial Memorandum with the HEFCE. The Governing Body 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 his executive team, known collectively as the Executive Board.

The Governing Body 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 Governing Body delegates a number of its responsibilities to either the Academic Board or the Resources and Planning Committee, which advise the Governing Body 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. All of these committees are formally constituted with terms of reference.

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

The Audit Committee meets four times per year and reports directly to the Governing Body. It is chaired by a lay member of Governing Body and is comprised of lay members only. School officers attend the meeting but are not members. It has responsibility, delegated by the Governing Body, to implement and monitor the School's risk management strategy and register, the aim of which is to ensure that the Governing Body is aware of significant risks and receives assurance that these risks are being properly managed. The Audit Committee approves the annual internal audit plan and considers reports arising from those audits. These reports will highlight any significant internal audit issues, management responses received and conclusions drawn. The Audit Committee is responsible for meeting External Auditors to discuss the nature and scope of the annual audit of the Financial Statements, resultant audit findings and the management letter arising.

The Nominations Committee advises the Governing Body on the appointment and re-appointment of individuals as lay members of Governing Body and other committees. In doing so it seeks to maintain an appropriate balance of skills on the Governing Body 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 the Governing Body members and recommends any major changes to these procedures.

The Executive Board receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. The Executive Board and the Governing Body also receive regular reports from internal audit which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal financial control. The Governing Body's 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 risk register was last updated in October 2013.

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

Statement of Governors' Responsibilities

In accordance with SOAS' Royal Charter of Incorporation, the Governing Body 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 Governing Body 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, the Accounts Direction issued by HEFCE and other applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice). In addition, within the terms and conditions of a Financial Memorandum agreed between HEFCE and the Governing Body of the School, the Governing Body, 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 Governing Body 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 Governing Body has taken reasonable steps to:

- a) Ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the 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 other irregularities; and
- d) Secure the economical, efficient and effective management of the School's resources and expenditure.

Risk and Internal Controls

The Governing Body has responsibility for overseeing risk management overall and plays a fundamental role in the management of risk. Governing Body 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 Governing Body;
- The Director and members of the Executive Board support, advise and implement policies approved by the Governing Body;
- The School makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- Deans of faculty and directors of professional services are responsible for encouraging good risk management practice within their faculty or directorate; and
- Key risk indicators will be identified and closely monitored on a regular basis.

Risk Management

The Governing Body 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
- The Audit Committee reviewing the strategic risks once each term 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 Governing Body.

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.

Internal Controls

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

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

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

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

The Audit Committee is required to report to the Governing Body on internal controls and alert governors to any emerging issues. The Committee approves an annual programme of internal audit reviews. Core systems are audited annually while other activities of the School are audited to a programme approved by the Committee following consultation with the Director. In addition, the Committee oversees internal audit, external audit and management as required in its review of internal controls. The Committee is therefore well-placed to provide advice to the Governing Body on the effectiveness of the internal control system, including the School's system for the management of risk.

Value for Money

The Governing Body is tasked with ensuring that the School adheres to the Financial Memorandum 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 School's Governing Body has an explicit duty imposed by the Financial Memorandum with 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).

As such, the School's Executive Board has adopted 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 that has operational responsibility for developing the School's VfM plans, identifying resource requirements, co-ordinating 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 Governing Body. The Governing Body's responsibility also extends to the ongoing integrity of the financial statements contained therein.

At the date of making this Review, the Governing Body confirms:

- So far as each member of the Governing Body 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 member of the Governing Body 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 Governing Body of SOAS, University of London

We have audited the financial statements of SOAS, University of London (School of Oriental and African Studies) for the year ended 31 July 2013 which comprise the Income and Expenditure Account, Statement of Historical Cost Surpluses and Deficits, Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the School's Governors, as a body, in accordance with paragraph 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the School's Governors 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 School's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Governing Body and Auditors

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

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/audit/scopeuk/private.cfm.

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 Financial Memorandum with the Higher Education Funding Council for England.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the School's affairs as at 31 July 2013 and of its surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions";
- the financial statements have been prepared in accordance with the requirements of the Education Reform Act 1988;
- income from the Higher Education Funding Council for England, the National College for Teaching and Leadership, grants and income for specific purposes and from other restricted funds administered by the School have been applied only for the purposes for which they were received; and
- income has been applied in accordance with the School's statutes and where appropriate with the applicable Financial Memorandum with the Higher Education Funding Council for England.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters, where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

The Statement of Internal Control (included as part of The Corporate Governance Statement) is inconsistent with our knowledge of The School.



