

Imperial College
London

ANNUAL REPORT
AND ACCOUNTS

2015-16

IMPERIAL AT A GLANCE

FINANCE HIGHLIGHTS



£96m

Cash from operations, up 9% from 2014-15



£126m

Value of the College's endowed assets



40%

Increase in amount raised through regular giving compared to 2014-15

EXCELLENCE IN RESEARCH



£351m

Total income from research grants and contracts



6

Global institutes, focused inter-disciplinary research to address society's great challenges



91%

Research classified as world-leading or internationally excellent in the latest Research Excellence Framework

EXCELLENCE IN EDUCATION



16,882

Total number of students



7.2:1

Undergraduate applications: admissions ratio for 2015 entry



34.5%

Percentage of students at Imperial from overseas

EXCELLENCE IN PARTNERSHIP



£54m

Research income from industry and commerce



111

Number of countries in which Imperial collaborators are located



350+

More than 350 active corporate partners

On the cover: Josephine Latreille, a MEng Design Engineering student, at work in the Dyson School of Design Engineering. Josephine is building a rubber band-powered car, part of the curriculum for the IDEAs Lab inductions. She is part of the first cohort of MEng Design Engineering students at the School.

Imperial College London's mission is to achieve enduring excellence in research and education in science, engineering, medicine and business for the benefit of society.

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We will embed our educational experience in a vibrant, research-led, entrepreneurial environment

IMPERIAL COLLEGE LONDON STRATEGY 2015-20

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Professor Henrique Araujo of the Department of Physics, supervising Adrian Bayer, a student undertaking an Undergraduate Research Opportunity Placement, in the Dark Matter Reactor.

A photograph of a scientist in a white lab coat, hairnet, and glasses working in a laboratory. The scientist is positioned on the left side of the frame, looking towards the right. The laboratory environment is filled with complex machinery, including a large stainless steel cylindrical vessel in the center, various pipes, and a robotic arm with a purple sleeve on the right. In the foreground, there are several petri dishes and other laboratory equipment, some covered with aluminum foil. The background shows a glass-enclosed laboratory space with metal frames. A dark blue semi-transparent rectangular box is overlaid on the right side of the image, containing the text 'IMPERIAL IN 2015-16' in white and red. A thin red horizontal line is positioned below the text.

IMPERIAL
IN 2015-16

PRESIDENT'S WELCOME



**PROFESSOR
ALICE P. GAST**

PRESIDENT OF
IMPERIAL COLLEGE
LONDON

On 18 October this year in my annual letter to staff, students and partners, I started by noting that: “Imperial has had an excellent year in many respects. We have celebrated accolades and awards, have built new partnerships and have sent off accomplished graduates while welcoming brilliant new students. We are truly a great institution and it is exciting and energising to work here.”

Great institutions find ways to adjust to and influence the times. This is exactly what Imperial has done for over a century, maintaining its forward-looking view and becoming a positive force in addressing the challenges of the day.

Our progress in 2015-16 provides further evidence of this excellence and influence as well as the crucial role of our people and partners.

Our excellence is demonstrated by the exciting pipeline of research with our staff and students working with collaborators in 111 countries, tackling some of the world's biggest challenges. For example:

- Professor Gavin Sreaton and Dr Juthathip Mongkolsapaya's work with collaborators in France and Thailand showed how the recent explosive outbreak of Zika may have been amplified in part by previous exposure to the dengue virus;
- Professor Mike Levin, Professor of International Child Health, is leading PERFORM, a five-year £14 million project funded by the EU, to develop a rapid test to quickly identify bacterial infection in children;
- The Target Malaria programme in our Department of Life Sciences has the continued support of the Bill and Melinda Gates Foundation. A team of researchers led by Professor Andrea Crisanti has used a technology called 'gene drive' to genetically modify female malarial mosquitos so that they become infertile and pass on the trait rapidly – raising the possibility of reducing the spread of disease.

In June 2016, it was very gratifying to have this excellence recognised when Her Majesty the Queen bestowed a Regius Professorship in Infectious Disease upon Imperial. The first holder of this title is Professor David Holden of the Department of Medicine.

Our influence also spreads nationally and globally. This year we have welcomed UK political leaders to campus including the Chancellor, Shadow Chancellor, Defence Secretary and local MPs and Council leaders.

Internationally it was an honour to welcome President Xi Jinping of the People's Republic of China to Imperial during his October 2015 State Visit to the United Kingdom. His visit to Imperial was widely reported in the Chinese media, prompting an increase in enquiries about collaboration from Chinese universities and industry, as well as an increase in applications from Chinese students. I am proud that academics from our Grantham Institute were engaged in the Paris UN Climate Conference (COP21) negotiations and our leading synthetic biologists, materials scientists and imaging scientists were key presenters at the World Economic Forum in Davos in January 2016.

During the summer I was delighted to help celebrate the key role our support staff provide to Imperial's success at our annual garden party where we thanked them for all their hard work. I am pleased that this year we have been able to increase the support we provide to all our employees through the new Staff Supporters Scheme, an impartial and confidential staff information service, and by providing expert immigration advice for those potentially affected by the outcome of the EU Referendum. I am also delighted that we have successfully renewed our institutional Athena SWAN silver award, as this promotes the kind of inclusive and welcoming environment to which we aspire.

Imperial has many great teachers and an outstanding research-led curriculum with tremendous depth and excellence. The growing success of our student entrepreneurs says a lot about our pedagogy. The generous funding that we provide for bursaries helps ensure that academic excellence remains the criterion for accessing an Imperial Education, not financial means; around 30% of our undergraduates received means tested bursaries last year and we believe our scheme is one of the most generous in the sector. We opened a new 600 bed undergraduate hall near to our White City campus last year. We enjoy very positive relationships with our Students Union and worked with them last year on setting rent levels for our halls and agreeing a new rent guarantor scheme.

Throughout the year our expanded alumni programme has taken me to events in the UK, France, the USA, Saudi Arabia, China, Australia and India. Rising levels of alumni giving (3.3% of our alumni gave to the College in the last financial year) shows that we are building engagement.

World-class research and education relies on great partners. The completion of the Francis Crick Institute is a major milestone and will strengthen our collaborative relationships and capabilities in the biosciences. We formalised our relationship with one of our closest collaborators through

the Cancer Research Centre of Excellence with the Institute of Cancer Research. We have also enhanced our ability to translate medical research to the patient by expanding the membership of our Academic Health Science Centre to include the Royal Marsden NHS Foundation Trust and the Royal Brompton & Harefield NHS Foundation Trust. We have expanded relationships with corporate collaborators such as Nestlé, with an exciting programme on nutrition and health.

Our societal engagement has gained momentum with partnerships with schools and the local community. The refurbishment of Stadium House in White City is underway to create a space for entrepreneurship and outreach activities.

This report shows our performance in the last financial year and describes our key investments and the new opportunities they will enable.

I am excited by the opportunities on the horizon in multidisciplinary research and education.

We are operating in a time of change. Our history demonstrates our ability to react to and prosper from opportunities that will emerge. We remain committed to excellence in research and education. I know that we will continue to benefit society.

Professor Alice P. Gast
President of Imperial College London



During the visit of President Xi Jinping of China in October 2015, President Alice Gast signed an agreement with the China Scholarship Council to establish a Joint Programme for Innovative Talent Training, which will fund Visiting Scholars and Masters students to come to Imperial, and PhD students to visit Chinese universities during their studies at Imperial.



“

We will strengthen collaboration with business, academia and non-profit, healthcare and government institutions across the globe

IMPERIAL COLLEGE LONDON STRATEGY 2015-20

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A researcher using the Anti Vehicle Underbelly Blast Injury Simulator in the Royal British Legion Centre for Blast Injury Studies at Imperial. The simulator studies the behaviour of the human skeleton under high impulse loading, such as roadside bombs.

