

Richmond,  
The American International University  
in London, Inc.

REPORT AND FINANCIAL STATEMENTS

30 June 2016

Company No. FC8955

Richmond The American International University in London, Inc.  
FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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Richmond The American International University in London, Inc.  
MANAGEMENT AND ADVISERS

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BANKERS

HSBC PLC  
67 George Street,  
Richmond,  
Surrey,  
TW9 1HG

JP Morgan Chase Bank N.A.  
2 Corporate Drive, Suite 730  
Shetton, CT 06484  
USA

SOLICITORS

Powers Pyles Sutter & Verville PC  
1501 M Street NW  
Seventh Floor  
Washington, DC, 20005  
USA

Penningtons LLP  
Abacus House  
33 Gutter Lane  
London  
EC2V 8AR

REGISTERED AUDITOR

RSM UK Audit LLP  
Chartered Accountants  
Registered Auditor  
25 Farringdon Street  
London  
EC4A 4AB

REGISTERED OFFICE

The Corporation Trust Company  
Corporation Trust Centre  
1209 Orange Street  
Wilmington  
Delaware 19801  
United States of America

(US Company Registration No 722450)  
(UK Company Registration No FC8955)

# Richmond The American International University in London, Inc.

## TRUSTEES' REPORT

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The Trustees submit their report and audited financial statements for the year ended 30 June 2016.

The Trustees of the University who served during the year and up to the date of approval of these financial statements were:

### American Trustees

Professor William Durden	Director, Walden University
Mr A. Michael Hoffman (Chairman)	Chairman, Hoffman Ventures Limited
Mr Jay Michael	Alumnus and Founding Partner, Chief Marketing & Creative Officer of Cedar Street Companies (Served until 18 January 2016)
Ms Wendy Miller	Trustee, Walther Foundation

### British Trustees

Mr Mark Allen	Chairman, The Mark Allen Group (Appointed 26 May 2016)
Mr Shwan M. Al-Mulla	Chairman, ICCB Group of Companies (Appointed 26 May 2016)
Professor John Annette	President, Richmond, the American International University in London Inc.
Ms Ailsa Brookes	Senior Vice President, American Institute for Foreign Study Inc.
Dr Kevin Everett (Treasurer)	Trustee, Sir John Cass's Foundation
Dr Clifford Joseph	Barrister at Law
Mr Neil Meadows	Managing Director, Meadows Capital Management LLP
Dame Mary Richardson	President, SOS Children's Villages
Dr Nicholas Tate (Vice Chairman)	Former Chairman, Education Committee of the IB Board of Governors
Sir Cyril Taylor (Chancellor)	Chairman, American Institute for Foreign Study Inc.
Mr Peter Williams	Education Consultant

### International Trustees

Mr Rajiv Podar	Managing Director, Podar Enterprises (Appointed 26 May 2016)
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## STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The Trustees who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Trustees have confirmed that they have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

## CONNECTED CHARITY

The Richmond Foundation (Queen's Road, Richmond, Surrey) is a connected charity of the University, whose principal activity is to further the education of the students of the University by way of donations.

## AUDITOR

A resolution to reappoint RSM UK Audit LLP as auditor will be put to the members at the annual general meeting.

Signed on behalf of the Trustees on 5/12/2016

# Richmond The American International University in London, Inc.

## STRATEGIC REPORT

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### **Principal Activities**

The University is an independent US non-profit educational charity with tax exempt status under section 501 (c) (3) of the US Internal Revenue Code.

The University is accredited in the United States by The Middle States Commission on Higher Education and validated in the United Kingdom by the Open University (previously Open University Validation Services). The University is also quality assured by the UK Quality Assurance Agency.

### **Review of Business and Future Developments**

There have been some significant changes to the presentation and estimates of some of the numbers in the financial statements for the 2015/16 financial year as a result of the University being required to adopt the Financial Reporting Standard 102 methods of preparing and presenting its financial statements. The University has also chosen to follow the Statement of Recommended Practice (SORP) – Accounting for Further and Higher Education in presenting its Financial Statements.

### **Impact of FRS102**

The Financial Statements for the University are now consolidated with those of The Richmond Foundation, a UK registered charity, with whom it shares a controlling number of its Trustees.

The University must provide estimates and measurements for several new transactions including the introduction of a calculation of the cost of unused staff holiday pay, the option (taken) to revalue property in the transition balance sheet and a requirement to estimate the liabilities associated with multi-employer defined benefits pension schemes.

The University has been able to use existing records to value unused holiday pay, a valuation report from 2014 to value the property and sector modelling tools to estimate the pension liabilities.

The impact on the University Statement of Comprehensive Income and Balance Sheet is seen in the Financial Statements on Page 9 and 10.

To provide appropriate prior year comparatives last year's financial statements have been restated to represent the position last year as if FRS102 had always been in operation.

### **Financial Results and Performance**

Richmond The American International University in London Inc. consolidated financial statements reported an operating deficit of £1,065k (2015 - £1,026k deficit). The results before the impact of transitioning to the new FRS 102 accounting standard was a deficit of £911k (2015 - £459k deficit). The deficit before FRS102 represented 3.8% of its total gross income and was the consequence of lower than expected semester one student recruitment across key markets and an increased level of marketing and recruitment activity planned to stimulate specific markets for semester two recruitment.

The total income for the group was £23.7m (2015: £23.2m). Tuition fee income reduced slightly from £18.1m to £17.8m as the student numbers decreased to 1398 Full Time Equivalents (FTE) (2015: 1457 FTE). This shortfall was offset by increased income from donations of £1.5m (2015: £0.9m) and other income streams including student residential and catering income of £4.4m (2015: £4.2m).

The Group hedged its dollar income collections for 2015–16 and achieved an average purchase rate of \$1.63 = £1 (2014-2015: \$1.55 = £1). This was transacted through a non-contractual hedging arrangement arranged via a services agreement with The American Institute for Foreign Study.