BDO LLP
Statutory Auditor
Gatwick, United Kingdom

Date: 29 November 2013

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

Statement of Principal Accounting Policies

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 2007, HEFCE's Accounts Direction to Higher Education Institutions for 2012/13 and in accordance with applicable accounting standards. The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

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

2. Income Recognition

Funding council grants are accounted for in the period to which they relate.

Tuition fee income is credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for as expenditure and not deducted from income.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred for specific purposes. Charitable donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

Grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not yet expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the general reserve, via the statement of total recognised gains and losses.

Increases or decreases in value arising on the revaluation or disposal of endowment assets (i.e. the appreciation or depreciation of endowment assets), is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the statement of total recognised gains and losses.

3. Agency arrangements

Funds the institution 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.

4. Leases and hire purchase contracts

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

5. Taxation

The School is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the School is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The School receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on expenditure is included in the costs of such expenditure as shown within the financial statements. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

6. Land and buildings

Land and buildings are stated at valuation or cost. Valuations are carried out by independent Chartered Surveyors.

On adoption of FRS 15, the Institution followed the transitional provision to retain the book value of land and buildings, which were revalued on 31 July 1995 by Jones Lang Wootton, Chartered Surveyors but not to adopt a policy of revaluations of these properties in the future. The valuation is retained subject to the requirement to test assets for impairment in accordance with FRS 11.

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

Freehold land is not depreciated. Freehold Buildings are depreciated at 2 percent per annum in accordance with the School's estimate of their useful economic life. Leasehold buildings are depreciated over the life of the lease or life of the building if shorter. Building refurbishments are depreciated at 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 in accordance with FRS 15. No depreciation is charged on assets in the course of construction.

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

7. Heritage assets

Heritage assets include valuable publications and works of art held at the School. 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, these are included within fixed assets where material.

8. Equipment

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

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

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

9. Investments

Listed investments held as fixed assets or endowment assets are shown at market value.

10. Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash.

Liquid resources comprise any asset held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the Institution's treasury management activities. They exclude any such assets held as endowment asset investments.

11. Financial instruments

The School uses derivative financial instruments called interest rate swaps to reduce exposure to interest rate movements. Such derivative financial instruments are not held for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

12. Website development costs

Design and content costs relating to the development of websites to support specific teaching or training courses, or for specific research projects, are capitalised. These are amortised over the useful economic life of projects. Where there is uncertainty over the life of the course or its viability such costs are written off as incurred as are design and content costs for websites that are for the general use of the institution and its staff.

13. Charitable donations

Endowment funds

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are two main types:

- a) Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income.
- b) 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.

Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

14. Retirement benefits

Universities Superannuation Scheme (USS)

The School participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. 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 and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Superannuation Arrangements of the University of London (SAUL)

The School participates in the Superannuation Arrangements of the University of London ("SAUL"), which is a centralised defined benefit scheme and is contracted-out of the Second State Pension. SAUL is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in SAUL, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation. A formal valuation of SAUL is carried out every three years by professionally qualified and independent actuaries using the Projected Unit method. Informal reviews of SAUL's position are carried out between formal valuations.

Accounts

Income and Expenditure Account For the year ended 31 July 2013

	Note	2013 £'000	2012 £'000
Income			
Funding Council grants	1	14,179	16,167
Tuition fees	2	46,545	42,915
Research grants and contracts	3	4,009	3,791
Other income	4	5,728	5,359
Endowment and investment income	5	730	988
Total income		71,191	69,220
EXPENDITURE			
Staff costs	6	42,582	41,447
Other operating expenses	7	23,469	20,698
Interest payable	8	264	296
Depreciation	10	4,015	3,655
Total expenditure		70,330	66,096
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF TANGIBLE FIXED ASSETS AT VALUATION – BEFORE AND AFTER TAX		861	3,124
Transfer to accumulated income within restricted endowments	18	(99)	(163)
SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES	20	762	2,961

The income and expenditure account is in respect of continuing activities.

