

**Richmond,
The American International University in London, Inc.**

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

Company No: FC8955

Richmond The American International University in London, Inc
for the year ended 30 June 2018

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Richmond The American International University in London, Inc

Bankers and Advisors

BANKERS

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ADVISORS

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USA

Penningtons Manches LLP
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London
EC2V 7AW

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EC2V 7WS
United Kingdom

REGISTERED AUDITOR

RSM UK Audit LLP
Chartered Accountants
Registered Auditor
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Crawley
RH10 1BG

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

The Trustees submit their report and audited financial statements for the year ended 30 June 2018.

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

Mr Mark Allen (Treasurer)	Chairman, The Mark Allen Group
Professor Lawrence Abeln	President, Richmond, the American International University in London Inc. (appointed 1 August 2018)
Professor John Annette	President, Richmond, the American International University in London Inc. (resigned 1 August 2018)
Ms Ailsa Brookes	Senior Vice President, American Institute for Foreign Study Inc.
Professor William Durden	Director, Walden University. President Emeritus & Professor of Liberal Arts, Dickinson College
Dr Kevin Everett	Trustee, Sir John Cass's Foundation. Business and Education Consultant, Senior Member of the Valuation Tribunal for England (resigned 9 March 2018)
Mr A. Michael Hoffman	Chairman, Hoffman Ventures Limited (resigned 7 November 2017)
Dr Clifford Joseph (Secretary)	Barrister at Law
Mr Christopher Leiter	Advisor. Managing Director, Wellfleet Partners Limited
Mr Neil Meadows	Managing Director, Meadows Capital Management LLP (resigned 24 May 2018)
Ms Wendy Miller	Trustee, Walther Foundation
Dr Arthur Naylor	Higher Education Advisor, Catholic Education Services
Professor Gillian Nicholls	Emeritus Professor, Company Director of Gill Nicholls Consulting (resigned 7 November 2017)
Dame Mary Richardson (Vice Chairman)	Chairman of the English Speaking Union
Richard Resch	Higher Education Consultant
Mr Graham Ross Russell	Former Chairman, Securities Institute (now Chartered Institute of Securities and Investment. Director, Avern Park Ltd. Director, Knowle Park Ltd and Trustee
Dr Nicholas Tate, CBE (Chairman)	Former Chief Executive, Qualifications and Curriculum Authority
Sir Cyril Taylor (Chancellor)	Chairman, American Institute for Foreign Study Inc. (deceased on 29 January 2018)
Dr Paul Temple	Former Co-Director of the University of London Institute of Education Centre for Higher Education Studies
Mr Peter Williams, CBE	Education Consultant
Professor Shaun Gerard Breslin	Professor of Politics and International Studies, University of Warwick (appointed 7 November 2017, resigned 24 May 2018)
Mr Constantin Schuss	Vice President Credit Risk Management, Morgan Stanley (appointed 7 November 2017)
Mr Joel David Gallagher	President, Omnicom Public Relations Group (appointed 9 March 2018)

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

12/11/2018



DR. E. N. TATE

Chairman

Richmond The American International University in London, Inc

Strategic Report

Principal Activities

Richmond 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 is also quality assured by the UK Quality Assurance Agency.

Review of Business and Future Developments

In 2018, the University was granted Taught Degree Awarding Powers (TDAP) by the UK government, making us the first and only American university with the authority to award both US and UK degrees. This is an important achievement in our 47 years of history as an academic institution and will allow us to continue our strong liberal arts curriculum while attracting new students who value this additional recognition.

In August 2018, Richmond University welcomed Professor Lawrence Abeln as the President and Vice Chancellor of the University following the retirement of Professor John Annette.

Richmond University's consolidated financial statements reported an operating surplus of £397k (2017 - £10.5m). The surplus represents 2% of its total gross income (2017 - 29%) and the University ended with a cash balance of £4.6m.

In December 2016, Sir Cyril Taylor, a key supporter of Richmond University, made a £10m donation to The Richmond Foundation to ensure the long term financial future of Richmond University. Over the years, Sir Cyril Taylor has been a generous donor to the University and its sustainability was an important aspect of his mission as a social entrepreneur. The agreement allowed for £9m to be ring-fenced and invested, with the remaining £1m spent on strategic priorities in 2016-17 and 2017-18. The University will draw a cash return from the endowment each year through an established wealth management company.

The £1m endowment has been split with the University entitled to £425k in 2017-18 (£575k in 2016-17) supporting operational projects to improve the IT infrastructure, the estate, the financial performance of the University and the academic quality assurance team.

Both the IT and estates projects are in two phases. The estates project addressed the main building, George House and Library external works. The IT project addressed issues relating to local storage, resilience, stability and disaster recovery. Phase 2 of the estates project focused on George House roof replacement, window repairs and external repair works. Phase 2 of the IT project focused on core and edge switching.

The total income for the group was £26.2m (2017: £35.7m). Donations decreased from £10.6m to £3.5m with tuition fee income decreasing from £19.7m to £18.2m due to student recruitment being lower than expected. Student numbers decreased to 1,371 Full Time Equivalents (FTE) (2017: 1,524 FTE).