Expenditure levels reached £24.7m (2015: £24.3m) and included £8.9m of staff costs (2015: £8.8m) and £14.7m (2015: £14.5m) of other operating expenses.

## Richmond The American International University in London, Inc. STRATEGIC REPORT

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At 30 June 2016, the total reserves, after transitioning to FRS102, amounted to £0.5m (2015: £1.6m) and there was a decrease in cash of £0.2m (2015 decrease of £0.7m).

### Key Performance Indicators – University Only (Pre FRS102 Transition)

	Actual 2015/16	Target 2016/17	Target 2017/18
Operating (Deficit)/Surplus as a % of Gross Income	-2.9%	0.0%	2.1%
Staff Costs (Pre FRS102) as a % of Gross Income	32.8%	31.1%	31.6%
Current Ratio	0.6	0.5	0.7
Net Cash Flow from Operating Activities	0.8%	2.8%	4.7%

### Public Benefit

The University is an independent US non-profit educational charity and although the university is not a U.K. registered charity, the Trustees confirm that they have complied with the duty in the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit, "Charities and Public Benefit". The University's Trustees ensure that the University delivers services that are valued by its students and the local community by providing services that are accessible to all through our bursary and scholarships. The University awarded 9.4% (2015 – 9.8%) of its total income as scholarships to its students.

The amount that Home / EU students attending a private university can obtain as loans from the UK Government is capped at £6,000. The University offers interest free payment plans to allow students who cannot immediately fund this gap to attend the University.

### Future Prospects

Richmond, The American International University in London (RAUIL), is committed to a vision for the future "to be an international university offering high quality undergraduate and postgraduate education, research excellence and public engagement". This is a commitment to achieve excellence as an international university in London, which is accredited in the USA and the UK with international faculty, staff and students. We take very seriously our commitment to improve the university's learning and teaching, research, student experience, preparation for graduate employability and engagement with local, national and international communities.

We will increase student enrollment and increase external funding in order to have the financial resources to consistently improve the learning and teaching, student experience and estates to achieve our strategic goals.

Richmond will continue to recruit both American and international students and plans to further increase the number of UK students. Because of recent changes to the government funding of English higher education we find ourselves in a more complex regulatory environment, so our decision to seek UK 'Taught Degree Awarding Powers' (TDAP) has proved to be an important decision. The University meets the requirements of the Teaching Excellence Framework for 2017/18 and will increase our UK/EU fees in line with other UK Higher Education Institutions. The University has agreed a generous package of financial support to ensure that those students that meet entry qualification can study at RAUIL. Our distinctive RAIUL offer, including a degree accredited in the USA and validated in the UK means that the market is broader than most competitors.

The financial strategy allows for revenue investment in our current infrastructure and includes levels of

# Richmond The American International University in London, Inc.

## STRATEGIC REPORT

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self-funded capital expenditure across the next three academic years to ensure the student experience is enhanced.

In November 2016, the University received a £10million endowment from Sir Cyril Taylor. This Taylor Endowment will be used to ensure the long-term sustainability of the University. The transaction is not included in the 2015/16 financial statements but is recorded at Note 18 on Page 26.

### **Principal Risks and Uncertainties**

The University follows HEFCE guidance on the management of Risk. The Richmond Risk Register is prepared by the University Executive and challenged by the Audit Committee of the Trustees at least once a year at its meetings.

The Principal risks currently identified include

- a. Investment in staffing
- b. Investment in infrastructure
- c. New programme development
- d. The changing regulatory environment
- e. The impact of the UK leaving the EU on UK higher education
- f. Financial Sustainability

These risks are mitigated through medium and long term planning.

Immediate risks to financial stability have been addressed during 2015/16 with the signing of a new short term repayable working capital facility with JP Morgan Chase worth \$3.5m per annum. The University has also secured its long-term license to operate at its site on Richmond Hill and in most of its buildings in Kensington. Major donors have also committed to supporting the University and its students throughout the medium term planning horizon.

In the latest update to its Corporate Strategy, the growth plans at its heart are underpinned by a financial strategy that immediately returns the University to a breakeven income and expenditure position for 2016/17. This enables a stronger balance sheet with improved cash generation. By the end of 2019, the University will return surpluses in excess of 5% and continue to invest in its infrastructure through a £1.8m capital plan.

### **Key Objectives and Strategic Plan**

Our key goals for the period leading up to 2019 are:

1. By 2018/19 to have increased FTE student enrolment from all sources, including undergraduate and postgraduate degree students, study abroad and increased retention by 10% over the 4 years from 2014/15.
2. To invest in academic staff and academic support to increase taught provision.
3. To aim for a rating of 'Gold' in the Teaching Excellence Framework. To deliver this by ensuring a progression and projected completion rate of at least 70% by 2019, an NSS satisfaction rate of at least 85% and a DLHE return of over 85% of students in graduate level employment within one year of graduation.
4. To enhance the students' learning experience and to develop the learning environment through strategic investment in library technology and e-learning resources.
5. To raise the research profile of the University through revising the 'Research and Professional Engagement Strategy' and to develop and promote research to an international standard by 2019.
6. To improve quality assurance through comprehensive assessment, institutional research and quality enhancement to obtain UK Taught Degree Awarding Powers and Designated Status by 2019 and to remain accredited and be in good standing with the Middle States Commission on Higher Education.
7. To engage with alumni relations to increase their participation in and support for development activities, and to enhance fund raising for the University to support financial sustainability through

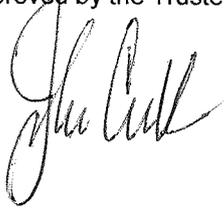
Richmond The American International University in London, Inc.  
STRATEGIC REPORT

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- sustained giving and funding of projects. Target to raise £1m annually by 2019.
8. Improve the physical environment of the University through ongoing maintenance and repair, refurbish existing buildings and to ensure optimum space utilization to meet the changing needs of students, faculty and staff.
  9. To build cooperative agreements with the local communities and colleges in Richmond, Kensington and other areas close to the University campuses.
  10. To establish strategic partnerships with international universities, with key partnerships in the USA, China, Turkey and India to provide exchange programmes for our students as well as offering progression opportunities.