Statement of Historical Cost Surpluses and Deficits

For the year ended 31 July 2013

	Note	2013 £'000	2012 £'000
Surplus after depreciation of assets at valuation and disposal of assets before and after tax		861	3,124
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	19	204	204
Historical cost surplus for the period before and after tax		1,065	3,328

Statement of Total Recognised Gains and Losses

For the year ended 31 July 2013

	Note	2013 £'000	2012 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax		861	3,124
Unrealised gain / (loss) on fixed asset investments	11	42	(149)
Unrealised gain on endowment asset investments	12	2,655	58
New endowments less capital withdrawals	18	(2,170)	166
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		1,388	3,199
Reconciliation			
Opening reserves and endowments		79,037	75,838
Total recognised gains for the year		1,388	3,199
Closing reserves and endowments		80,425	79,037

Balance Sheet

As at 31 July 2013

	Note	2013 £'000	2012 £'000
FIXED ASSETS			
Tangible assets	10	74,906	72,366
Investments	11	-	10,013
		74,906	82,379
ENDOWMENT ASSETS			
	12	20,785	20,201
CURRENT ASSETS			
Debtors	13	3,704	4,606
Cash and short term deposits		23,911	15,107
		27,615	19,713
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	14	(17,966)	(17,042)
NET CURRENT ASSETS			
		9,649	2,671
TOTAL ASSETS LESS CURRENT LIABILITIES			
		105,340	105,251
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	15	(8,289)	(8,833)
TOTAL NET ASSETS			
		97,051	96,418
DEFERRED CAPITAL GRANTS			
	17	16,626	17,381
ENDOWMENTS			
Expendable	18	2,860	3,136
Permanent	18	17,925	17,065
		20,785	20,201
RESERVES			
Revaluation reserve	19	16,057	16,261
General reserve	20	43,583	42,575
TOTAL RESERVES			
		59,640	58,836
TOTAL FUNDS			
		97,051	96,418

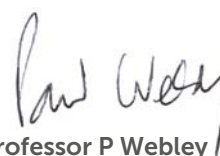
The financial statements on pages 20 to 46 were approved and authorised for issue by the Governing Body on 28 November 2013 and signed on its behalf by:



Mr G Dalal
Honorary Treasurer



Mr B Douglas
Director of Finance and Planning



Professor P Webley
Director

Cash Flow Statement

For the year ended 31 July 2013

	Note	2013 £'000	2012 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	22	5,083	5,780
Returns on investments and servicing of finance	23	466	692
Capital expenditure and financial investment	23	2,669	(8,304)
Management of liquid resources	23	(9,216)	83
Financing	23	(544)	(465)
DECREASE IN CASH IN THE PERIOD		(1,542)	(2,214)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Decrease in cash		(1,542)	(2,214)
Cash outflow to long term debt	23	544	465
Cash outflow/ (inflow from) to short term deposits	23	9,216	(83)
Change in net funds		8,218	(1,832)
Net funds at 1 August		10,079	11,911
NET FUNDS AT 31 JULY	24	18,297	10,079

Notes to the Accounts

		Note	2013 £'000	2012 £'000
1. FUNDING BODY GRANTS				
Recurrent grants	Teaching		5,500	6,331
	Research		6,128	6,429
Specific grants	Other specific grants		1,561	2,375
Release of deferred capital grants		17	990	1,032
			14,179	16,167
2. TUITION FEES				
Full-time students – UK and European Union			15,810	12,511
Full-time students charged overseas fees			17,628	16,112
Part-time students			1,540	1,343
Full fee students			11,567	12,949
			46,545	42,915
3. RESEARCH GRANTS AND CONTRACTS				
Research councils			1,464	1,513
UK based charities			1,176	1,124
European Commission			382	259
Other grants and contracts			987	895
			4,009	3,791

Notes to the Accounts – Continued

	Note	2013 £'000	2012 £'000
4. OTHER INCOME			
Rent receivable		27	73
Room lettings		395	355
Library fees		115	138
Accommodation, catering and conferences		956	863
Resales and reimbursements		449	480
Scholarships, donations and other funded activities		2,085	1,992
Enterprise income		762	696
Deferred capital gifts released to income		163	163
Other income		776	599
		5,728	5,359
5. ENDOWMENT AND INVESTMENT INCOME			
Income from fixed asset investments		-	276
Income on expendable endowments	18	37	45
Income on permanent endowments	18	431	467
Interest on short term deposits		262	200
		730	988
6. STAFF COSTS			
Salaries		33,242	32,364
Social Security costs		2,865	2,718
Other pension costs	25	6,107	5,904
Early retirement and voluntary severance scheme costs		368	461
		42,582	41,447

Notes to the Accounts – Continued

STAFF COSTS (continued)

Average full time equivalent staff numbers by major category:

	2013 Number	2012 Number
Academic	451	425
Support	356	353
	807	778

Remuneration of the Director for the year

	2013 £	2012 £
	190,363	158,636

The Director was on reduced pay during 2011/12 as a consequence of research leave granted. The remuneration of the Director excludes the employer's pension contribution which is paid at the same rate as for other academic and related staff, and amounted to £30,548 (2012: £30,458).