Average staff numbers increased to 235 (2017: 229) due to more part-time, adjunct staff.

The Group hedged its dollar income collections for 2018 and achieved an average purchase rate of \$1.41 = £1 (2017: \$1.52 = £1). This was transacted through a non-contractual hedging arrangement arranged via a services agreement with The American Institute for Foreign Study.

Expenditure levels totalled £25.8m (2017: £25.2m) and included £9m of staff costs (2017: £8.8m) and £16m (2017: £15.4m) of other operating expenses.

At 30 June 2018, the total reserves amounted to £11.2m (2017: £10.8m) and there was an increase in cash of £2.9m (2017: increase of £1.5m).

Richmond The American International University in London, Inc

Strategic Report

Key Performance Indicators – University Only

	2017-18	2016-17
Operating Surplus / (Deficit) as a % of Gross Income	4%	3%
Gross Income (University £k)	27,039	26,115
Current Ratio	1.0	0.7

Richmond won Independent HE's 'Best International Student Experience' in 2017 in recognition of its engaging, diverse, inclusive and comprehensive programme of support for international students.

Richmond has been shortlisted for the 2018 Times Higher Education award for 'Outstanding Contribution in Leadership Development'

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 8.2% (2017 – 10.3%) 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 scholarships and interest free payment plans to allow students who cannot immediately fund this gap to attend the University.

Future Prospects

Richmond University 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 enrolment 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 maintain the number of UK students. Due to the recent changes in government funding of the English higher education sector, 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 2018-19 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 those students that meet entry qualification can study with us. Our distinctive offer, including a degree accredited in the USA and UK means the market is broader than most competitors.

The financial strategy allows for revenue investment in our current infrastructure and includes levels of self-funded capital expenditure across the next three academic years to ensure the student experience is enhanced.

Richmond The American International University in London, Inc

Strategic Report

Principal Risks and Uncertainties

The University follows Office for Students 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 were addressed in 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 including the Cyril Taylor Charitable Foundation.

In the current Corporate Strategy, growth plans are underpinned by a financial strategy that returned the University to a surplus income and expenditure position in the year 2017-18. This enables a stronger balance sheet with improved cash generation.

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 quantity and quality of 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 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 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.

Richmond The American International University in London, Inc Strategic Report

Statement of Corporate Governance and Internal Control

The University's Board of Trustees is responsible for ensuring the University maintains an effective system of internal control. 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 system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 30 June 2018 and up to the date of approval of the Financial Statements.

The following processes are in place to ensure the effectiveness of the University's internal control and risk management:

- The Board of Trustees meets four times a year to consider the plans and strategic direction of the Institution. It is advised by its key committees, receiving regular reports from each committee and other reports from management as required. In addition, a strategic planning session is held each year with the Board of Trustees.
- The Audit Committee has appointed Kingston City Group (KCG) as the University's internal audit partner. The Audit Committee will receive regular reports from KCG, which will include recommendations for improvement. The Audit Committee's role in this area is to conduct a high level review of the arrangements for internal control.
- An organisation-wide risk register is maintained. The register is reviewed by the Audit Committee and the Board of Trustees. Departmental plans report on and identify risks at an operational level.
- Management accounts are presented to the Executive, the Finance Committee and Board of Trustees including full year forecasts and a cashflow statement. The annual budget and financial forecasts are presented for approval by both of these committees.
- The Board of Trustees is currently undertaking a review of the University's Constitution and By Laws. The review will be completed in the 2018-19 financial year.

Approved by the Trustees and signed on their behalf by:



Lawrence Abeln

Date: 12th November 2018

Richmond The American International University in London, Inc

Statement of Trustees Responsibilities

Statement of Trustees' responsibilities

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 (Chapter 3 of the overseas companies regulations 2009) 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 and the 2015 Statement of Recommended Practice Accounts for Further and Higher Education). 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.

Richmond The American International University in London, Inc

NON-STATUTORY INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF RICHMOND, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC.

Opinion

We have audited the financial statements of Richmond, the American International University in London, Inc. (the 'university') for the year ended 30 June 2018 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Balance Sheets, the Consolidated and University Cash Flow Statements, the Consolidated and University Statements of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, Chapter 3 of The Overseas Companies Regulations 2009, the Statement of Recommended Practice – Accounting for Further and Higher Education and United Kingdom Accounting Standards, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and University's affairs as at 30 June 2018 and of group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with Chapter 3 of The Overseas Companies Regulations 2009 and the Statement of Recommended Practice – Accounting for Further and Higher Education.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

Richmond The American International University in London, Inc

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 9, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of report

This non-statutory report is made solely to the university's trustees, for their confidential use, as if Chapter 3 of Part 16 of the Companies Act 2006 applied. Our non-statutory audit work has been undertaken so that we might state to the university's trustees those matters we are engaged to state to them in a non-statutory 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 university and the university's trustees, for our non-statutory audit work, for this non-statutory report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Chartered Accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Date 29/11/18

Richmond The American International University in London, Inc
Consolidated Statement of Comprehensive Income and Expenditure
Year Ended 30 June 2018