Our regular management information shows evidence of substantial achievement towards meeting our key goals for the University. The strategic plan has been updated as a result and the revised 'Strategic Plan, 2014-2019' was approved by Trustees in September 2016.

Approved by the Trustees and signed on their behalf by:



Professor John Annette

Date: 8/12/2016

# Richmond The American International University in London, Inc.

## STATEMENT OF TRUSTEES RESPONSIBILITIES

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### **Responsibilities of the Trustees**

The Trustees are responsible for preparing the Strategic Report, the Trustees Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the Trustees to prepare financial statements for each financial year.

Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under that law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the of the University and of the surplus or deficit of the University for that period.

In preparing those financial statements, the Trustees are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the University will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the University and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the University and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Richmond The American International University in London, Inc.  
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF RICHMOND, THE AMERICAN  
INTERNATIONAL UNIVERSITY IN LONDON, INC

We have audited the group and parent company financial statements (the "financial statements") on pages 9 to 33. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of trustees and auditor**

As more fully explained in the Trustees' Responsibilities Statement set out on page 7, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 30 June 2016 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



DAVID FENTON (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

Date: 20/12/2016

# Richmond The American International University in London, Inc.

## Consolidated Statement of Comprehensive Income and Expenditure

Year Ended 30 June 2016

	Notes	Year ended 30 June 2016		Year ended 30 June 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Income</b>					
Tuition fees and education contracts	2	17,806	17,806	18,142	18,142
Other income	3	4,408	4,405	4,210	4,207
Investment income	4	2	2	3	3
Donations and endowments	5	1,464	1,829	893	1,736
<b>Total income</b>		<b>23,680</b>	<b>24,042</b>	<b>23,248</b>	<b>24,088</b>
<b>Expenditure</b>					
Staff costs	6	8,880	8,878	8,766	8,766
Other operating expenses		14,738	14,937	14,575	14,770
Depreciation	9+10	1,028	1,006	839	817
Interest and other finance costs	7	99	69	84	52
<b>Total expenditure</b>	8	<b>24,745</b>	<b>24,890</b>	<b>24,264</b>	<b>24,405</b>
<b>Surplus/deficit before other gains losses</b>		<b>(1,065)</b>	<b>(848)</b>	<b>(1,016)</b>	<b>(317)</b>
(Loss) on disposal of fixed assets		-	-	(10)	(10)
<b>(Deficit) and total comprehensive income for the year</b>		<b>(1,065)</b>	<b>(848)</b>	<b>(1,026)</b>	<b>(327)</b>
<b>Total comprehensive loss for the year</b>		<b>(1,065)</b>	<b>(848)</b>	<b>(1,026)</b>	<b>(327)</b>
Represented by:					
Restricted comprehensive income for the year		(221)	(221)	136	136
Unrestricted comprehensive income for the year		(844)	(627)	(1,162)	(463)
Attributable to the University		(1,065)	(848)	(1,026)	(327)
Attributable to the non-controlling interest		-	-	-	-
		<b>(1,065)</b>	<b>(848)</b>	<b>(1,026)</b>	<b>(327)</b>
<b>Deficit for the year attributable to:</b>					
University		<b>(1,065)</b>	<b>(848)</b>	<b>(1,026)</b>	<b>(327)</b>

# Richmond The American International University in London, Inc.

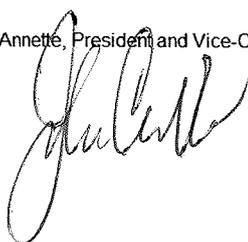
## Consolidated and University Balance Sheet

	Notes	As at 30 June 2016		As at 30 June 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Intangible fixed assets	9	53	53	230	230
Tangible fixed assets	10	6,914	3,758	6,843	3,665
		<u>6,967</u>	<u>3,811</u>	<u>7,073</u>	<u>3,895</u>
<b>Current assets</b>					
Stock	11	9	9	10	10
Trade and other receivables	12	1,040	1,781	1,189	1,791
Cash and cash equivalents	18	1,904	1,896	1,290	1,063
		<u>2,953</u>	<u>3,686</u>	<u>2,489</u>	<u>2,864</u>
Less: Creditors: amounts falling due within one year	13	(6,525)	(6,303)	(5,024)	(4,812)
<b>Net current liabilities</b>		<u>(3,572)</u>	<u>(2,617)</u>	<u>(2,535)</u>	<u>(1,948)</u>
<b>Total assets less current liabilities</b>		3,395	1,194	4,538	1,947
Creditors: amounts falling due after more than one year	14	(1,807)	-	(1,980)	-
<b>Provisions</b>					
Pension provisions	16	(1,070)	(1,070)	(975)	(975)
<b>Total net assets</b>		<u>518</u>	<u>124</u>	<u>1,583</u>	<u>972</u>
<b>Restricted Reserves</b>					
Income and expenditure reserve - restricted reserve	17	-	-	221	221
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		184	124	1,028	751
Revaluation reserve		334	-	334	-
		<u>518</u>	<u>124</u>	<u>1,583</u>	<u>972</u>
Non-controlling interest		-	-	-	-
<b>Total Reserves</b>	24	<u>518</u>	<u>124</u>	<u>1,583</u>	<u>972</u>

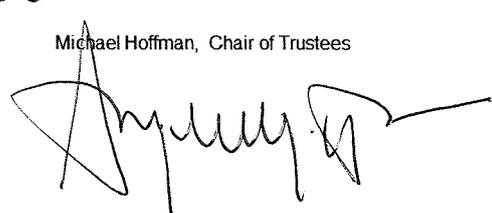
Company Number FC8955

The financial statements were approved by the Governing Body on 8 Dec, 2016 and were signed on its behalf on that date by:

John Annette, President and Vice-Chancellor



Michael Hoffman, Chair of Trustees



**Consolidated and University Cash Flow**

Year Ended 30 June 2016

	Notes	As at 30 June 2016		As at 30 June 2015	
		Consolidated £'000	University £'000	Consolidated	University £'000
<b>Cash flow from operating activities</b>					
Surplus for the year		(1,065)	(848)	(1,026)	(327)
<b>Adjustment for non-cash items</b>					
Depreciation	9+10	1,028	1,006	839	817
Decrease/(increase) in stock	11	1	1	-	-
Decrease in debtors	12	149	7	571	(28)
Increase/(decrease) in creditors	13	514	680	(393)	274
Increase/(decrease) in pension provision	16	96	96	555	555
<b>Adjustment for investing or financing activities</b>					
Investment income	4	2	2	3	3
Interest payable	7	45	15	41	9
Profit on the sale of fixed assets		-	-	10	10
<b>Net cash inflow from operating activities</b>		<u>770</u>	<u>960</u>	<u>600</u>	<u>1,313</u>
<b>Cash flows from investing activities</b>					
Payments made to acquire fixed assets	10	(919)	(919)	(1,211)	(1,211)
Investment income		(2)	(2)	(3)	(3)
Profit on the sale of fixed assets		-	-	(10)	(10)
<b>Net Cash Outflow from Investing Activities</b>		<u>(921)</u>	<u>(921)</u>	<u>(1,224)</u>	<u>(1,224)</u>
<b>Cash flows from financing activities</b>					
Interest paid	7	(45)	(15)	(41)	(9)
<b>Net Cash Outflow from Financing Activities</b>		<u>(45)</u>	<u>(15)</u>	<u>(41)</u>	<u>(9)</u>
<b>(Decrease)/Increase in cash and cash equivalents in the year</b>		<u>(196)</u>	<u>24</u>	<u>(665)</u>	<u>80</u>
<b>Net increase in cash and cash equivalents</b>					
Cash and cash equivalents at the beginning of the year		334	107	999	27
Net (decrease)/increase in cash and cash equivalents		(75)	145	(622)	123
Effect of foreign exchange rates		(121)	(121)	(43)	(43)
Cash and cash equivalents at the end of the year		<u>138</u>	<u>131</u>	<u>334</u>	<u>107</u>
Cash and cash equivalents at beginning of the year	18	334	107	999	27
Cash and cash equivalents at end of the year	18	138	131	334	107

# Richmond The American International University in London, Inc.

## Consolidated and University Statement of Changes in Reserves

Year Ended 30 June 2016

Consolidated	Income and expenditure account		Revaluation reserve	Total
	Restricted £'000	Unrestricted £'000	£'000	£'000
Balance at 1 July 2014	85	2,190	334	2,609
Surplus/(deficit) from the income and expenditure statement	136	(1,162)	-	(1,026)
<b>Total comprehensive income for the year</b>	<b>136</b>	<b>(1,162)</b>	<b>-</b>	<b>(1,026)</b>
Balance at 30 June 2015	221	1,028	334	1,583
(Deficit) from the income and expenditure statement	-	(1,065)	-	(1,065)
Release of restricted funds spent in year	(221)	221	-	-
<b>Total comprehensive income for the year</b>	<b>(221)</b>	<b>(844)</b>	<b>-</b>	<b>(1,065)</b>
Balance at 30 June 2016	-	184	334	518

University	Income and expenditure account		Revaluation reserve	Total
	Restricted £'000	Unrestricted £'000	£'000	£'000
Balance at 1 July 2014	85	1,214	-	1,299
(Deficit) from the income and expenditure statement	136	(463)	-	(327)
<b>Total comprehensive income for the year</b>	<b>136</b>	<b>(463)</b>	<b>-</b>	<b>(327)</b>
Balance at 30 June 2015	221	751	-	972
(Deficit) from the income and expenditure statement	-	(848)	-	(848)
Release of restricted funds spent in year	(221)	221	-	-
<b>Total comprehensive income for the year</b>	<b>(221)</b>	<b>(627)</b>	<b>-</b>	<b>(848)</b>
Balance at 30 June 2016	-	124	-	124

# Richmond The American International University in London, Inc.

## Statement of Accounting Policies

for the year ended 30 June 2016

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### 1. Basis of preparation

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

Some of the FRS102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS102. The directors have also taken advantage of certain exemptions from the requirements of FRS102 permitted by FRS102 Chapter 35 "Transition to FRS". The change in accounting policies have had the same effect on the previous period.

### 2. Going concern

The financial position of the University, its cash flows, liquidity and borrowings are described in the Financial Statements and accompanying notes.

The University has received an £10m endowment from a benefactor in November 2016. This endowment has not been accounted for in the Financial Statements but is significant and material to the financial sustainability of the University.

After undertaking the review, the Trustees and management have a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future, and for this reason adopt the going concern basis in the preparation of the University's Financial Statements.

### 3. Basis of consolidation

The consolidated financial statements include the University. The Richmond Foundation and Richmond College Services Limited for the financial year to 30 June 2016. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

Richmond College Services Limited which is controlled by The Richmond Foundation provides educational support services for the University.

### 4. Income recognition

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

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

Investment income is credited to the Statement of Income and Expenditure on a receivable basis.

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

#### Donations and endowments

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

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

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

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

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

# Richmond The American International University in London, Inc.

## Statement of Accounting Policies (continued)

for the year ended 30 June 2016

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### 5. Accounting for retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Richmond University Pension Scheme (via Standard Life). The USS scheme is a defined benefit scheme which is externally funded and contracted out of the Stat Second Pension (S2P). The Richmond University Pension scheme is a money purchase scheme.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to University at members due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

#### Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of income and expenditure in the periods during which services are rendered by employees.

#### Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The Group should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

### 6. Employment benefits

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

### 7. Service Concession Arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are bought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

### 8. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

# Richmond The American International University in London, Inc.

## Statement of Accounting Policies (continued)

for the year ended 30 June 2016

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### 9. Foreign currency

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, GBP, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to the Statement of Comprehensive Income and Expenditure.