No benefits in kind were paid during the year.

The number of other higher paid staff who received emoluments (excluding employer's national insurance and pension contributions) in the following range was:

	2013 £	2012 £
£110,000 – £119,999	1	1
£100,000 – £110,000	1	-

Notes to the Accounts – Continued

	2013 £'000	2012 £'000
7. OTHER OPERATING EXPENSES		
Research grants and contracts	1,401	1,360
Non-contract staff	2,976	1,854
Course development	206	158
Examinations	22	4
Year abroad and study tours	354	318
Intercollegiate teaching	302	340
Fellowships, scholarships and other fees	3,232	2,738
Published materials	1,716	1,815
Information technology	961	853
Marketing and student recruitment costs	564	434
Student related costs	496	432
Grant to SOAS Students' Union	61	61
Grant to University of London Students' Union	39	39
Accommodation, catering and conferences	1,005	800
Consumables	232	232
Furniture and equipment	125	193
Hire of plant and equipment – operating leases	548	394
Repairs and maintenance	1,039	877
Rent, rates and insurance	501	555
Heat, water and power	943	793
Security, caretaking and cleaning	2,070	1,918
Telecommunications and postage	376	366
Staff recruitment and development	419	366
Student recruitment commission	521	489
University of London Fee	433	454
Subscriptions	418	428
Professional fees	594	731
Auditor's remuneration – audit fee	48	43
Auditor's remuneration – other*	2	4
Legal fees	144	26
Other expenses	1,721	1,623
	23,469	20,698
<i>* Additional fee charged in respect of non-audit work including audit of heritage assets and US Gaap</i>		
8. INTEREST PAYABLE		
Interest payable on bank loans and other loans	264	296
	264	296

Notes to the Accounts – Continued

	Staff Costs £'000	Other Operating Expenses £'000	Interest Payable £'000	Dep'n £'000	2013 £'000	2012 £'000
9. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY						
Academic departments	27,734	3,867	-	-	31,601	30,228
Academic services	4,792	3,139	-	806	8,737	8,241
Central administration and services	6,353	2,803	-	626	9,782	9,151
General education expenditure	760	4,637	-	-	5,397	4,728
Staff and student facilities	505	756	-	-	1,261	1,134
Repairs and maintenance	-	1,039	-	-	1,039	877
Premises other expenditure	485	4,093	264	2,583	7,425	7,077
Residences, catering and conferences	-	1,482	-	-	1,482	1,229
Research grants and contracts	1,767	1,401	-	-	3,168	2,962
Other expenditure	186	252	-	-	438	469
Total per income and expenditure account	42,582	23,469	264	4,015	70,330	66,096

Staff costs include £368,000 of restructuring costs (2012: £461,000).

	Note	2013 £'000	2012 £'000
The depreciation charge has been funded by:			
Revaluation reserve released	19	204	204
Deferred capital grants and gifts released	1, 4	1,153	1,195
General reserves		2,658	2,256
		4,015	3,655

Notes to the Accounts – Continued

	Land and Buildings			Equipment £'000	Total £'000
	Leasehold in course of construction £'000	Freehold £'000	Long leasehold £'000		
10. TANGIBLE FIXED ASSETS					
Valuation /cost					
At 1 August 2012					
Valuation	-	-	24,250	-	24,250
Cost	1,819	11,626	47,913	6,869	68,227
Total	1,819	11,626	72,163	6,869	92,477
Additions	1,522	-	3,244	1,789	6,555
Disposals	-	(2)	(1,023)	(600)	(1,625)
At 31 July 2013					
Valuation	-	-	24,250	-	24,250
Cost	3,341	11,624	50,134	8,058	73,157
Total	3,341	11,624	74,384	8,058	97,407
Depreciation					
At 1 August 2012					
Charge for year	-	111	2,472	1,432	4,015
Eliminated in respect of disposals	-	(2)	(1,023)	(600)	(1,625)
At 31 July 2013					
	-	1,281	16,916	4,304	22,501
Net book value					
At 31 July 2013					
	3,341	10,343	57,468	3,754	74,906
At 31 July 2012					
	1,819	10,454	56,696	3,397	72,366