Mars Safety Class 2

FINANCIAL REVIEW

FIVE-YEAR SUMMARY OF KEY STATISTICS

	FRS 102		UK GAAP			
	2016 £m	2015 £m	2015 £m	2014 £m	2013 £m	2012 £m
Income and expenditure						
Tuition fees and education contracts	244	223	223	197	186	163
Funding Council grants	154	159	155	161	169	172
Research grants and contracts	351	436	428	351	330	314
Other income	177	136	154	138	124	108
Investment income	9	9	9	8	13	8
Donations and endowments	33	36	-	-	-	-
Total income	968	999	969	855	822	765
Total expenditure	901	856	835	794	755	702
Surplus before other gains and share of results of JVs and associates	67	143	134	61	67	63
Gain on deemed disposal of interest in an associate / investment properties	4	-	14	-	-	-
Gain / (loss) on investments and disposals of non-current assets	17	21	-	-	-	-
Share of results in joint ventures and associates	(10)	(4)	(9)	(1)	(2)	(3)
Taxation	-	(13)	(13)	-	-	-
Surplus before exceptional items	78	147	126	60	65	60
Surplus for the year	78	147	130	86	87	61
Balance sheet						
Non-current assets	1,840	1,707	1,600	1,324	1,145	1,030
Endowment assets	-	-	114	98	97	79
Net current (liabilities)/assets	(28)	14	(25)	(53)	43	64
Long term creditors and provisions	(397)	(384)	(325)	(271)	(283)	(265)
Net assets	1,415	1,336	1,364	1,098	1,002	908
Capital expenditure						
Externally funded	29	74	74	28	20	30
Internally funded	157	162	162	178	86	47
Finance leases	-	-	-	-	18	75
Total in-year capital expenditure additions	186	236	236	206	124	152
HEFCE capital grant received	26	22	22	30	14	14
Liquidity						
Cash, cash equivalents and current asset investments	193	239	239	275	317	331
Bank loans	(207)	(212)	(212)	(148)	(154)	(160)
Finance leases	(91)	(92)	(92)	(93)	(93)	(75)
Net funds	(105)	(65)	(65)	34	70	96
Student numbers (headcount)						
Full-time students – undergraduates (UG)	9,320	9,054	9,054	8,931	8,834	9,080
Full-time students – postgraduates (PG)	6,414	6,236	6,236	5,804	5,580	5,262
Visiting students / other	1,148	1,057	1,057	1,196	1,209	1,229
Total	16,882	16,347	16,347	15,931	15,623	15,571
Average number of full-time equivalent staff	7,626	7,516	7,516	7,240	6,731	6,648
Staff costs as a percentage of expenditure	54%	55%	54%	53%	52%	53%

Years 2016 and 2015 have been presented under FRS 102. All prior years are reported under old UK GAAP (Note 28).

FINANCIAL REVIEW

These financial statements show the College making good progress in strengthening and diversifying its revenues, a key element of our 2015 – 2020 strategy: revenues continue to grow faster than inflation; more than a fifth of overall income last year derived from sources other than teaching and research; 15.3% of income from research grants and contracts now comes from industry. The overall surplus of £78.4 million represents a margin on income of 8.1%, with cash from operations of £96.2 million equivalent to a margin of 9.9%.



MR MUIR SANDERSON
CHIEF FINANCIAL OFFICER

These results also show the importance of staying the course. Support from government continues to reduce: our research funding from Higher Education Funding Council for England (HEFCE) (QR) dropped last year despite our being ranked top for research quality and impact in the government’s most recent research excellence assessment (REF); HEFCE’s teaching grant now makes up less than 13% of our teaching income. The College and its staff have had to absorb higher costs of funding deficit recovery plans in pension schemes; as interest rates remain suppressed there is a prospect these costs could rise further. The growing global competition for the best staff and students reinforces the point that we have to continue investing in our facilities and infrastructure.

The College’s financial position remains strong. We want to ensure we continue to have the flexibility to invest in research and education opportunities as they emerge, irrespective of the external environment. We believe diversification is key to this, we were right to start down this path and we will keep going.

Income

Total income grew by 3.1% (£30.7 million) year-on-year in 2015-16 to £968.4 million after stripping out the one-off impact of the Research and Development Expenditure Credit (RDEC) in the previous year’s results.

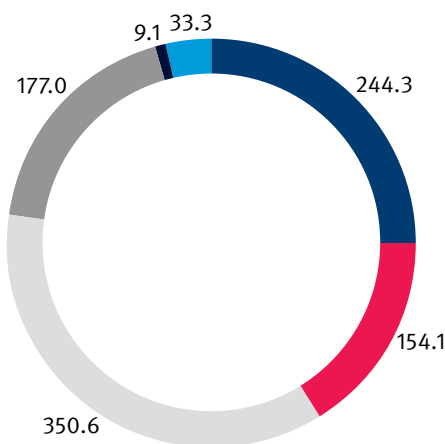
Education

Total student headcount numbers grew 3.3% year-on-year to 16,882, 15,739 on a full-time equivalent basis (FTE) after adjusting for part-time students. Student numbers increased across all Faculties within the College.

Growth in student numbers last year was mostly at the postgraduate rather than undergraduate level, in line with the trend of the last four years.

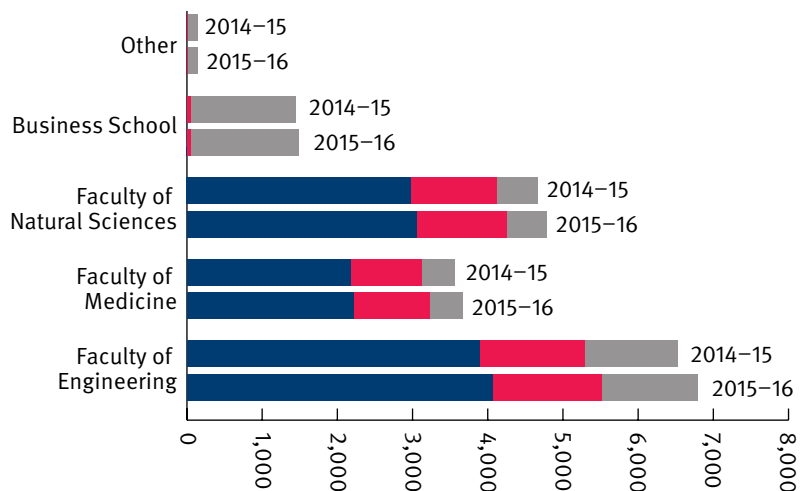
Overseas students now make up 34.5% of the student number but contribute 56.0% of the total student fee income, making a very significant contribution to the College’s overall financial sustainability.

2015-16 income by source (£ million)



- Tuition fees and education contracts
- Funding Council grants
- Research grants and contracts
- Other income
- Investment income
- Donations and endowments

Student headcount by area, by type



- Undergraduate (UG)
- Postgraduate research (PGR)
- Postgraduate taught (PGT)

Our overseas student population is highly diversified, with students from over 100 countries studying at the College. Chinese students are the largest overseas group and demand for places from there continues to grow with applications up over 20% year-on-year.

Tuition fee income was up 9.4% (£20.9 million) on the previous year. The increase in student numbers accounted for around half of this. The additional tuition fee income from a further cohort of “new regime” students (i.e. those paying the higher level of £9,000 tuition fees introduced in 2012) was partially offset by a £2.0 million reduction in HEFCE’s teaching grant and a higher amount being directed into student bursaries. Almost half of the total additional fee income that the College receives above the level of the basic fee cap (£6,000) is reinvested in Imperial bursaries which reached around 1,850 undergraduates in 2015-16.