### 10. Fixed assets

#### A - Intangible Fixed Assets

Under FRS102 the group has recognised £1.0m in respect of capitalised software development costs. These have been amortised over 5 years, as this is considered to be the useful life of the asset. This has had no additional impact on the profit and loss as the asset was previously being depreciated as a fixed asset over the same period.

#### B - Tangible Fixed Assets

Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

#### Land and buildings

Land and buildings costs are measured at deemed cost. On transitioning to FRS102 the University has commissioned a valuation by Knight Frank LLP. The property on 23 Queen's Road Richmond has been valued at £3.2m and this value has been used at the transition date, as the market value.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives less their residual value as follows:

Buildings	50 years
Leasehold Improvements	10 years

Leasehold land is depreciated over the life of the lease up to a maximum of 50 years.

No depreciation is charged on assets in the course of construction.

#### Equipment

Equipment, including computers and software, costing less than £1,000 per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life less residual value as follows:

Fixtures and Fittings	8 years
Library Books	5 years
Motor Vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

#### Borrowing costs

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

# Richmond The American International University in London, Inc.

## Statement of Accounting Policies (continued)

for the year ended 30 June 2016

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### 11. Investments

Non current asset investments are held on the Balance Sheet at amortised cost less impairment.

Current asset investments are held at fair value with movements recognised in the Statement of Income and Expenditure.

### 12. Stock

Stock is held at the lower of cost and net realisable value.

### 13. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

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

### 14. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

### 15. Taxation

The University is an independent US non-profit educational charity with tax exempt status under section 501 (c) (3) of the US Internal Revenue Code.

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

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

### 16. Reserves

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

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

### 17. Transition to FRS 102 and 2015 HE/FE SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to FRS 102 and the HE/FE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 24.

**Statement of Accounting Policies (continued)**

for the year ended 30 June 2016

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**18. Financial Instruments**

The Group has elected to apply the provisions of Section 11 "Basic Financial Instruments".

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial Assets

*Trade debtors*

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

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

Financial Liabilities

*Bank Overdrafts*

Bank overdrafts are presented within creditors: amounts falling due within one year.

*Trade Creditors*

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

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

*Borrowings*

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

*Derecognition of financial assets and liabilities*

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

# Richmond The American International University in London, Inc.

## Notes to the Accounts

for the year ended 30 June 2016

### 1 Critical accounting estimates and areas of judgement

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

#### *Critical accounting estimates and assumptions*

The Trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Critical areas of judgement*

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Trust as lessee, or the lessee, where the Trust is a lessor.

A valuation was undertaken at 23 Queens Road, Richmond on 1 July 2014. A desktop valuation was performed and judgements have been made regarding market conditions, change of use and demand for student accommodation.

	Year Ended 30 June 2016		Year Ended 30 June 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>2 Tuition fees and education contracts</b>				
Full-time home and EU students	9,999	9,999	10,065	10,065
Full-time international students	7,770	7,770	8,034	8,034
Part-time students	37	37	43	43
	<u>17,806</u>	<u>17,806</u>	<u>18,142</u>	<u>18,142</u>
<b>3 Other income</b>				
Residences, catering and conferences	3,286	3,286	3,400	3,400
Other income	1,122	1,119	810	807
	<u>4,408</u>	<u>4,405</u>	<u>4,210</u>	<u>4,207</u>
<b>4 Investment income</b>				
Investment income on endowments	2	2	3	3
	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>
<b>5 Donations and endowments</b>				
Donations with restrictions	62	62	301	301
Unrestricted donations	1,402	1,767	592	1,435
	<u>1,464</u>	<u>1,829</u>	<u>893</u>	<u>1,736</u>

# Richmond The American International University in London, Inc.

## Notes to the Accounts

for the year ended 30 June 2016

	Year Ended 30 June 2016		Year Ended 30 June 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>6 Staff costs</b>				
Staff Costs :	£'000	£'000	£'000	£'000
Salaries	7,515	7,515	6,942	6,942
Social security costs	611	611	554	554
Other pension costs	754	752	1,270	1,270
<b>Total</b>	<b>8,880</b>	<b>8,878</b>	<b>8,766</b>	<b>8,766</b>

Emoluments of the Vice-Chancellor:	<b>£</b>
Salary	190,250
Social Security costs	25,135
Pension contributions to USS	23,828
	<u>239,213</u>

Remuneration of other higher paid staff, excluding employer's pension contributions

	2016 No.	2015 No.
£140,000 to £149,999	1	1
	<u>1</u>	<u>1</u>

Average staff numbers by major category :	2016 No.	2015 No.
Academic	99	92
Management & Administration	83	84
Technical	16	15
	<u>198</u>	<u>191</u>

### Key management personnel

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

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
<b>Key management personnel compensation</b>	<u>899</u>	<u>887</u>

# Richmond The American International University in London, Inc.

## Notes to the Accounts

for the year ended 30 June 2016

### 6 Staff costs (continued)

#### Trustees of the University

The University Board members are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Board, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of the Board may have an interest, including those identified below, are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures.

No Board member has received any remuneration/waived payments from the group during the year (2015 - none)

The total expenses paid to or on behalf of Board members was £846 to one board member (2015 - £695 - two board members). This represents travel and subsistence expenses incurred in attending Board, Committee meetings and Charity events in their official capacity.