Notes to the Accounts – Continued

TANGIBLE FIXED ASSETS (continued)

Long Leasehold

The transitional rules set out in FRS 15 'Tangible Fixed Assets' have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

The valuation of the main college buildings is based on a revaluation report as at 31 July 1995 prepared by Jones Lang Wootton, Chartered Surveyors. The depreciated historic cost of the main college buildings at 31 July 2013 was £3,151,000 (2012: £3,190,000).

Heritage Assets

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

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

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.

There have been three significant additions to heritage assets within the last ten years:

Donor	Description:
Fereydoun Djam Charitable Trust	Archives and artwork
Benjamin Haines	Artwork
Dr Cyrus Ala'l	Artwork

These additions have not been shown within fixed assets above as the value is not material in comparison to the other classes of fixed assets at the School.

The remaining historic items within heritage assets are excluded from fixed assets as it would not be practicable to obtain an accurate valuation of the School's historic heritage assets at the date of acquisition as the cost would be disproportionate to the benefits of establishing accurate valuations.

Deferred Capital Gifts

The School has benefited from a number of generous donations to purchase fixed assets.

Donor	Gift (£)	Towards the purchase of:
Sultan of Brunei	8,800,000	Brunei Gallery
Khalili Family Trust	200,000	Khalili Lecture Theatre
Foyle Foundation	73,000	Display cases for Treasures of SOAS exhibition
Wolfson Foundation	130,000	New Library archive
Wolfson Foundation	231,500	New Library entrance and gallery
Fereydoun Djam Charitable Trust	300,000	Kamran Djam Lecture Theatre

These gifts are being released to the income and expenditure account over the life of the associated asset to fund the depreciation charge.

Notes to the Accounts – Continued

11. INVESTMENTS

	2013 £'000	2012 £'000
Balance at 1 August 2012	10,013	10,164
Net deductions from investments	(9,603)	(2)
Increase/(Decrease) in market value of investments	42	(149)
Movement in cash balances held at SOAS	(452)	-
Balance at 31 July	-	10,013
Multi-asset funds – Newton Real Return Fund	-	9,561
Fixed interest stocks – fund manager	-	-
Equities – fund manager	-	-
Property – fund manager	-	-
Bank balances – fund manager	-	-
Bank balances – SOAS	-	452
Total investment assets	-	10,013

The School 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.

The School acts as guarantor for the London Middle East Institute (LMEI) a charitable company limited by guarantee. The School had a majority interest on the LMEI's Board of Trustees from 1 August 2008. As a result the School exercises control over the LMEI but consolidated accounts have not been prepared as LMEI's activities are immaterial in comparison to the School. The LMEI's unaudited financial statements showed a surplus of £62,000 for the year ended 31 July 2013 (2012: surplus of £3,000). At the 31 July 2013, LMEI had reserves of £124,000 (2012: £63,000). During the year, costs of £56,000 were recharged to the LMEI (2012: £65,000) and at 31 July 2013 £11,000 was owed to SOAS (2012: £10,000).

The School provides the LMEI with office space, IT and administrative support and certain staff free of charge. The fair value of this donation is approximately £250,000 per annum, of which £80,000 is funded by income from endowments.

Notes to the Accounts – Continued

	2013 £'000	2012 £'000
12. ENDOWMENT ASSETS		
Balance at 1 August	20,201	19,814
Net (deductions)/additions from investments	(1,393)	1,973
Increase in market value of investments	2,655	58
Movement in cash balances held at SOAS	(678)	(1,644)
Balance at 31 July	20,785	20,201
Fixed interest stocks – fund manager	3,003	3,415
Equities – fund manager	13,117	10,183
Property – fund manager	267	269
Bank balances – fund manager	1,179	2,437
Bank balances – SOAS	3,219	3,897
Total endowment assets	20,785	20,201
13. DEBTORS		
Amounts falling due within one year:		
General debtors less provision for bad debts	1,837	1,670
Research grants and contracts in arrears	736	826
Prepayments and accrued income	996	1,955
Staff loans	135	155
	3,704	4,606