	Notes	Year Ended 30 June 2018		Year Ended 30 June 2017	
		Consolidated	University	Consolidated (Restated)	University (Restated)
		£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	2	18,181	18,181	19,709	19,709
Other income	3	3,954	3,949	5,102	5,102
Investment income	4	579	-	299	-
Donations and endowments	5	3,476	4,909	10,569	1,304
Total income		26,190	27,039	35,679	26,115
Expenditure					
Staff costs	6	9,034	9,034	8,797	8,797
Other operating expenses		15,911	16,063	15,398	15,543
Depreciation and amortisation	9+10	797	775	925	902
Interest and other finance costs	7	56	34	75	52
Total expenditure	8	25,798	25,906	25,195	25,294
Surplus before other gains		392	1,133	10,484	821
Gain on disposal of fixed assets		5	5	-	-
Total comprehensive income for the year		397	1,138	10,484	821
Represented by:					
Endowment comprehensive income for the year		-	-	-	-
Restricted comprehensive income for the year		519	566	9,994	-
Unrestricted comprehensive income for the year		(122)	572	490	821
Attributable to the University		397	1,138	10,484	821
Attributable to the non-controlling interest		-	-	-	-
		397	1,138	10,484	821
Surplus for the year attributable to:					
Non controlling interest		-	-	-	-
University		397	1,138	10,484	821

Richmond The American International University in London, Inc
Consolidated and University Balance Sheets
As at 30 June 2018

	Notes	As at 30 June 2018		As at 30 June 2017	
		Consolidated £'000	University £'000	Consolidated (Restated) £'000	University (Restated) £'000
Non-current assets					
Intangible fixed assets	9	-	-	5	5
Tangible fixed assets	10	6,201	3,090	6,425	3,293
Investments	11	8,766	-	9,080	-
		<u>14,967</u>	<u>3,090</u>	<u>15,510</u>	<u>3,298</u>
Current assets					
Stock	12	7	7	9	9
Trade and other receivables	13	794	1,768	1,277	2,087
Cash at bank and in hand		4,586	4,500	1,929	1,469
		<u>5,387</u>	<u>6,275</u>	<u>3,215</u>	<u>3,565</u>
Less: Creditors: amounts falling due within one year	14	(6,769)	(6,546)	(5,214)	(5,035)
Net current liabilities		<u>(1,382)</u>	<u>(271)</u>	<u>(1,999)</u>	<u>(1,470)</u>
Total assets less current liabilities		13,585	2,819	13,511	1,828
Creditors: amounts falling due after more than one year	14	(1,450)	-	(1,626)	-
Provisions					
Pension provisions	16	(950)	(950)	(1,097)	(1,097)
Total net assets		<u>11,185</u>	<u>1,869</u>	<u>10,788</u>	<u>731</u>
Restricted Reserves					
Income and expenditure reserve - restricted reserve	17	10,513	566	9,994	-
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		338	1,303	460	731
Revaluation reserve		334	-	334	-
		<u>11,185</u>	<u>1,869</u>	<u>10,788</u>	<u>731</u>
Non-controlling interest		-	-	-	-
Total Reserves		<u>11,185</u>	<u>1,869</u>	<u>10,788</u>	<u>731</u>

Company Number FC8955

The financial statements were approved by the Governing Body on *6th November* 2018 and authorised for issue as well as signed on its behalf on that date by:

Lawrence Abeln, President and Vice-Chancellor

Dr Nicholas Tate, Chair of Trustees




Richmond The American International University in London, Inc
Consolidated and University Cash Flow Statement
Year Ended 30 June 2018

	At 30 June 2018		As at 30 June 2017	
	Consolidated	University	Consolidated (Restated)	University (Restated)
	£'000	£'000	£'000	£'000
Cash flow from operating activities				
Surplus for the year	397	1,138	10,484	821
Adjustment for non-cash items				
Depreciation and amortisation	797	775	925	902
Decrease in stock	2	2	-	-
Decrease / (increase) in debtors	483	317	(237)	(307)
Increase in creditors	1,379	1,514	60	282
(Decrease) / increase in pension provision	(146)	(147)	27	27
Unrealised gain on investments	(296)	-	(80)	-
Foreign exchange losses / (gains)	279	279	(255)	(255)
Adjustment for investing or financing activities				
Investment income	(283)	-	(299)	-
Interest payable	35	14	42	20
Profit on the sale of fixed assets	(5)	(5)	-	-
Net cash inflow from operating activities	<u>2,642</u>	<u>3,887</u>	<u>10,667</u>	<u>1,490</u>
Cash flows from investing activities				
Investment income	392	-	299	-
Payments made to acquire fixed assets	(568)	(568)	(387)	(387)
Payments made to acquire investments	-	-	(9,000)	-
Return of capital from investments	500	-	-	-
Proceeds on the sale of fixed assets	5	5	-	-
Net Cash Inflow / (Outflow) from Investing Activities	<u>329</u>	<u>(563)</u>	<u>(9,088)</u>	<u>(387)</u>
Cash flows from financing activities				
Interest paid	(36)	(14)	(43)	(20)
Net Cash Outflow from Financing Activities	<u>(36)</u>	<u>(14)</u>	<u>(43)</u>	<u>(20)</u>
Increase in cash and cash equivalents in the year	<u>2,935</u>	<u>3,310</u>	<u>1,536</u>	<u>1,083</u>
Cash and cash equivalents at beginning of the year	1,929	1,469	138	131
Effect of foreign exchange rate changes	(279)	(279)	255	255
Cash and cash equivalents at the end of the year	<u>4,585</u>	<u>4,500</u>	<u>1,929</u>	<u>1,469</u>