	Year Ended 30 June 2016		Year Ended 30 June 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>7 Interest and other finance costs</b>				
Loan interest	45	15	41	9
Exchange differences	54	54	43	43
	<u>99</u>	<u>69</u>	<u>84</u>	<u>52</u>

	Year Ended 30 June 2016		Year Ended 30 June 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>8 Analysis of total expenditure by activity</b>				
Academic and related expenditure	13,151	13,151	11,841	11,841
Administration and central services	5,936	5,881	7,839	7,780
Premises (including service concession cost)	3,352	3,551	3,276	3,476
Residences, catering and conferences	2,306	2,307	1,308	1,308
	<u>24,745</u>	<u>24,890</u>	<u>24,264</u>	<u>24,405</u>
Administration and central services expenses include:				
External auditors remuneration in respect of audit services	47	43	59	56
External auditors remuneration in respect of non-audit services	7	7	7	7
Operating lease rentals:				
Land and buildings	1,410	1,410	1,410	1,410
Equipment	126	126	126	126

## Notes to the Accounts

for the year ended 30 June 2016

### 9 Intangible assets

<b>Consolidated</b>		<b>Computer Software</b>
		<b>£'000</b>
<b>Cost or valuation</b>		
	At 1 July 2015	990
	<b>At 30 June 2016</b>	<b>990</b>
<b>Consisting of valuation as at:</b>		
	1 July 2014	
	Cost	990
		<b>990</b>
<b>Depreciation</b>		
	At 1 July 2015	760
	Charge for the year	177
	<b>At 30 June 2016</b>	<b>937</b>
<b>Net book value</b>		
	<b>At 30 June 2016</b>	<b>53</b>
	At 30 June 2015	230
		<b>230</b>
<b>University</b>		
		<b>Computer Software</b>
		<b>£'000</b>
<b>Cost and valuation</b>		
	At 1 July 2015	990
	<b>At 30 June 2016</b>	<b>990</b>
<b>Depreciation</b>		
	At 1 July 2015	760
	Charge for the year	177
	<b>At 30 June 2016</b>	<b>937</b>
<b>Net book value</b>		
	<b>At 30 June 2016</b>	<b>53</b>
	At 30 June 2015	230
		<b>230</b>

# Richmond The American International University in London, Inc.

## Notes to the Accounts

for the year ended 30 June 2016

<b>10 Fixed Assets</b>							
Consolidated	Freehold Land	Leasehold	Fixtures,	Motor Vehicles	Library Books		Total
	and Buildings	Improvements	Fittings and				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>							
At 1 July 2015	3,200	7,276	3,202	33	408		14,119
Additions	-	635	253	-	31		919
Property revaluation		-	-	-	-		0
Disposals	-	(604)	(399)	-	(41)		(1,044)
<b>At 30 June 2016</b>	<b>3,200</b>	<b>7,307</b>	<b>3,056</b>	<b>33</b>	<b>398</b>		<b>13,994</b>
<b>Consisting of valuation as at:</b>							
1 July 2014	3,200	-	-	-	-		3,200
Cost	-	7,307	3,056	33	398		10,794
	<b>3,200</b>	<b>7,307</b>	<b>3,056</b>	<b>33</b>	<b>398</b>		<b>13,994</b>
<b>Depreciation</b>							
At 1 July 2015	22	4,310	2,584	33	327		7,276
Charge for the year	22	564	235	-	30		851
Disposals	-	(607)	(399)	-	(41)		(1,047)
<b>At 30 June 2016</b>	<b>44</b>	<b>4,267</b>	<b>2,420</b>	<b>33</b>	<b>316</b>		<b>7,080</b>
<b>Net book value</b>							
<b>At 30 June 2016</b>	<b>3,156</b>	<b>3,040</b>	<b>636</b>	<b>-</b>	<b>82</b>		<b>6,914</b>
At 30 June 2015	3,178	2,966	618	-	81		6,843
<b>University</b>							
<b>Cost and valuation</b>							
At 1 July 2015	-	7,276	3,202	33	408		10,919
Additions	-	635	253	-	31		919
Disposals	-	(604)	(399)	-	(41)		(1,044)
<b>At 30 June 2016</b>	<b>-</b>	<b>7,307</b>	<b>3,056</b>	<b>33</b>	<b>398</b>		<b>10,794</b>
<b>Depreciation</b>							
At 1 July 2015	-	4,310	2,584	33	327		7,254
Charge for the year	-	564	235	-	30		829
Disposals	-	(607)	(399)	-	(41)		(1,047)
<b>At 30 June 2016</b>	<b>-</b>	<b>4,267</b>	<b>2,420</b>	<b>33</b>	<b>316</b>		<b>7,036</b>
<b>Net book value</b>							
<b>At 30 June 2016</b>	<b>-</b>	<b>3,040</b>	<b>636</b>	<b>-</b>	<b>82</b>		<b>3,758</b>
At 30 June 2015	-	2,966	618	-	81		3,665

The Trustees of the Richmond Foundation decided to revalue its land and buildings in accordance with FRS 102.

The valuation was undertaken by Knight Frank LLP, in accordance with RICS Valuation - Professional Standards Global January 2014, including International Valuation Standards, and RICS Professional Standards UK January 2014 (revised April 2015), in November 2016 with a valuation date of 1 July 2014.

The Market value of the land and building at 30 June 2014 was £3.2m.

# Richmond The American International University in London, Inc.

## Notes to the Accounts

for the year ended 30 June 2016

### 11 Stock

	Year ended 30 June 2016		Year ended 30 June 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
General consumables	9	9	10	10
	<u>9</u>	<u>9</u>	<u>10</u>	<u>10</u>

### 12 Trade and other receivables

	Year ended 30 June 2016		Year ended 30 June 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Other trade receivables	96	96	112	112
Other receivables	193	193	154	154
Prepayments and accrued income	712	712	700	700
Amounts due from associate entities	39	780	223	825
	<u>1,040</u>	<u>1,781</u>	<u>1,189</u>	<u>1,791</u>

### 13 Creditors : amounts falling due within one year

	Year ended 30 June 2016		Year ended 30 June 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Bank overdraft	(1,766)	(1,765)	(956)	(956)
Bank Loan	(169)	-	(161)	-
Trade payables	(327)	(327)	(586)	(586)
Social security and other taxation payable	(187)	(187)	(165)	(165)
Accruals and deferred income (Incl Holiday pay )	(4,076)	(4,024)	(3,156)	(3,105)
	<u>(6,525)</u>	<u>(6,303)</u>	<u>(5,024)</u>	<u>(4,812)</u>