Notes to the Accounts – Continued

	Note	2013 £'000	2012 £'000
14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans repayable within one year		544	544
Trade creditors and accruals		6,547	5,682
Other creditors		1,664	1,478
Taxation and social security		1,033	877
Research grants and contracts in advance		1,642	1,515
Deferred income		6,536	6,945
Access funds	26	-	1
		17,966	17,042
15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Barclays Bank unsecured loan at LIBOR plus 0.28% (variable interest rate) repayable by July 2031		8,308	8,770
University of London grant for development of MSc Finance and Financial Law		381	381
Salix Interest Free Energy Efficiency Loan		144	226
		8,833	9,377
Less due within one year		(544)	(544)
		8,289	8,833

A swap contract was signed with Barclays Bank on 19 October 2001 in order to reduce the School's exposure to interest rate fluctuations on the variable rate loan. The effective start date of the contract was 28 June 2002. At year end the swap covered £2,240,000 (2012: £2,400,000) 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. £111,000 (2012: £109,000) 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 School'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. £81,000 (2012: £73,000) of interest expense in the accounts relates to interest paid on the swap contract.

Notes to the Accounts – Continued

	2013 £'000	2012 £'000
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)		
The principal on loans is repayable as follows:		
In one year or less	544	544
Between one and two years	513	544
Between two and five years	1,395	1,468
In more than five years	6,381	6,821
	8,833	9,377
Less due within one year	(544)	(544)
	8,289	8,833

16. RELATED PARTY TRANSACTIONS

Ms A Fulton and Mr H Lanigan-Coyte served as Trustees of the SOAS Student's Union during 2012/13.

During the year the School paid a grant of £61,000 (2012: £61,000) to SOAS Students' Union which is a registered charity.

Travel expenses amounting to £374 were reimbursed to one Governor during the year (2012: £475).

No payments were made to Governors for serving as a trustee during the year (2012: Nil).

No payments to Governors were made for services, other than under a contract of employment, during the year (2012: Nil).

The School had a majority interest on the LMEI's Board of Trustees from 1 August 2008. See note 11 for further details of transactions with the LMEI.

Notes to the Accounts – Continued

17. DEFERRED CAPITAL GRANTS

Deferred capital gifts:

	2013 £'000	2012 £'000
At 1 August	7,696	7,859
Received during the year	35	-
Released to income and expenditure account	(163)	(163)
At 31 July	7,568	7,696

Funding Council capital grants:

At 1 August	9,685	10,372
Received during the year	363	345
Released to income and expenditure account	(990)	(1,032)
At 31 July	9,058	9,685

16,626	17,381
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18. ENDOWMENTS

At 1 August 2012

	Restricted Permanent	Restricted Expendable £'000	Total £'000
Capital	15,573	2,807	18,380
Accumulated income	1,492	329	1,821
	17,065	3,136	20,201

New endowments/donations

Capital withdrawals	(61)	(1,078)	(1,139)
Endowment transfer	(2,093)	-	(2,093)
Investment income	431	37	468
Expenditure	(369)	-	(369)
Increase in market value of investments	2,489	166	2,655

At 31 July 2013	17,925	2,860	20,785
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Represented by:

Capital	17,118	2,494	19,612
Accumulated income	807	366	1,173
	17,925	2,860	20,785

Notes to the Accounts – Continued

ENDOWMENTS (continued)

The capital withdrawals of £61,000 from permanent endowments related to investment management charges.

The balance of £2,093,000 was paid over to the Sir Percival David Foundations (see below for commentary).

Endowment funds include the following individual funds of a value greater than £1,000,000, all of which represent restricted permanent endowment funds. Sufficient resources are held to apply these funds in accordance with the relevant restrictions. The capital of these endowment funds are invested in a diversified portfolio of equities and short term deposits. Details of other endowment funds held can be obtained on request from the School's Senior Financial Accountant.