Along with the reduction in the core teaching grant, the cessation of the funding for the postgraduate support scheme pilot (£1.5 million) and the end of the National Scholarship Programme (£0.2 million) resulted in an overall reduction of education related grant funding of £3.7 million compared to the prior year.

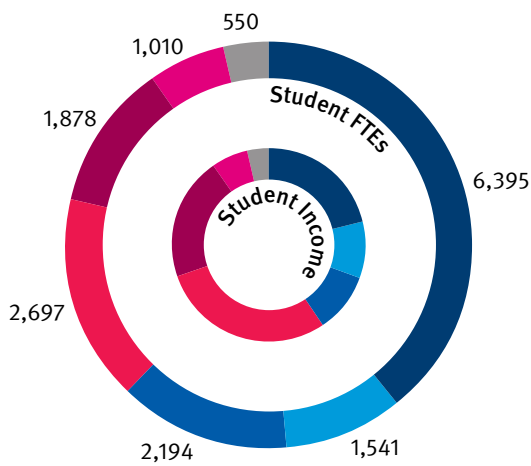
Our courses remain in high demand, with record numbers applying for entry in 2015-16. Undergraduate applications were up 9.5% and postgraduate applications were up 12.6%. Growth in the latter was almost entirely non-UK based, whereas UK applications were up 3.1% for undergraduates.

Research

Even allowing for the cessation of RDEC, the volume recorded on research grants and contracts fell last year, reversing the trend of steady growth seen for a number of years. A few large one-off capital items in the previous year have driven this, including £12.0 million from the Dyson Foundation. Research grants and contracts accounted for 36.2% of total income last year.

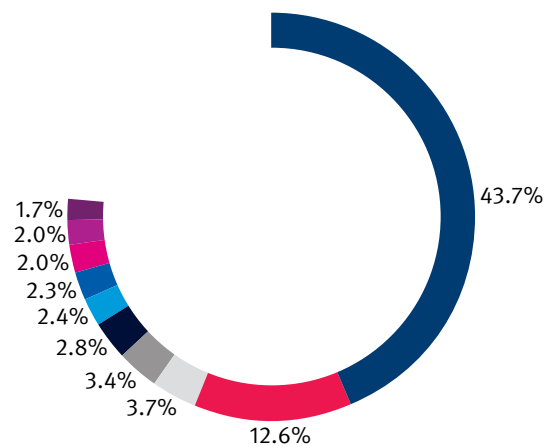
In addition to the income from research grants and contracts, the College received £94.2 million of research grant (QR) funding from HEFCE (£4.6 million down on the previous year), £22.7 million of Research Training Support Grants from the Research Councils (up £0.5 million) and £8.8 million of research donations. Just over the half the total of this research related income was derived from UK government sources.

2015-16 Student FTEs and student income



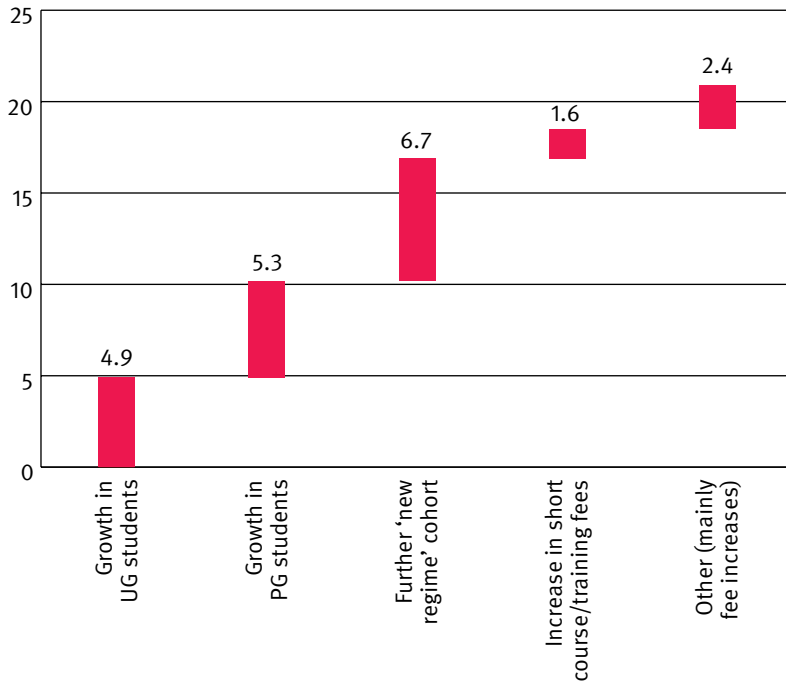
- Overseas**
Income £136.4m
- UG
- PGT
- PGR
- Home/EU**
Income £99.4m
- UG
- PGT
- PGR
- Other (Short courses etc)**
Income £8.4m

2015-16 Student headcount by nationality (top 10)

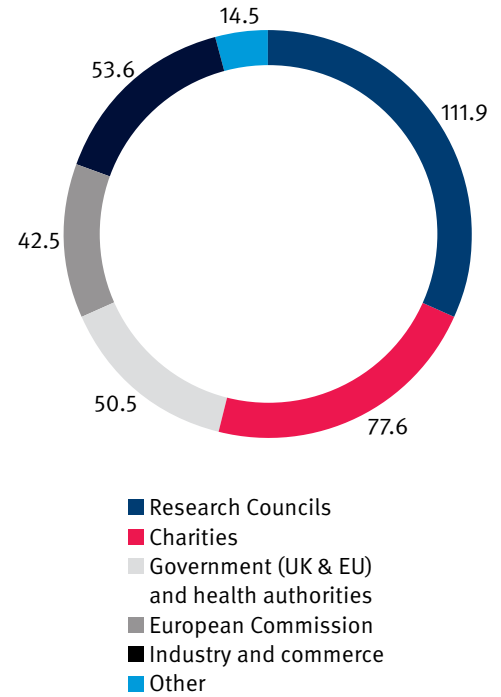


- United Kingdom
- China
- France
- Malaysia
- Italy
- Singapore
- Germany
- Spain
- Greece
- Hong Kong
- Other

Drivers of growth in tuition fee income in 2015-16 (£ million)

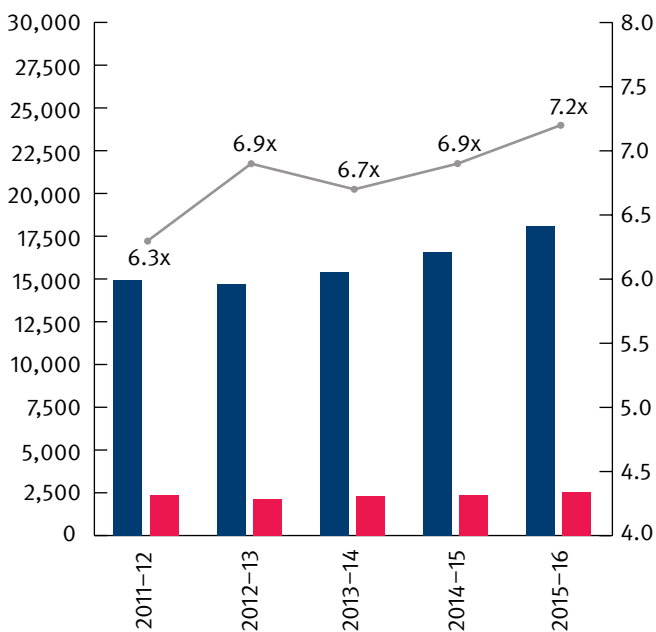


2015-16 Sources of Research Grant Income (£ million)