Richmond The American International University in London, Inc
Consolidated and University Statement of Changes in Reserves
Year Ended 30 June 2018

Consolidated	Income and expenditure account			Revaluation reserve	Total
	<i>Endowment</i> £'000	<i>Restricted</i> £'000	<i>Unrestricted</i> £'000	£'000	£'000
Balance at 30 June 2016	-	-	184	334	518
Prior year adjustment for VAT provision	-	-	(214)	-	(214)
Balance at 30 June 2016, restated	-	-	(30)	334	304
Surplus from the income and expenditure statement	-	9,994	508	-	10,502
Prior year adjustment for VAT provision	-	-	(18)	-	(18)
Surplus from the income and expenditure statement, restated	-	9,994	490	-	10,484
Total comprehensive income for the year, restated	-	9,994	490	-	10,484
Balance at 30 June 2017, restated	-	9,994	460	334	10,788
Surplus / (deficit) from the income and expenditure statement	-	519	(122)	-	397
Total comprehensive income / (loss) for the year	-	519	(122)	-	397
Balance at 30 June 2018	-	10,513	338	334	11,185
University					
	Income and expenditure account			Revaluation reserve	Total
	<i>Endowment</i> £'000	<i>Restricted</i> £'000	<i>Unrestricted</i> £'000	£'000	£'000
Balance at 30 June 2016	-	-	124	-	124
Prior year adjustment for VAT provision	-	-	(214)	-	(214)
Balance at 30 June 2016, restated	-	-	(90)	-	(90)
Surplus from the income and expenditure statement	-	-	839	-	839
Prior year adjustment for VAT provision	-	-	(18)	-	(18)
Surplus from the income and expenditure statement, restated	-	-	821	-	821
Total comprehensive income for the year, restated	-	-	821	-	821
Balance at 30 June 2017, restated	-	-	731	-	731
Surplus from the income and expenditure statement	-	566	572	-	1,138
Total comprehensive income for the year	-	566	572	-	1,138
Balance at 30 June 2018	-	566	1,303	-	1,869

Richmond The American International University in London, Inc

Statement of Accounting Policies

for the year ended 30 June 2018

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.

2. Going concern

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

During the year ending 30 June 2017, the group entity The Richmond Foundation received a £10m donation from a benefactor, of which £9m is to be used as a restricted endowment, with the income to be taken as unrestricted funds. This endowment is included in the consolidated position of the University. It is considered significant and material to the financial sustainability of the University.

The restricted endowment fund and related income give the Trustees assurance over the Group and University's ability to meet short-term debt requirements, as represented by the net current liabilities position in the Balance Sheets.

The Trustees and management now have a reasonable expectation that the Group and 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 Group and 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 2018. Intra-group transactions are eliminated on consolidation.

Richmond College Services Limited which is owned 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 performance criteria are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded as income in the year in which it arises and as either restricted or unrestricted income according to the terms and other restrictions 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 2018

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 State Second Pension (S2P). The Richmond University Pension scheme is a money purchase scheme.

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

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 comprehensive 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. 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.

8. 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.

Richmond The American International University in London, Inc

Statement of Accounting Policies (continued)

for the year ended 30 June 2018

9. Fixed assets

A - Intangible Fixed Assets

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 Statement of Comprehensive Income and Expenditure 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 in June 2016 the University 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.

The trustees consider that there has been no material change in value of 23 Queens Road in the year to 30 June 2018.

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

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

Leasehold Improvements are depreciated over the lower of lease length and 10 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 on an ongoing basis.

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 2018

10. Investments

Non current asset investments are held on the Balance Sheet at valuation at 30 June 2018, with any movements recognised in the Statement of Comprehensive Income and Expenditure.

11. Stock

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

12. Cash and cash equivalents

Cash includes cash at bank and in hand.

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

13. 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, the existence of which will only be confirmed by the occurrence 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.

14. 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.

Richmond College Services is liable to Corporation Tax in the same way as any other commercial organisation.

15. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which through endowments are held as a permanently restricted fund which The Richmond Foundation 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.

Richmond The American International University in London, Inc
Statement of Accounting Policies (continued)
for the year ended 30 June 2018

16. 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

Investments

Trade investments are equity investments over which the Company has no significant influence, joint control or control and are initially measured at transaction price. The transaction price includes transaction costs, except where trade investments are measured at fair value through profit or loss when transaction costs are expensed to profit or loss as incurred.

Trade investments in non-convertible and non-puttable preference shares or non-puttable ordinary shares are measured at fair value through profit or loss.