Fund name	Value at 1 August 2012 £'000	Net income reinvested / new donations £'000	Unrealised gain £'000	Value at 31 July 2013 £'000
Al Jaber Chair in Middle East Studies	2,564	(33)	441	2,972
King Fahd Chair	2,012	12	330	2,354
Percival David Academic Development Fund	1,939	(1,939)	-	0
Fereydoun Djam Endowment Fund	1,811	313	314	2,438
Khalili Chair	1,323	(6)	229	1,546
Council for World Mission	1,316	(2)	228	1,542
Numata Fund	1,252	36	217	1,505
Buddhist Studies	1,196	5	207	1,408
Zoroastrian Professorship Fund	1,010	(4)	175	1,181
	14,423	(1,618)	2,141	14,946

Al Jaber Chair in Middle East Studies

The fund was created by an agreement on 29 May 2002 between Sheikh Mohammed Bin Issa al Jaber and the School. A sum of £1,700,000 was given to establish a Chair in Middle East Studies at the School.

King Fahd Chair

The fund was created on 1 May 1995 by an agreement with the government of Saudi Arabia. A sum of £1,000,000 was given to establish a Chair of Islamic Studies.

Percival David Academic Development Fund

The fund was established within the Scheme of Association that was signed on 11 October 1993 between Lady David, the University of London and John Franks (Protection Nominee). The fund was to be a charitable fund to be administered in accordance with the objects of the Percival David Foundation which were to promote the study and teaching of the art and culture of China and of the surrounding regions and the provision of all necessary facilities and material to that end. On 6 November 2012, the fund was transferred in its entirety to a separate charities called 'The Sir Percival David Foundation Academic and Research Fund' and the 'The Sir Percival David Foundation of Chinese Art,' where it will be governed in accordance with a scheme issued by the Charity Commission. The total value of the transfer was £2,098,000 consisting of £1,346,000 of capital, £747,000 of accumulated funds and £5,000 of additional interest received.

Notes to the Accounts – Continued

ENDOWMENTS (continued)

Fereydoun Djam Endowment Fund

The fund was created in July 2011 with a donation of £1,700,000 from the Fereydoun Djam Charitable Trust. The endowment will provide annual income for a range of scholarships in Iranian Studies and an annual lecture in Iranian Studies, the 'Kamran Djam Scholarships' and the 'Kamran Djam Annual Lecture'. An additional donation of £320,000 was received in 2013.

Khalili Chair

Dr Nasser David Khalili donated £600,000 in 1990 to establish a Chair in Islamic Art and Archaeology, with particular reference to the study of Islamic decorative art.

Council for World Mission

The fund was created by an agreement on 17 July 1998 between the School and The Council for World Mission (CWM). A sum of £995,000 was given with the purpose of implementing measures for the management, preservation and promotion of the CWM archive and library collections.

Numata Fund

The Society for the Advancement of Buddhist Understanding established a fund to be known as the 'Numata Fund' at the School to fund the appointment of a scholar in Buddhist Studies. The scholar, known as the Numata Fellow, provides lectures and instructions on Buddhism at the School.

Buddhist Studies Fund

Kiryama Kancho made a donation to the School of £1,000,000 in 2000 to fund a teaching post in Buddhist Studies. Kiriyama Kancho is the founder and spiritual leader of Agon Shu, a Buddhist association based in Kyoto, Japan.

Zoroastrian Professorship Fund

The fund was created in February 2011 with a donation of £1,000,000 to support a Chair of Zoroastrian Studies.

19. REVALUATION RESERVE

	2013 £'000	2012 £'000
At 1 August and 31 July	20,407	20,407
Contributions to depreciation		
At 1 August	4,146	3,942
Released in year	204	204
At 31 July	4,350	4,146
Net revaluation amount		
At 31 July	16,057	16,261

Notes to the Accounts – Continued

	Note	2013 £'000	2012 £'000
20. GENERAL RESERVE			
Balance at 1 August		42,575	39,559
Surplus for the year retained within general reserves		762	2,961
Release from revaluation reserve to fund depreciation charge	19	204	204
Increase/(Decrease) in market value of investments		42	(149)
Balance at 31 July		43,583	42,575
21. FINANCIAL AND CAPITAL COMMITMENTS			
At 31 July 2013 the School was committed to making the following payments during the next year in respect of operating leases:			
Plant and machinery:			
Expiring within two to five years inclusive		552	333
At 31 July 2013 the School had the following capital commitments in relation to the purchase of fixed asset property additions:			
Approved and contracted		4,944	2,849
Approved but not contracted		28,828	35,248
		33,772	38,097
22. RECONCILIATION OF SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION BEFORE AND AFTER TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Surplus after depreciation of assets at valuation before and after tax		861	3,124
Depreciation charges		4,015	3,655
Deferred capital grants released to income		(990)	(1,032)
Deferred capital gifts released to income		(163)	(163)
Investment income		(730)	(988)
Interest payable		264	296
Decrease/(Increase) in debtors		902	(325)
Increase in creditors		924	1,213
Net cash inflow from operating activities		5,083	5,780