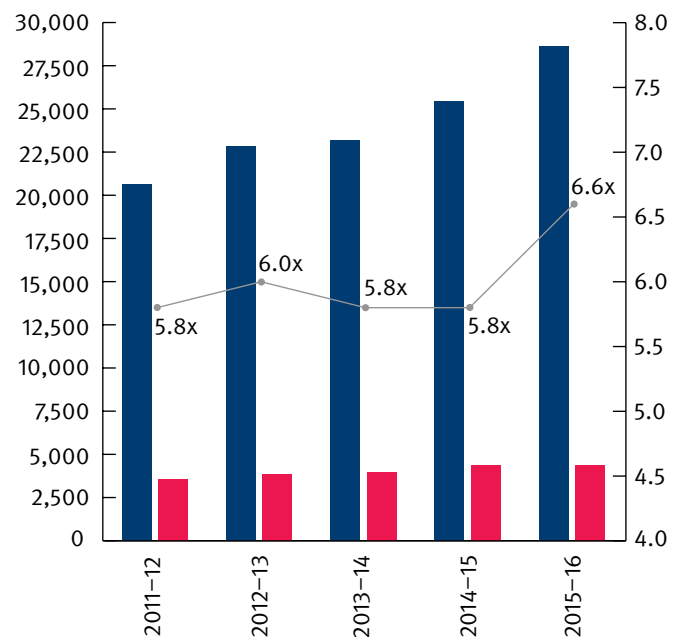


Ratio of applications to enrolled student numbers

Undergraduate



Postgraduate



■ Total Applications ■ Enrolled ● Applications to enrolled

Other

Nearly a fifth of the College’s reported income last year derived from sources other than teaching and research, not including income from donations and endowments. This was up from 14.5% the year before and represents a jump of £41.1 million. The majority of this increase was due to a one-off payment for £22.9 million that the College became entitled to when a third party sold a building on land it had leased from the College at White City, reflecting the growing appeal of the White City area to developers. Income from student residences increased with the opening of a new undergraduate hall at the start of the academic year, although there was also a corresponding increase in expenditure. The review of all our contracts in preparation for the introduction of the FRS 102 accounting standard in 2015-16 resulted in a reclassification of £7.7 million of income from research to other external activity on agreements we have with hospital authorities.

Donations and endowments of £33.3 million were down £2.5 million on the previous year as the value of new endowments received fell. The participation rate of alumni contributing to funds increased to 3.3% last year. The number of donors has increased steadily over the last five years and the amount raised through regular giving last year was around 40% up on the prior year.

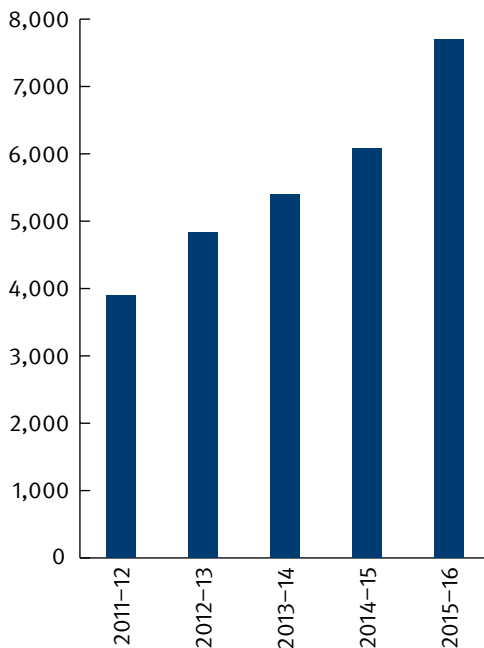
Expenditure

Total expenditure grew by 5.3% in 2015-16 compared to the previous year.

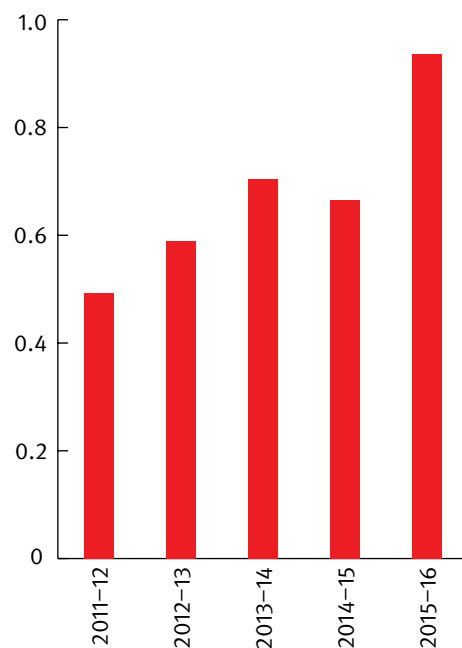
Staff costs represent the largest item of expenditure, with the total of £486.8 million in 2015-16 representing 50.3% of income and 54.0% of expenditure. Pensions represent a significant, and growing, component of these costs. Staff are eligible to join either the Universities Superannuation Scheme (USS), Superannuation Arrangements of the University of London (SAUL) or the NHS Pension Scheme. In line with the new FRS 102 accounting standard, the reported cost now includes a provision in respect of the recovery plans related to any pension deficits. A recovery plan was agreed for SAUL last year and incorporated in the financial statements for the first time. The provision for USS was revised upwards in 2015-16 following a further drop in bond yields and a revision to the assumed salary costs. These two adjustments accounted for £23.7 million of the increase in staff cost in 2015-16, and this was in addition to the £28.7 million that had already been provided for USS in the prior year.

Stripping out the impact of these provisions, the underlying growth in reported staff costs year-on-year was 3.5%, with staff FTE numbers growing 1.5%. Academic numbers were slightly down, with the increases coming in professional and technical services numbers. The largest increase was in the

Number of donors



Funds secured through regular giving programme (£ million)



Advancement team which we are expanding in order to help realise the College’s ambition of diversifying revenue streams through philanthropic fund raising. The Estates team grew but the cost of this was offset by a reduction in the costs paid to an external supplier with work transferring in-house. Other increases were in ICT and Registry as the College embarks on the implementation of a new student information system, one of the ways in which it is working to enhance the student experience. We also added to the Human Resources team to help deliver our strategic aim of building a supportive, inclusive and highly motivated staff community.

Although other operating expenses appeared to grow by £20.6 million (6.6%), the prior year had included a reduction of £8.7 million in the provision relating to the decommissioning of the specialist engineering facility after it became apparent this project could be concluded in less time and at lower cost.

Capital programme

The College invested £186.1 million overall in 2015-16 on developing its estate, £50.3 million less than the previous year. Within this total, the value of

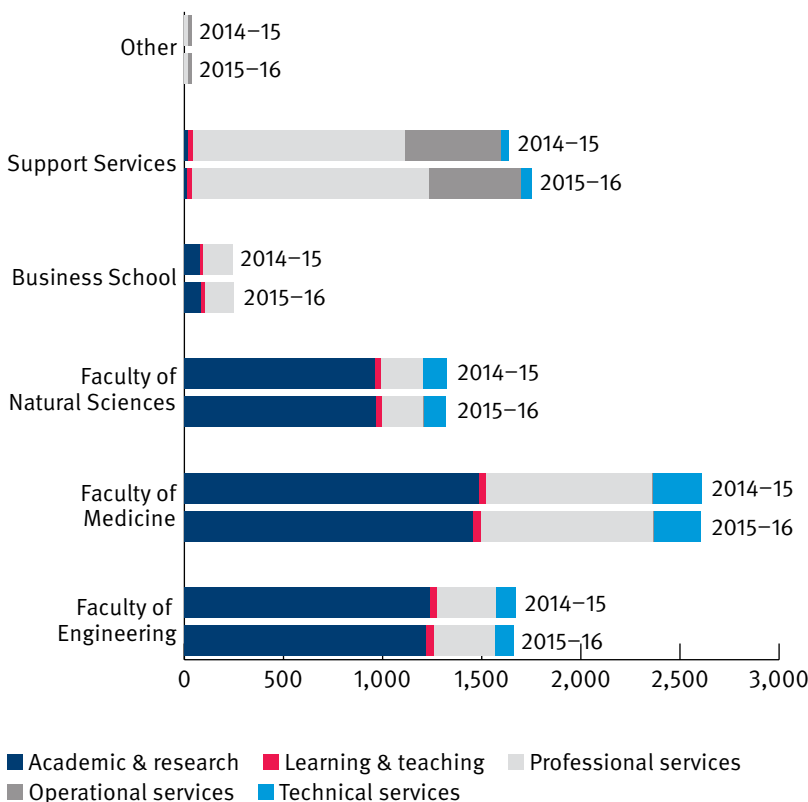
internally generated resources invested was down just £5.0 million compared to the previous year, bringing the level of College funded investment over the last three years close to £500 million.