#### Deferred income

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

	Year ended 30 June 2016		Year ended 30 June 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Summer School Fees paid in advance	(105)	(105)	(47)	(47)
	<u>(105)</u>	<u>(105)</u>	<u>(47)</u>	<u>(47)</u>

# Richmond The American International University in London, Inc.

## Notes to the Accounts

for the year ended 30 June 2016

### 14 Creditors : amounts falling due after more than one year

	Year ended 30 June 2016		Year ended 30 June 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Secured loans	(1,807)	-	(1,980)	-
	<u>(1,807)</u>	<u>-</u>	<u>(1,980)</u>	<u>-</u>
Analysis of secured and unsecured loans:				
<b>Due within one year or on demand (Note 12)</b>	(169)	-	(161)	-
Due between one and two years	(171)	-	(169)	-
Due between two and five years	(530)	-	(523)	-
Due in five years or more	(1,106)	-	(1,288)	-
<b>Due after more than one year</b>	<u>(1,807)</u>	<u>-</u>	<u>(1,980)</u>	<u>-</u>
<b>Total secured and unsecured loans</b>	<u>(1,976)</u>	<u>-</u>	<u>(2,141)</u>	<u>-</u>
Secured loans repayable by 2027	(1,976)	-	(2,141)	-
	<u>(1,976)</u>	<u>-</u>	<u>(2,141)</u>	<u>-</u>

Included in secured loans are the following:

Lender	Amount £'000	Term	Interest rate %	Borrower
AIB	(1,976)	2027	1.20	University
Total	<u>(1,976)</u>			

The loan is secured on the property at 23 Queens Road, Richmond which has a carrying value of £3.2m.

### 15 Financial Assets

	Year ended 30 June 2016		Year ended 30 June 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Financial assets:</b>				
Debt instruments measured at amortised cost	2,232	2,964	1,778	2,151
Total	<u>2,232</u>	<u>2,964</u>	<u>1,778</u>	<u>2,151</u>
<b>Financial liabilities:</b>				
Measured at amortised cost	(9,297)	(7,268)	(7,875)	(5,681)
Total	<u>(9,297)</u>	<u>(7,268)</u>	<u>(7,875)</u>	<u>(5,681)</u>

## Notes to the Accounts

for the year ended 30 June 2016

### 16 Provisions for liabilities

Consolidated	Obligation to fund deficit on USS Pension £'000	Total Pensions Provisions £'000
At 1 July 2015	975	975
Additions in 2015/16	95	95
<b>At 30 June 2016</b>	<u>1,070</u>	<u>1,070</u>

University	Obligation to fund deficit on USS Pension £'000	Total Pensions Provisions £'000
At 1 July 2015	975	975
Additions in 2015/16	95	95
<b>At 30 June 2016</b>	<u>1,070</u>	<u>1,070</u>

Unwinding of discount is included in additional provisions in line with FRS 102.

#### Pension enhancement

The assumptions for calculating the provision for pension enhancements on termination under FRS 102, are as follows:

	<u>Consolidated</u>
Discount rate	2.99%
Inflation	<u>1.00%</u>

#### USS deficit

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

# Richmond The American International University in London, Inc.

## Notes to the Accounts

for the year ended 30 June 2016

### 17 Restricted Reserves

Reserves with restrictions are as follows:

	Donations £'000	Consolidated	
		2016 Total £'000	2015 Total £'000
Balances at 1 July 2015	-	221	221
Expenditure	(221)	(221)	-
<b>Total restricted comprehensive income/ (expenditure) for the year</b>	(221)	(221)	-
<b>At 30 June 2016</b>	-	-	221

	2016		2015	
	Total £'000		Total £'000	
<b>Analysis of other restricted funds /donations by type of purpose:</b>				
General	-	-	221	221
	-	-	-	221

### 18 Cash and cash equivalents

Consolidated	At 1st July 2015 £'000	Cash Flows £'000	At 30th June 2016 £'000
	Cash	1,290	614
Bank overdraft	(956)	(810)	(1,766)
Cash and cash equivalents	334	(196)	138

University	At 1st July 2015 £'000	Cash Flows £'000	At 30th June 2016 £'000
	Cash	1,063	833
Bank overdraft	(956)	(809)	(1,765)
Cash and cash equivalents	107	24	131

# Richmond The American International University in London, Inc.

## Notes to the Accounts

for the year ended 30 June 2016

### 19 Lease obligations

Total rentals payable under operating leases:

University and Consolidated

	Land and Buildings £'000	30 June 2016 Other leases £'000	Total £'000	Land and Buildings £'000	30 June 2015 Other leases £'000	Total £'000
<b>Future minimum lease payments due:</b>						
Not later than 1 year	1,409	126	1,535	1,409	126	1,535
Later than 1 year and not later than 5 years	3,189	138	3,327	3,189	138	3,327
Later than 5 years	1,436	-	1,436	2,971	-	2,971
<b>Total lease payments due</b>	<u>6,034</u>	<u>264</u>	<u>6,298</u>	<u>7,569</u>	<u>264</u>	<u>7,833</u>

### 20 Events after the reporting period

The University has received an £10m endowment from a benefactor in November 2016. This endowment has not been accounted for in the Financial Statements but is significant and material to the financial sustainability of the Group.

### 21 Subsidiary undertakings

The University does not have any subsidiary undertakings.

### 22 Connected charitable institutions

The Richmond Foundation is administered by or on behalf of the University and have been established for its special purposes. It is included as a subsidiary undertaking in these consolidated financial statements.

The detailed movement in reserves of The Richmond Foundation are included in note 26.

# Richmond The American International University in London, Inc.

## Notes to the Accounts

for the year ended 30 June 2016

### 23 Pension Schemes

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

- Universities' Superannuation Scheme (USS)
- Standard Life - Defined contributions (Group pension).

The main scheme, being USS is a defined-benefit scheme contracted out of the State Second Pension (S2P) the assets of which are held in separate trustee administered funds.