The fair value of trade investments quoted on a recognised stock exchange is the quoted bid price. The fair value of unlisted investments is measured using valuation techniques which include turnover multiple, earnings multiple, net assets or discounted cash flows, as appropriate, based on the nature and circumstances of the investment.

Trade and other receivables

Trade and other receivables which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade and other receivables 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 and other payables

Trade and other payables 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 2018

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:

In accounting for the USS pension provision, management has made a judgement that the current Schedule of Contributions is the correct one.

	Year Ended 30 June 2018		Year Ended 30 June 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
2 Tuition fees and education contracts				
Full-time home and EU students	2,960	2,960	3,403	3,403
Full-time international students	15,126	15,126	16,261	16,261
Part-time students	95	95	45	45
	<u>18,181</u>	<u>18,181</u>	<u>19,709</u>	<u>19,709</u>
3 Other income				
Residences, catering and conferences	3,289	3,289	3,975	3,976
Exchange gains/losses	(279)	(279)	255	255
Other income	944	939	872	871
	<u>3,954</u>	<u>3,949</u>	<u>5,102</u>	<u>5,102</u>
4 Investment income				
Investment Income	579	-	299	-
	<u>579</u>	<u>-</u>	<u>299</u>	<u>-</u>
5 Donations and endowments				
Restricted Donations	738	736	10,007	7
Unrestricted donations	2,738	4,173	562	1,297
	<u>3,476</u>	<u>4,909</u>	<u>10,569</u>	<u>1,304</u>

Richmond The American International University in London, Inc
Notes to the Accounts
for the year ended 30 June 2018

	Year Ended 30 June 2018		Year Ended 30 June 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
6 Staff costs				
Salaries	7,639	7,639	7,335	7,335
Social security costs	668	668	694	694
Other pension costs	727	727	768	768
Total	<u>9,034</u>	<u>9,034</u>	<u>8,797</u>	<u>8,797</u>

Remuneration of other higher paid staff being staff earning in excess of £100,000, excluding employer's pension contributions

	2018 No.	2017 No.
£100,000 to £109,999	1	-
£140,000 to £149,999	1	-
£150,000 to £159,999	-	1
£210,000 to £219,999	-	1
£230,000 to £239,999	1	-
	<u>3</u>	<u>2</u>

Average staff numbers by major category :	2018 No.	2017 No.
Academic	136	83
Management & Administration	91	68
Technical	8	12
	<u>235</u>	<u>163</u>

Staff numbers by major category for 2018 includes all adjunct or part time staff (2017: 229)

Key management personnel

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

	Year Ended 30 June 2018 £'000	Year Ended 30 June 2017 £'000
Key management personnel compensation	<u>1,101</u>	<u>899</u>

Richmond The American International University in London, Inc
Notes to the Accounts
for the year ended 30 June 2018

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, there may be transactions that 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 in accordance with the University's Financial Regulations and usual procurement procedures. Any such transactions are disclosed in the related party note.

No Board member has received any remuneration/waived payments from the group during the year (2017 - none)

The total expenses paid to or on behalf of Board members was £8,908 for five board members (2017 - £3,955 - 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 2018		Year Ended 30 June 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
7 Interest and other finance costs				
Loan interest	36	14	43	20
Interest on pension scheme	20	20	32	32
	<u>56</u>	<u>34</u>	<u>75</u>	<u>52</u>

	Year Ended 30 June 2018		Year Ended 30 June 2017	
	Consolidated	University	Consolidated (Restated)	University (Restated)
	£'000	£'000	£'000	£'000
8 Analysis of total expenditure by activity				
Academic and related expenditure	11,947	11,876	13,968	13,940
Administration and central services	4,511	4,490	5,105	5,082
Premises (including service concession cost)	6,209	6,409	3,635	3,784
Residences, catering and conferences	3,131	3,131	2,488	2,488
	<u>25,798</u>	<u>25,906</u>	<u>25,196</u>	<u>25,294</u>

Administration and central services expenses include:

External auditors remuneration in respect of audit services	53	53	55	55
External auditors remuneration in respect of non-audit services	9	9	7	7
Operating lease rentals:				
Land and buildings	1,300	1,500	1,210	1,410
Equipment	60	60	145	145

Richmond The American International University in London, Inc
Notes to the Accounts
for the year ended 30 June 2018

9 Intangible assets

<i>Computer Software</i>	Consolidated £'000	University £'000
Cost		
At 1 July 2017	990	990
At 30 June 2018	990	990
Amortisation		
At 1 July 2017	985	985
Charge for the year	5	5
At 30 June 2018	990	990
Net book value		
At 30 June 2018	-	-
At 30 June 2017	5	5