The major capital projects reflect the priorities within the College’s strategy:

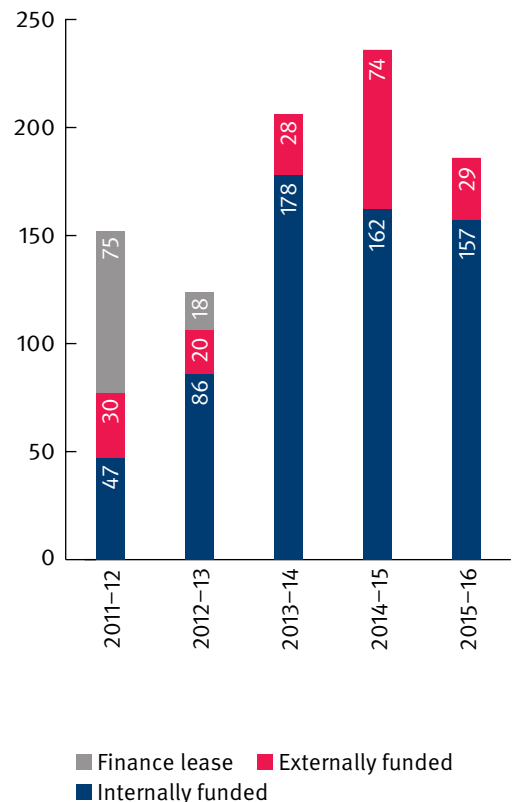
We will maintain world-class academic disciplines; we will encourage multidisciplinary research. The new Molecular Sciences Building at White City when it opens in 2017-18 will see our Chemistry research activity become our first academic discipline to operate from our new campus. The new facilities will help us to work together to meet grand challenges in catalysis, environmental and green chemistry, materials, molecular design, energy, chemical and synthetic biology and healthcare.

The multi-year refurbishment of the Aeronautical and Mechanical Engineering building at South Kensington has entered its final phase. The project delivers a complete renewal of the infrastructure of the City and Guilds Building at South Kensington, with the final phase refurbishing major teaching spaces that are shared across Aeronautics, Civil Engineering and Mechanical Engineering –

Staff FTEs by area, by type



Capital expenditure (£ million)



creating an additional 160-seat lecture theatre, undergraduate and postgraduate student cohort space and other new facilities including wind tunnels, a flight simulator and an aerial robotics lab.

We will enrich the student experience

The College opened a new 600 bed undergraduate hall of residence in Acton, close to the White City campus. The Students Union worked with management to help determine the most appropriate allocation of rents across the portfolio of accommodation in order to meet the level of cost recovery required.

We will strengthen and diversify our revenues

Work started on a residential tower on a corner of the White City campus. When completed, up to a third of the accommodation will be available for College staff, recognising the challenge of finding affordable accommodation in London; the remainder will be available on commercial terms.

The projects described above are multi-year investments and all apart from the undergraduate hall will feature heavily again in the capital programme for 2016-17.

The College's fixed assets are held at historic cost less depreciation and these were not revalued upon adoption of FRS 102. Certain property assets are held for their investment returns and are recognised as investment properties, and incorporated in the statement of financial position at market value (worth £116.6 million at year-end).

Investments

The College's Endowment Board oversees the management of the College's investment assets, being those assets identified as not being essential to the core academic mission, alongside its endowed assets. The managed assets are subdivided into three asset classes:

Unitised Scheme: a unit trust vehicle for the College to invest endowment funds and unfettered income that it has received for the long term.

Investment property: a portfolio containing approximately 120 properties; and

Strategic Asset Investments: a portfolio containing the College's shareholding in Imperial Innovations and other restricted equity holdings.

The overall market value of the portfolio increased by 2.5% over the year to £527.5 million at 31 July 2016.

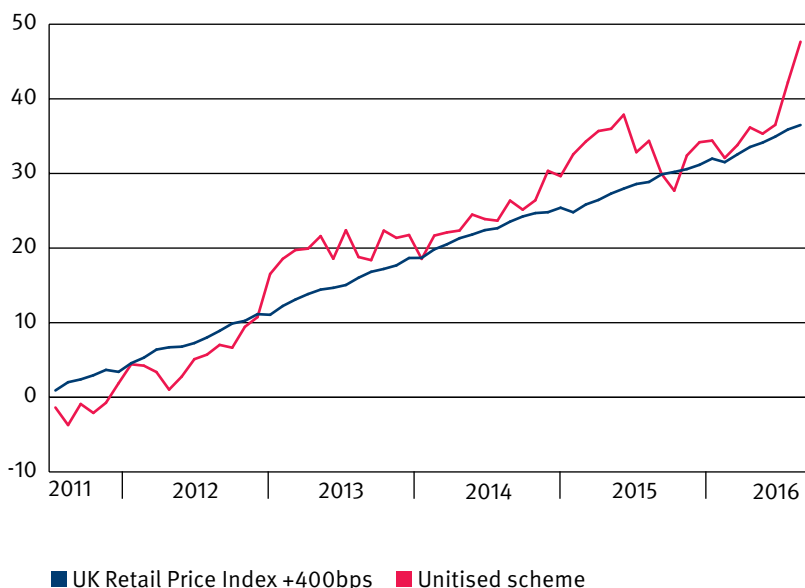
The Unitised Scheme market value increased by 16.6% over the financial year to £220.2 million, comprising endowed funds of £103.9 million and unfettered funds of £116.7 million at the year end. This increase was driven by a performance return for the year of 9.9% (£21.1 million) and a net inflow of funds of £10.1 million. Distributions of £8.1 million were made during the year to support the academic mission. The Unitised Scheme has delivered a return of 47.7% against its benchmark target (RPI + 4%) of 36.3% over the rolling five year period ended 31 July 2016.

The market value of the investment property portfolio as at 31 July 2016 was £116.6 million. During the year the portfolio realised £16.1 million through asset sales, including £10.1 million from asset sales at the former Wye College campus in Kent; this £10.1 million was reinvested in the Unitised Scheme.

The Strategic Asset Investment portfolio reduced in value by 11.9% (£16.3 million) over the year driven by the reduction in the Imperial Innovations share price from 485 to 425 pence per share. In February 2016, Imperial Innovations successfully raised £100 million through the placing of new shares. The College did not participate and so its shareholding in Imperial Innovations was diluted from 20.1% to 17.1%. The College continues to account for its holding in Imperial Innovations as an associate at a value of £78.0 million, recognising a deemed profit on its dilution of £4.4 million.

During the year the final £6.1 million instalment of the College's £40.0 million investment in the Francis Crick Institute was made. Imperial is one of the three universities that are founding members in this exciting new centre for biomedical research and innovation in London, each with a 5% interest.

Rolling 5 year performance of the Unitised Scheme (%)



Cash and debt

Cash levels declined during the year as the College continued to invest in its capital programme. The total of cash and cash equivalents at the end of the year stood at £180.0 million, down from £209.4 million at the end of the previous year. This drop contributed to the College moving from a net current asset to a net current liability position. This largely reflects the efficiency of our working capital management, with much of the research work that is undertaken being pre-financed; at the end of the year the value of research payments received in advance of work being undertaken stood at £199.3 million.