The other scheme is a money purchase scheme contracted into the State Second Pension (S2P), which covers non-academic staff who elected not to transfer to USS. The following payments were made during the year:

	Year Ended 30-Jun-16 £' 000's	Year Ended 30-Jun-15 £' 000's
USS	954	883
Other pension schemes	176	170
	<u>1,130</u>	<u>1,053</u>

#### (i) The Universities Superannuation Scheme

The Universities' Superannuation Scheme (USS) is the main scheme covering most academic and academic-related staff, which provides benefits based on final pensionable salary.

The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Limited.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual Universities and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other Universities' 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 102(28), 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.

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

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

The latest triennial actuarial valuation of the scheme was at 31 March 2014. 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 2016 are also included in this note.

# Richmond The American International University in London, Inc.

## Notes to the Accounts

for the year ended 30 June 2016

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### 23 Pension Schemes (continued)

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.

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 3.6% per annum, salary increases would be 4.0% per annum (plus 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 2.2% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA ("light") YoB tables - no age rating
Female members' mortality	S1NA ("light") YoB tables - rates down one year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

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

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

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 2031. The next formal triennial actuarial valuation is as at 31 March 2017. 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 contributions are paid at the determined rates or amounts, the shortfall at 31 March 2016 is estimated to be £8.5 billion, equivalent to a funding level of 85%. 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.

# Richmond The American International University in London, Inc.

## Notes to the Accounts

for the year ended 30 June 2016

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### 23 Pension Schemes (continued)

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.

At present no policy is in place for USS charging for operating the plan.

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

#### *Normal Pension Age*

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

#### *Flexible Retirement*

Flexible retirement options were introduced.

#### *Members contributions*

Contributions were 7.5% pa and 6.5% pa 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 1% 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 10%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

# Richmond The American International University in London, Inc.

## Notes to the Accounts

for the year ended 30 June 2016

### 23 Pension Schemes (continued)

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the University contribution rate salaries from 1 October 2011.

The actuary has estimated that the funding level as at 31 March 2014 under the scheme specific funding regime had fallen to 89% (a deficit of circa £5.3 billion). Over the past twelve months, the funding level has improved from 82%, as at 31 March 2015 to 85%. This estimate is based on the funding level at 31 March 2014, adjusted to reflect the fund's actual investment performance over the last year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is at 31st March 2017 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme join the new revalued benefits section rather than the existing final salary section.

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

The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

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

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

The trustee believes that, over the long-term, equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the funds' liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers.

At 31 March 2016, USS had over 180,000 active members and the University had 108 active members participating in the scheme.

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers, enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. However, the trustee is mindful of the difficult economic climate that exists for defined benefits pension schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan become necessary following the next valuation to compile a formal financial management plan, which will bring together the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

The total pension cost for the University was £1.1m (2015 £1.1m). The contribution rate payable by the University was 16% of pensionable salaries. During the financial year recorded within other Comprehensive Income higher employer contributions to the pension scheme as they included the contributions that would previously have been paid by employees.

# Richmond The American International University in London, Inc.

## Notes to the Accounts

for the year ended 30 June 2016

### 24 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the 2015 SORP. The accounting policies set out on Page 13 - 17 have been applied in preparing the financial statements for the year ended 2016, comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening the FRS 102 Statement of Financial Position at 1 July 2014. In preparing its FRS 102, SORP compliant Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

Financial position	Year ended 30 June 2015		Year ended 30 June 2014	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Total reserves under 2007 SORP</b>	2,545	2,268	3,004	2,028
USS pension provision	(975)	(975)	(420)	(420)
Asset Revaluation	334	-	334	-
Employee leave accrual	(321)	(321)	(309)	(309)
<b>Total effect of transition to FRS 102</b>	<b>(962)</b>	<b>(1,296)</b>	<b>(395)</b>	<b>(729)</b>
<b>Total reserves under FRS 102</b>	<b>1,583</b>	<b>972</b>	<b>2,609</b>	<b>1,299</b>

Financial performance	Year ended 30 June 2015		Year ended 30 June 2014	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>(Deficit)/Surplus for the year under 2007 SORP</b>	(459)	240	1,103	147
USS pension provision	(555)	(555)	(420)	(420)
Employee leave accrual	(12)	(12)	(309)	(309)
<b>Total effect of transition to FRS 102</b>	<b>(567)</b>	<b>(567)</b>	<b>(729)</b>	<b>(729)</b>
<b>Total comprehensive income for the year under FRS 102</b>	<b>(1,026)</b>	<b>(327)</b>	<b>374</b>	<b>(582)</b>

### Cash Flows

The only impact of the transition to FRS 102 on the cash flows of the University or the Group is the reclassification of some short term investments to cash and cash equivalents.

### 25 Related Party Transactions

The University had the following transactions with the American Institute For Foreign Study, Inc. (AIFS) a connected party in the year.

	2016 £'000	2015 £'000
Amounts Paid to AIFS Inc.	4,098	4,937
Amounts received from AIFS Inc.	2,903	5,787

Included within other receivables is £39K owed by AIFS to the university (2015: £222k owed by AIFS to the university). Two of the Trustees of Richmond University are officers of AIFS.

The Richmond Foundation is a connected UK registered charity of the University. The Foundation makes periodic donations to the University. During the University year these donations amounted to £666k (2015: £845k). The University paid £200k (2015: £200k) rent to The Foundation during the year. Included within debtors is £740k owed to the University (2015: £600k owed to the University).

With the exception of A Cole-Stutz, all the trustees of The Richmond Foundation are trustees of the University.

Richmond College Services Limited which is controlled by The Richmond Foundation provides educational support services for the University. £Nil balance was owing to the University at the end of the year (2015: £Nil owed to the University).

# Richmond The American International University in London, Inc.

## Notes to the Accounts

for the year ended 30 June 2016

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### 26 Charity

The Richmond Foundation is a registered charity that provides educational educational support services to the University.

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Opening reserves	278	970
Donation Income	302	3
Other Income	202	200
Charitable expenditure	(722)	(895)
Closing reserves	<u>60</u>	<u>278</u>