10 Fixed Assets

Consolidated	Freehold Land and Buildings	Leasehold Improvements	Fixtures, Fittings and Equipment	Motor Vehicles	Library Books	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 July 2017	3,200	7,518	1,161	16	398	12,293
Additions	-	446	122	-	-	568
Disposals	-	(1,443)	(138)	(16)	(279)	(1,876)
At 30 June 2018	3,200	6,521	1,145	-	119	10,985
Depreciation						
At 1 July 2017	68	4,840	546	16	398	5,868
Charge for the year	22	571	200	-	-	792
Disposals	-	(1,443)	(138)	(16)	(279)	(1,876)
At 30 June 2018	90	3,968	608	-	119	4,784
Net book value						
At 30 June 2018	3,110	2,553	537	-	-	6,201
At 30 June 2017	3,132	2,678	615	-	-	6,425
University						
Cost						
At 1 July 2017	-	7,518	1,161	16	398	9,092
Additions	-	446	122	-	-	568
Disposals	-	(1,443)	(138)	(16)	(279)	(1,876)
At 30 June 2018	-	6,521	1,145	-	119	7,784
Depreciation						
At 1 July 2017	-	4,840	546	16	398	5,800
Charge for the year	-	571	200	-	-	770
Disposals	-	(1,443)	(138)	(16)	(279)	(1,876)
At 30 June 2018	-	3,968	608	-	119	4,694
Net book value						
At 30 June 2018	-	2,553	537	-	-	3,090
At 1 July 2017	-	2,678	615	-	-	3,293

The Market value of the land and building at 30 June 2014 was £3.2m and taken as deemed cost as per FRS102 transition arrangements.

Richmond The American International University in London, Inc
Notes to the Accounts
for the year ended 30 June 2018

11 Investments

	Year Ended 30 June 2018		Year Ended 30 June 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Stocks and shares	8,766	-	9,080	-
	<u>8,766</u>	<u>-</u>	<u>9,080</u>	<u>-</u>

12 Stock

	Year Ended 30 June 2018		Year Ended 30 June 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
General consumables	7	7	9	9
	<u>7</u>	<u>7</u>	<u>9</u>	<u>9</u>

13 Trade and other receivables

	Year Ended 30 June 2018		Year Ended 30 June 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	18	18	34	34
Other receivables	233	77	690	549
Prepayments and accrued income	543	593	553	604
Amounts due from group entities	-	1,080	-	900
	<u>794</u>	<u>1,768</u>	<u>1,277</u>	<u>2,087</u>

14 Creditors : amounts falling due within one year

	Year Ended 30 June 2018		Year Ended 30 June 2017	
	Consolidated	University	Consolidated (Restated)	University (Restated)
	£'000	£'000	£'000	£'000
Bank Loan	(1,326)	(1,148)	(176)	-
Trade payables	(160)	(160)	(109)	(285)
Social security and other taxation payable	(187)	(187)	(179)	(178)
Accruals and deferred income (Incl Holiday pay)	(5,096)	(5,051)	(4,750)	(4,572)
	<u>(6,769)</u>	<u>(6,546)</u>	<u>(5,214)</u>	<u>(5,035)</u>

Deferred income

Included within 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 2018		Year Ended 30 June 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Summer School Fees paid in advance	(536)	(491)	(425)	(425)
	<u>(536)</u>	<u>(491)</u>	<u>(425)</u>	<u>(425)</u>

Richmond, The American International University in London, Inc
Notes to the Accounts
for the year ended 30 June 2018

14 Creditors : amounts falling due after more than one year

	Year Ended 30 June 2018		Year Ended 30 June 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Secured loans	(1,628)	-	(1,626)	-
	<u>(1,628)</u>	<u>-</u>	<u>(1,626)</u>	<u>-</u>
Analysis of secured loans:				
Due within one year or on demand	(178)	-	(176)	-
Due between one and two years	(180)	-	(178)	-
Due between two and five years	(555)	-	(735)	-
Due in five years or more	(715)	-	(713)	-
Due after more than one year	(1,450)	-	(1,626)	-
	<u>(1,628)</u>	<u>-</u>	<u>(1,802)</u>	<u>-</u>
Total secured loans	(1,628)	-	(1,802)	-
Secured loans repayable by 2027	(1,628)	-	(1,802)	-
	<u>(1,628)</u>	<u>-</u>	<u>(1,802)</u>	<u>-</u>

Included in secured loans are the following:

Lender	Amount £'000	Term	Interest rate %	Borrower
AIB	(1,628)	2027	1.45%	Richmond Foundation

The loan is secured on the property at 23 Queens Road, Richmond.

15 Financial assets and liabilities

	Year Ended 30 June 2018		Year Ended 30 June 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Financial assets:				
Debt instruments measured at amortised cost	4,837	5,676	2,653	2,953
Investments held at fair value	8,766	-	9,080	-
Total	<u>13,603</u>	<u>5,676</u>	<u>11,733</u>	<u>2,953</u>
Financial liabilities:				
Measured at amortised cost	(8,316)	(6,510)	(3,852)	(5,474)
Total	<u>(8,316)</u>	<u>(6,510)</u>	<u>(3,852)</u>	<u>(5,474)</u>

Richmond, The American International University in London, Inc
Notes to the Accounts
for the year ended 30 June 2018

16 Provisions for liabilities

Consolidated	Obligation to fund deficit on USS Pension £'000	Total Pensions Provisions £'000
As at 1 July 2017	(1,097)	(1,097)
Utilised in year	147	147
At 30 June 2018	<u><u>(950)</u></u>	<u><u>(950)</u></u>
University	Obligation to fund deficit on USS Pension £'000	Total Pensions Provisions £'000
As at 1 July 2017	(1,097)	(1,097)
Utilised in year	147	147
As at 30 June 2018	<u><u>(950)</u></u>	<u><u>(950)</u></u>

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

Whilst various announcements as regards contribution levels have been made by the USS trustees, these are still subject to consultation and agreement. This includes the level of deficit contributions. Therefore as these are only proposals at the moment, and the interim arrangements to April 2020 do not contain any change to the deficit funding levels, the legal obligation to pay 18% employer contributions which includes 2.1% deficit contributions until 2031 (as set out in the existing Schedule of Contributions) still remains and this is the basis upon which the year end provision should be calculated.