The cash generated from operations of £96.2 million was £7.6 million up on the previous year.

The balance outstanding on loans and the finance lease fell to £297.7 million in line with the amortisation schedule. Including the cash placed on long-term deposit of £12.8 million, the net funding position at the end of the year was a deficit of £104.9 million.

We have secured £200 million of additional borrowing via a private placement after the end of the year and will also be drawing down in 2016-17 the remaining £70 million of the EIB facility entered into two years ago. We are prepared to raise debt to fund the non-academic assets that are part of our diversification strategy, however it is not our strategy to borrow in order to fund the development of new academic buildings as we feel the cost of these needs to be met from our own internally generated resources. We hold sufficient collateral

in the form of non-academic assets and cash to more than cover our outstanding debt and aim to generate sufficient cash from non-academic sources to both fully cover our interest payments each year and repay all debt over time.

Risks

The level of risk facing the College continues to rise. The recent decision over Brexit adds to this although it is too early to determine the impact this will have; our focus is on providing ideas to government to try and mitigate the downsides. Any changes that might impact immigration policy are always a concern, not just in the technicalities but in the possible message they send. We believe keeping our focus on excellence and maintaining our world-leading reputation will allow us to continue to attract the best from around the world.

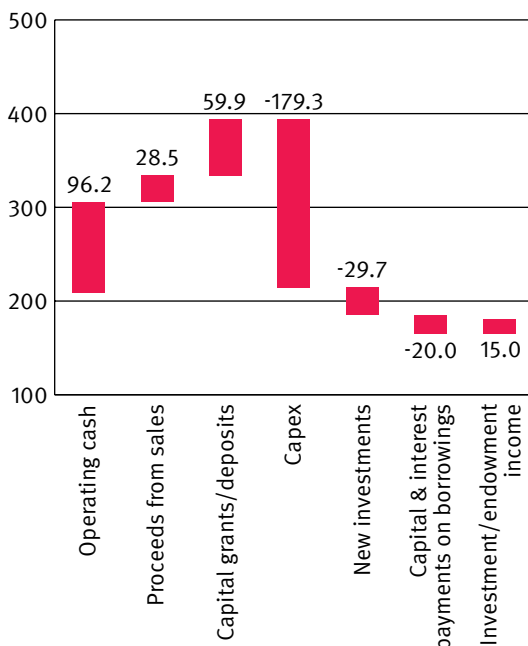
Key risks within the College's risk register, and their mitigating controls, include:

- Lack of funding to support the level of capital investment needed in the College's estate in order to ensure we maintain our high ranking position. This is mitigated by maintaining a Capital Plan to monitor short and medium term requirements whilst master planning informs long term estate requirements;
- Increased competition from around the world for the very best students that we aim to attract. This is managed by raising the profile of the College internationally;
- Inability to diversify our research base further by attracting more funding from industry, healthcare and non-profit institutions. A target of research funding from industry has been set and a strategy to achieve the target developed;
- Inability to deliver the scale of improvement we aspire to in the effectiveness and efficiency of our internal processes. This is mitigated by the Operational Excellence programme and its governance.

Additional controls for these risks are being developed.

We remain exposed to various other risks, for example changes to government funding policy, restructuring within the NHS, legislative changes and an inability to attract and retain staff of the appropriate calibre. For these, we have already implemented controls that we feel do as much as is practical at this stage to mitigate the risks.

Cash movements in 2015-16 (£ million)



Mr Muir Sanderson
Chief Financial Officer

THE FUTURE



“We will act courageously and innovatively when pursuing new opportunities. We need to take academic and financial risks to sustain excellence in research and education”

IMPERIAL COLLEGE LONDON: STRATEGY 2015–2020

“The future cannot be predicted, but futures can be invented”

IMPERIAL PROFESSOR DENNIS GABOR, NOBEL LAUREATE, INVENTOR OF HOLOGRAPHY

Higher education in the UK has travelled a long way in the last decade: growing rapidly, becoming more international, relying less on the taxpayer. Imperial College London has been at the front of these changes. As the risk discussion mentions, the recent Brexit decision may lead to turbulence and adjustments as our country tackles the need to both trade openly and control its borders. However we do not expect this to change the overall direction of travel for research-intensive, world-class universities. We therefore expect to keep growing student numbers, investing in excellence and diversifying and strengthening revenues

We plan to grow our student numbers at least as fast or slightly faster as the average 6%, annualised rate of the previous four years. Whereas recent growth has been at postgraduate level, following investment in teaching facilities we intend to start slowly increasing undergraduate intake again. Growth will be carefully managed to ensure it is not

having any adverse impact on the quality of the student experience.

Starting this year we will be investing annually £1 million pounds of the returns from the Endowment in new Excellence Awards for Learning and Teaching Innovation and for Frontier Research. These awards will help form a new community of excellent and innovative teachers who will play a key role in promoting good practice, develop online learning, and support research ideas that are potential breakthrough programs even if the ideas have not yet received outside funding. We also plan to use some of our operating cash flow to upgrade several of our core IT systems over the next few years, especially those supporting research and student records, while also ensuring that our support costs remain contained through our Operational Excellence programme.

We expect to start new capital programmes over the next few years, as well as continuing the work on major projects outlined previously for 2015-16. These new projects include the Michael Uren Biomedical Engineering Hub at White City, comprising laboratory and office space for interdisciplinary, translational research initiatives at the interface of biomedical sciences and engineering and the fit-out of the Dyson School of Design Engineering at South Kensington to accommodate this recently opened department.

The philanthropic donations associated with both of these buildings demonstrate the progress and importance of our Advancement capability in the diversification and strengthening of revenues. Independent analysis shows both the gap against our biggest competitors and the benefits that could come from closing this gap. We will continue to invest in this area and remain committed to our targets of securing 15% of our alumni as donors

Another aspect of diversification strategy is demonstrated by the opening of our Innovation Hub at White City in August 2016 giving us an exciting opportunity to work alongside new and existing industrial partners. We recognise that for ventures such as these, success will need to be judged over the long-term and that it will be many years before these activities generate a material amount of unfettered income for the College. However, the intangible benefits from working with new collaborators, providing accommodation for our postgraduate students and strengthening our relationships with local communities, all of which are part of our plans for White City and can be realised much sooner.

We do not doubt the UK's commitment nor ability to remaining a research superpower, even in times of great change. Nor should anyone doubt Imperial's commitment to keep leading from the front. Now more than ever.

“

We will maintain world class
core academic disciplines

IMPERIAL COLLEGE LONDON STRATEGY 2015-20

”



Professor Paul Lickiss, Professor of Organometallic Chemistry, with President's Scholars. Professor Lickiss's research focuses on the chemistry of main group compounds, particularly organosilicon compounds.

Visitors to the Research Zone at the 2016 Imperial Festival take a virtual reality trip inside the brain.



“

We will share the wonder of what we do

IMPERIAL COLLEGE LONDON STRATEGY 2015-20

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PUBLIC
BENEFIT AND
CORPORATE
GOVERNANCE

PUBLIC BENEFIT STATEMENT

Imperial College is an exempt charity under the laws of England and Wales by virtue of the Exempt Charities Order 1962 and the Third Schedule to the Charities Act 2011. Its activities include the promotion of scholarship, education and research in science, engineering and medicine especially in their application to industry. In accordance with the Charities Act 2006 HEFCE is the responsible body for regulating universities as charities on behalf of the Charity Commission.

The Objects

The College's Objects are set out in its Royal Charter. They are to provide the highest specialised instruction and the most advanced training, education, research and scholarship in science, technology and medicine, especially in their application to industry; and in pursuit of these Objects to act in co-operation with other bodies.