Notes to the Accounts – Continued

23. GROSS CASH FLOWS

Returns on investments and servicing of finance

Income from investments	468	788
Income from short term deposits	262	200
Interest paid	(264)	(296)

2013	2012
£'000	£'000

466	692
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Capital expenditure and financial investment

Payments to acquire tangible assets	(6,555)	(6,844)
Receipts/(Payments to acquire) – investments and endowment assets	8,842	(2,019)
Endowment donations received	1,062	1,349
Payments from endowments	(1,078)	(1,135)
Deferred capital gifts and grants received	398	345

2,669	(8,304)
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Management of liquid resources

Transfers to/(from) short term deposits	(9,216)	83
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Financing

Loan drawdown	-	82
Loan repayments	(544)	(547)

(544)	(465)
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Notes to the Accounts – Continued

	Note	At 1 August 2012 £'000	Cash Flows £'000	Other non cash changes £'000	At 31 July 2013 £'000
24. ANALYSIS OF CHANGES IN FUNDS					
Cash in hand and at bank		1,130	(412)	-	718
Investment cash held at SOAS	11	452	(452)	-	-
Endowment asset cash	12	3,897	(678)	-	3,219
		5,479	(1,542)	-	3,937
Cash and short term deposits		13,977	9,216	-	23,193
Debt due within one year	14	(544)	544	(544)	(544)
Debt due after one year	15	(8,833)	-	544	(8,289)
		10,079	8,218	-	18,297

25. PENSION SCHEMES

Universities Superannuation Scheme (USS)

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

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

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality.

The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

At the valuation date, the value of the assets of the scheme was £32.4 billion and the value of the scheme's technical provisions was £35.3 billion indicating a shortfall of £2.9 billion. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Notes to the Accounts – Continued

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

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

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

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

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

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

New Entrants

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

Normal pension age

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

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing

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

Pension increase cap

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

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

Notes to the Accounts – Continued

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

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

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

Superannuation Arrangements of the University of London (SAUL)

The School participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The School has now adopted FRS17 for accounting for pension costs. It is not possible to identify the School's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8 – 12 of FRS17.

SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The main assumptions used to assess the technical provisions were:

	31 March 2011
Discount rate	
- pre-retirement	6.80% p.a.
- post-retirement	4.70% p.a.
General* Salary Increases	3.75% p.a. until 31 March 2014, 4.50% p.a. thereafter
Retail Prices Index Inflation ("RPI")	3.50% p.a.
Consumer Price Index Inflation ("CPI")	2.80% p.a.
Pension Increases in payment (excess over GMP)	2.80% p.a.
Mortality – base table	SAPS Normal (year of birth) tables with an age rating of +0.5 years for males and -0.4 years for females.
Mortality – future improvements	Future improvements in line with CMI 2010 projections with a long term trend rate of 1.25% p.a.

* an additional allowance is made for promotional Salary increases

Notes to the Accounts – Continued

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 £1,506 million representing 95% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively following the valuation. The above rates will be reviewed when the results of the next formal valuation (as at 31 March 2014) are known.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in deficit at the last formal valuation date (31 March 2011). As part of this valuation, the Trustee and Employer have agreed that no additional contributions will be required to eliminate the current shortfall.

The more material changes (the introduction of a Career Average Revalued Earnings, or "CARE", benefit structure) to SAUL's benefit structure will apply from 1 July 2012. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members are replaced by new members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021, which is 10 years from the valuation date.

The total pension cost for the School was:

Note	2013 £'000	2012 £'000
Contributions to SAUL	719	736
Contributions to USS	5,388	5,168
Total pension cost	6,107	5,904

26. ACCESS TO DISCRETIONARY SUPPORT FUNDS

Balance unspent at 1 August		1	1
Funding Council grants		52	57
Disbursed to students		(53)	(57)
Balance retained at 31 July	14	-	1

Access to Discretionary Support Fund grants are available solely for students; the School acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.



SOAS, University of London
Thornhaugh Street
Russell Square
London WC1H 0XG

T: +44 (0)20 7637 2388
www.soas.ac.uk