Pension enhancement

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

	<u>Consolidated</u>	
Discount rate	2.16%	(2017 - 1.85%)
Inflation	<u>2.65% - 3.99%</u>	(2017 - 2.65 - 3.99%)

The inflation rate varies on a year by year basis. It is based on government's latest consumer prices index estimates.

USS deficit

The obligation to fund the past deficit on the Universities 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.

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17 Restricted Reserves

Reserves with restrictions are as follows:

	Consolidated		University	
	2018 Total £'000	2017 Total £'000	2018 Total £'000	2017 Total £'000
Balances at 1 July 2017	9,994	-	-	-
Donations	738	10,007	736	7
Expenditure	(219)	(13)	(170)	(7)
Total restricted comprehensive income for the year	519	9,994	566	-
As at 30 June 2018	<u>10,513</u>	<u>9,994</u>	<u>566</u>	<u>-</u>

	2018 Total £'000	2017 Total £'000
	Analysis of other restricted funds / donations by type of purpose:	
General	10,513	9,994
	<u>10,513</u>	<u>9,994</u>

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18 Lease obligations

Total rentals payable under operating leases:

University

	30 June 2018			30 June 2017		
	Land and Buildings £'000	Other leases £'000	Total £'000	Land and Buildings £'000	Other leases £'000	Total £'000
Future minimum lease payments due:						
Not later than 1 year	672	113	785	1,349	120	1,469
Later than 1 year and not later than 5 years	2,090	17	2,107	2,348	129	2,477
Later than 5 years	858	-	858	1,410	-	1,410
Total lease payments due	<u>3,620</u>	<u>130</u>	<u>3,750</u>	<u>5,107</u>	<u>249</u>	<u>5,356</u>

Total rentals payable under operating leases:

Consolidated

	30 June 2018			30 June 2017		
	Land and Buildings £'000	Other leases £'000	Total £'000	Land and Buildings £'000	Other leases £'000	Total £'000
Future minimum lease payments due:						
Not later than 1 year	472	113	585	1,149	120	1,269
Later than 1 year and not later than 5 years	1,290	17	1,307	1,548	129	1,677
Later than 5 years	41	-	41	410	-	410
Total lease payments due	<u>1,803</u>	<u>130</u>	<u>1,933</u>	<u>3,107</u>	<u>249</u>	<u>3,356</u>

19 Group Entities

The accounts have been consolidated with the following charitable organisation:

Name	The Richmond Foundation	
Charity Registration Number	288205	
	Year Ended 30 June 2018 £'000	Year Ended 30 June 2017 £'000
Opening funds	10,058	394
<i>Add:</i>		
Donation income	27	10,000
Other income	784	451
<i>Less:</i>		
Charitable expenditure	(1,555)	(787)
Closing funds	<u>9,314</u>	<u>10,058</u>

The Richmond Foundation is a registered charity that provides educational support services to the University. The reason for consolidation is that the Richmond Foundation is administered by or on behalf of the University and has been established for the special purposes for raising funds for the University. It has thus been consolidated in these financial statements, because it has been classified as a "Connected Charitable Institution".

The Foundation makes periodic donations to Richmond University. All the costs directly attributable to fund raising are borne by the University.

Richmond University leases a residential building acquired by the Foundation on a 20 year lease on commercial terms and at a rent of £200k per annum (2017 - £200k), that will enable the Foundation to repay the mortgage secured on the property.

Included within debtors is £1.08m (2017 - £900k) due from Richmond Foundation in respect of a donation.

Richmond The American International University in London, Inc

Notes to the Accounts

for the year ended 30 June 2018

20 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 June 2018 £'000	Year Ended 30 June 2017 £'000
USS	895	916
Other pension schemes	148	156
	<u>1,043</u>	<u>1,072</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. USS is 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 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 total income recorded to the profit and loss account is £147k (2017 - cost charged of £27k).

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

The 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; they are appointed by the University and College Union, of whom at least one must be a USS pensioner member, with a minimum of three and a maximum of five being 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 Retirement Income Builder section of the Scheme was at 31 March 2014. This was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The next triennial valuation of the scheme at 31 March 2017 is underway but not yet completed.

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20 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:

Pre-retirement: 71% of Permanent Assurances, Males, Combined ("AMC00", duration 0) for males and 112% of Permanent Assurances, Females, Combined ("AFC00", duration 0) for females.

Post-retirement: 96.5% of self-administered pension scheme (SAPS) Normal Health Pensioners, Male, Amounts ("S1NMA") "light" for males and 101.3% of Retirement Annuitants, Females, Vested ("RFV00") for females.