The Council serves as the College's Trustee and is responsible for defining Imperial's strategic aims and directing the activities of its executive in the furtherance of these Objects. In setting and reviewing the University's objectives and activities, and in exercising their powers or duties, the Council has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education and on fee charging. The Council has also paid due regard to the guidance issued by HEFCE in its role as principal regulator on behalf of the Commission.

Mission

The College's mission is to achieve enduring excellence in research and education in science, engineering, medicine and business for the benefit of society.

Strategy

The College's strategy is built on underpinning foundations that make Imperial a great academic institution and talented and inspirational people who make up our university community. Our partners make our work possible and help us to deliver benefit to society through our research and education. Enablers help us to deliver our strategy.

Foundations

- We will continue to specialise in science, engineering, medicine and business. This is the foundation on which we build our future.
- We will maintain world-class core academic disciplines. All research and education must be underpinned by a deep understanding of the fundamentals.
- We will encourage multidisciplinary research. Only by bringing together expertise from different disciplines can we solve today's global challenges.
- We will embed our educational experience in a vibrant, research-led, entrepreneurial environment. By learning alongside researchers who are experts in their fields our students gain the practical, entrepreneurial and intellectual skills to tackle societal problems.

People

- We will build a supportive, inclusive and highly motivated staff community across all disciplines, functions and activities. This will help us to attract and retain the talented and diverse staff we need to achieve our mission.
- We will enrich the student experience. Providing a broad range of activities, services and support for our students beyond their studies helps them to develop wider talents and to be successful.
- We will build strong relationships with our alumni and friends. This lifelong exchange of ideas and support benefits all of us.

Partners

- We will strengthen collaboration with business, academia, and non-profit, healthcare and government institutions across the globe. No university can achieve excellence or realise the full benefits of its work by itself.
- We will inform decision makers to influence policy. Our excellence, breadth of knowledge, connections and London location allow us to bring together and inform key decision makers in governments and industries for the benefit of society.
- We will share the wonder and importance of what we do. Collaboration with the public, schools and our local communities fosters a shared passion for and understanding of our work.

Enablers

- We will strengthen and diversify our revenues. Delivering our mission requires investment in our staff, students and facilities.
- We will provide professional support, consistent processes and appropriate technology for all of our staff and students. The pursuit of excellence in research and education requires excellence in all that we do.
- We will act courageously and innovatively when pursuing new opportunities. We need to take academic and financial risks to sustain excellence in research and education.

In implementing its strategy, the College is guided by its mission and supports an atmosphere and culture that embraces discovery. The Council is mindful of the College's responsibility to deliver benefit to society through its research and education.

The following section shows how the College carried out its activities for the public benefit during the year in furtherance of its charitable objects.

Education

The College has tremendous strength in the core disciplines through its academic departments and offers excellent research-led education in science, engineering, medicine and business subjects. It places importance on teaching, whilst recognising that teaching alone is not sufficient to provide a higher education, particularly in STEM subjects. At undergraduate level, the College provides academically rigorous courses in these core disciplines which give students practical experience, a theoretical understanding of research and a fundamental knowledge of their discipline. This provision is research-led, encouraging students to think independently and critically, and develop strong analytical skills. The College's postgraduate taught courses build upon fundamental knowledge acquired at undergraduate level. They include both discipline-based and multidisciplinary programmes and provide students with a platform to pursue doctoral study or to develop a successful career in the commercial, industrial, healthcare or public sectors. In addition, through the School of Professional Development, the College delivers short, bespoke postgraduate courses in science, engineering, medicine and business to the commercial sector and the NHS.

Student Admissions and Equal Opportunities

The College maintains excellent standards of achievement in teaching and research in order to attract and admit students of the highest calibre, and its international reputation relies on the people who make up its diverse and high-achieving community. The College aims to create a diverse and stimulating environment that attracts the most talented staff and students and by training students from across the globe we aim to strengthen knowledge, economies, and cultural relationships world-wide. In pursuing this aim, Imperial adheres to a comprehensive policy of equal opportunities which ensures that it does not discriminate against any individual, from the first point of contact through to graduation. Selection for entry is based on consideration of academic ability, motivation for study, interest in the subject area and the potential to benefit from the experience and to contribute to College life.

The College has a number of ways to facilitate access of appropriately qualified students to its courses regardless of their financial circumstance. Fees for Home and EU undergraduates are set currently at the maximum level reflecting the high quality of education and student experience that Imperial offers. Scholarships are provided for undergraduate and postgraduate students, and are awarded on academic merit. The President's Undergraduate Scholarships scheme rewards up to 112 applicants to the College each year. It is open to all students of any nationality who demonstrate the highest academic excellence and potential. The prestigious Imperial College PhD Scholarship Scheme provides for 50 academically outstanding research students to receive financial support for up to 3.5 years to enable them to work within their chosen research field with the support of an excellent supervisor.

The College has an Access Agreement which has been approved by the Office of Fair Access and which sets out the measures being taken by the College to provide financial support for students and to ensure wider access to the College's courses. The College's Access Agreement seeks to ensure that financial considerations do not preclude those most able to benefit from studying at the College from doing so and the College has committed to spend at least 35% of its additional fee income on supporting access, both through the provision of financial support for students and through the provision of additional support for the College's outreach activities.

Financial Support

The College offers one of the most generous overall student financial support packages in the UK. This is available to all Home undergraduate students who are eligible for student funding from the Government and provides help towards living costs.

Outreach

Imperial College has a long established reputation for delivering excellent outreach activities to school and college students. The College believes in raising the aspirations of all students, regardless of background, to fulfil their potential and apply to the right university for them. Imperial is committed to inspiring students in the study of science, technology, engineering and medicine. In support of this commitment, the College offers a range of activities and programmes including Open Days for prospective students; inspirational hands-on activities; summer schools; mentoring programmes in schools; exciting lectures, and a Schools Visit Programme to help raise awareness of Higher Education.

The College is committed to a long-term outreach strategy that aims to target its offering at capable disadvantaged schoolchildren who have potential in science and mathematics.

Research

The excellence of the College's research was demonstrated in the 2014 Research Excellence Framework, an assessment of the quality of research in UK higher education institutions, in which over 90% of the research submitted by Imperial was judged to be world-leading or internationally excellent. This excellence is broadly found across all our disciplines, and applies equally to our research outputs, impact and environment. These strengths provide us with the underpinning capability required to work together across disciplines in order to address the challenges faced by the world today, which are complex and interrelated and affect the length and quality of life of entire populations. Imperial's core strengths and our emphasis on multidisciplinary and collaboration mean that we are ideally placed to address these challenges. The College's research aims to create knowledge generally and provide solutions to a broad spectrum of societal and economic issues, including discovery and the natural world, engineering novel solutions, health and wellbeing, and leading the data revolution. It addresses these challenges on three broad

levels, which are interdependent (core disciplines, multidisciplinary research, global challenges) with many academics being engaged with all three.

Translation

The College's definition of translation encompasses all forms of knowledge transfer. The College is the only UK university to focus exclusively on science, technology, engineering, medicine and business, and the only one to have had the application of its work to industry, commerce and healthcare central to its mission since its foundation. Imperial College's approach to translation is distinguished by being (i) open to external engagement, which stimulates the exchange of new ideas and a shared understanding of how emerging challenges might be addressed; (ii) multidisciplinary in mobilising people, knowledge and expertise across internal and external boundaries; and (iii) innovative in widening the overall reach and impact of its work – both in the UK and internationally. The College seeks to ensure that translating both into, and from, practice continues to remain an integral part of how it maximises value for society from its education and research.

Summary

In 2015-16 the College fulfilled its educational and research mission, bringing direct benefit to its members and to society at large.

CORPORATE GOVERNANCE

The following corporate governance statement, for the period 1 August 2015 to the date of approval of these financial statements, is provided to enable the reader to obtain a better understanding of the governance and legal structure of the College.