Future improvements to mortality: Continuous Mortality Investigation Mortality Projections Model ("CMI_2016") with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

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 assumptions concerning life expectancy on retirement at age 65 as follows:

Life expectancy for a male aged 65 now	24.5
Life expectancy at 65 for a male aged 45 now	26.5
Life expectancy for a female aged 65 now	26.0
Life expectancy at 65 for a female aged 45 now	27.8

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.

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

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

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 2017 is estimated to be £8.4 billion, equivalent to a funding level of 88%. 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 significant 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.

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Notes to the Accounts

for the year ended 30 June 2018

20 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 18% of salaries. This was increased in November 2016 from 16%.

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

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 8.00% (2017 - 8% pa) and 6.5% (2017 - 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%.

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Notes to the Accounts

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20 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 (until October 2016) and the trustee company, on the advice of the actuary. It was increased to 18% in November 2016. The previous increase in the University contribution rate salaries was 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 77%, as at 31 March 2017 to 88%. 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 risks 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.

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 £1m (2017 £1.1m). The contribution rate payable by the University at 30 June 2018 was 18% of pensionable salaries.

Richmond The American International University in London, Inc

Notes to the Accounts

for the year ended 30 June 2018

20 Pension Schemes (continued)

In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.16% as at 31 July 2018, are included in note 16 to the financial statements.

The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £950k (assuming the same discount rate of 2.16%):

If the deficit contribution rate increases by 1%, the liability will increase by £453k.

If the deficit contribution rate increases by 3.9%, the liability will increase by £1.765m.

If the deficit recovery period increases by 3 years, the liability will increase by £253k.

If the deficit recovery period increases by 6 years, the liability will increase by £516k.

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Notes to the Accounts

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21 Related Party Transactions

The University had the following transactions with the American Institute For Foreign Study, Inc. (AIFS) a connected party in the year. AIFS is controlled by The Cyril Taylor Charitable Foundation, which oversees the restricted endowment fund that is considered significant and material to the financial sustainability of the University.

	2018 £'000	2017 £'000
Amounts Paid to AIFS Inc.	812	1,305
Amounts received from AIFS Inc.	3,369	2,615

At the year end, £5K is owed by the university to AIFS (2017: £32k owed by AIFS to the university). One Trustees of Richmond University is an officers of AIFS. Any debts between the entities are unsecured and there are no unusual terms or conditions applicable

The Richmond Foundation is a connected UK registered charity of the University. The Foundation makes periodic donations to the University. During the year these donations amounted to £1.46m (2017: £1m). The University paid £200k (2017: £200k) rent to The Foundation during the year. Included within debtors is £1.08m owed to the University (2017: £900k 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 owned by The Richmond Foundation provides educational support services for the University. £1,635 balance was owing to the University at the end of the year (2017: £1,635 owed to the University).

22 Events after the end of the reporting period

Pension Schemes

Following an update from Universities UK, it is highly unlikely that there will be any decision around the level of deficit contributions before the end of 2018. This is because consultation around the level of deficit contributions is not time-tabled in until December 2018. It is acknowledged that this is an ever-changing picture and therefore the narrative around the level of deficit in both financial statements notes and strategic report may need refreshing over the Autumn prior to finalising the financial statements. However, neither an adjusting post balance sheet event nor a non-adjusting post balance sheet event are anticipated in view of the fact that the deficit contributions will not be finalised before the end of 2018.

The back-stop date is February 2019 when USS is required to make a submission to the Pensions Regulator with details of the contributions they will be implementing. This is likely to be the time when the level of the USS deficit will need to be recalculated, thereby impacting the University's results for 2018/19.

23 Capital commitments

As at 30 June 2018 the University had committed to further capital expenditure of £249,848 (2017 - £nil).

24 VAT provision - prior year adjustment

The accounts for the year ended 30 June 2017 have been restated to include the University's VAT liability for financial years 2011-12 through 2016-17 as a review has confirmed that the University should have been VAT registered for that period. The total liability for those periods has been calculated as £232k which is considered material and has been accounted for as a prior period adjustment (£18k in relation to year ended 30 June 2017 and £214k in relation to periods ending up to 30 June 2016).

The effect on the Statement of Other Comprehensive Income is an increase in Other operating expenses of £18k for the year ended 31 July 2017 (from £15,380k to £15,398k for the group; from £15,525k to £15,543k for the University) and an equivalent decrease in the total comprehensive income for that period (from £10,502k to £10,484k for the group; from £839k to £821k for the University). The effect on the Balance Sheets is an increase in creditors: amounts falling due within one year of £232k as at 31 July 2017 (from £4,982k to £5,214k for the group; from £4,802k to £5,035k for the University) and an equivalent decrease in net assets as at that date (from £11,020k to £10,788k for the group; from £964k to £731k for the University). The effect on reserves is a decrease in unrestricted reserves of £232k as at July 31 2017 (from £692k to £460k for the group; from £964k to £731k for the University) and an equivalent decrease in total reserves as at that date (from £11,020k to £10,788k for the group; from £964k to £731k for the University).