Principles

The College is committed to exhibiting best practice in all aspects of corporate governance. It endeavours to conduct its business in accordance with the seven Principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the guidance to universities from the Committee of University Chairmen in its Higher Education Code of Governance, which was published in 2014.

Legal Status

The College is an independent corporation whose legal status derives from a Royal Charter granted under Letters Patent in 1907. Its objects, powers and framework of governance are set out in its Charter and Statutes, which were granted by Her Majesty The Queen in 1998. On 4th April 2007 a Supplemental Charter and Statutes were granted by Her Majesty. This Supplemental Charter, which came into force on the date of the College's Centenary, 8th July 2007, established the College as a University with the name and style of "The Imperial College of Science, Technology and Medicine".

Governance

The Charter and Statutes require the College to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities as follows:

The Council is 'the governing and executive body of the College', and is responsible for the finance, property, investments and general business of the College, and for setting its general strategic direction. There are up to 23 members of the Council, the majority of whom are external members, including the Chair and Deputy Chair. Also included in its membership are representatives of the staff of the College and of the student body. None of the external members receive any payment, apart from the reimbursement of expenses, for the work they do for the College.

The Court brings together alumni and neighbourhood organisations as key stakeholders, to help the College further the implementation of its Strategy. Alumni members are widely drawn from amongst those who are actively engaged with the College and College activities. Local organisation members come from those organisations with a close link to College life. Its membership also includes representatives from the Council and from the College's senior management. The Court has 34 Members in total. In addition to its active engagement in the evolving implementation of the College Strategy, changes to the College's Charter require the approval of the Court before they can be submitted to the Privy Council. The Court normally meets once a year.

In 2015 a review of the Court's remit and composition suggested that it could best support the implementation of the College strategy if its membership was more closely aligned with elements of the strategy, and it was decided to reconfigure the Court to focussing on two stakeholder groups – alumni and local organisations. The reconfigured Court came into effect in February 2016, and the first meeting of the Court with its new membership was held on 21 June 2016.

The Senate is the academic authority of the College and draws its membership entirely from the staff and students of the College. Its role is to direct and regulate the teaching work of the College.

The principal academic and administrative officer of the College is the President who has responsibility to the Council for maintaining and promoting the efficiency and good order of the College. Under the terms of the Memorandum of Assurance and Accountability between HEFCE and the College, the President is the Designated Officer of the College and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons. The financial management of the College is prescribed in the Financial Ordinance approved by the Council and conducted in accordance with the Memorandum of assurance and accountability with the Funding Council.

The President has ultimate responsibility for all of the University's functions and activities, but gives greater emphasis to Imperial's external relationships, development and fundraising. The President is supported in this by the Provost, who has direct responsibility for the delivery of the College's core mission: education, research and translation. The Provost reports directly to the President and together they have responsibility for the strategic direction of the College.

As Chief Executive of the College, the President exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments,

and the shaping of the institutional ethos. She is supported in this by a President's Board whose primary function is to plan for and address issues of broad, strategic, and College-wide significance.

The Provost is supported and advised by the Provost's Board. The Provost's Board is responsible for the delivery of the College's core academic mission, including oversight of the quality and efficacy of education and research; recruitment, development and retention of academic and research staff; and student life and well-being. It also has responsibility for delegated budgets and their financial control.

The Provost's Board receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms which are embedded within the operational units.

The Council is responsible for the College's system of internal control and for reviewing its effectiveness. Its approach is risk-based and includes an evaluation of the likelihood and impact of risks becoming a reality and also ensures that risk assessment and internal control procedures are embedded in the College's ongoing operations. The reviews included in the College's risk-based Strategic Audit Plan cover business, operational and compliance issues as well as financial risk. Such a system of internal control 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. Of the 13 internal audits completed in 2015-16, ten provided 'significant assurance with minor amendments' while the remaining three provided 'partial assurance with improvements required'. The College has agreed action plans in response to the findings.

The Council's view is that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2016 and up to the date of approval of the annual reports and financial statements, that it is regularly reviewed by the Council and that it accords with the internal control guidance for directors in the Combined Code as deemed appropriate for higher education.

The Council meets at least four times a year and, following the completion of a review of governance in 2010, now has six committees; the Audit Committee, the Endowment Board, the Imperial White City Syndicate, the Nominations Committee, the Remuneration Committee and the Risk Committee. These are formally constituted as committees of the Council with written terms of reference and specified membership, including a significant proportion of external members. With the exception of the Endowment Board

(which is chaired by an external member with considerable investment expertise), all are chaired by external members of the Council. The decisions of these committees are reported formally to the Council.

The Audit Committee meets three times a year with the College's internal and external auditors in attendance. It considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the College's business and monitors adherence to regulatory requirements. The Committee reports directly to the Council and has the authority to call for any information from the College officers, from internal and external auditors and from others whom it considers necessary to consult in order to discharge its responsibilities effectively. Whilst senior officers attend meetings of the Committee, they are not members of it. At least once a year the Committee meets separately with the internal and external auditors on their own for independent discussions. The Audit Committee receives regular reports from Internal Audit, as well as commissioning reports from senior management. Its role in this area is confined to a high level review of the arrangements for internal control, value for money, risk management and the arrangements for the management and quality assurance of data submitted to formal funding bodies at the College. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

The Endowment Board manages those College assets that are not essential to the core academic mission of the College and that can therefore be managed with a pure investment focus. Its Terms of Reference include an obligation to maintain a diversified portfolio of investments, to have regard to the suitability of the investments within this portfolio and to manage the investments in a way that is appropriate to achieve the Investment Objective set by the Council. The Investment Objective necessitates growth in value of the non-core assets in line with inflation whilst also providing a regular distribution for the core academic mission of the College. Within these restrictions, the Endowment Board is authorised to make such investments as it sees fit.

The Imperial White City Syndicate's primary role is to advise Council on recommendations made to it by the President's Board regarding all aspects of the development of the Imperial White City campus: masterplanning, commercial strategy; and financial strategy. It also provides advice and guidance to the President's Board on the execution of Council decisions.

An Imperial student helping to clean the pond at Deen City Farm and Riding School during Student Volunteering Week 2015.



“
We will enrich the student experience
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IMPERIAL COLLEGE LONDON STRATEGY 2015-20

The Nominations Committee considers nominations for membership of the Court and Council and for the latter’s Committees.

The Remuneration Committee determines the remuneration of senior staff in the College including the President and the Provost.

The Risk Committee’s primary objective is to consider the strategic risks facing the College and the actions proposed to mitigate these risks.

The College maintains a Register of Interests of members of the Council and of Senior Officers which may be consulted by arrangement with the Clerk to the Court and Council.

The College Secretary and Registrar is the Clerk to the Court and Council. Any enquiries about the constitution and governance of the College should be addressed to him.

RESPONSIBILITIES OF THE COUNCIL

The Council has adopted the Higher Education Code of Governance published by the Committee of University Chairmen, and accordingly has approved the following Statement of Primary Responsibilities:

1. To approve the mission and strategic vision of the College, its long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of the College's stakeholders.
2. To safeguard the good name and values of the College.
3. To appoint the President as the College's chief executive, and to put in place suitable arrangements for monitoring his/her performance.
4. To appoint other executive members of the Council as specified in the Statutes.
5. To delegate authority to the President, as chief executive, as advised by the President's Board, for the academic, corporate, financial, estate and human resource management of the College. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the President.
6. To assess risk to the College and to position its management and mitigation.
7. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls, risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
8. To ensure that processes are in place for regular monitoring and evaluation of the performance and effectiveness of the College against its approved plans and key performance indicators, and that where possible and appropriate, these are benchmarked against other comparable institutions.
9. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
10. To be the principal financial and business authority of the College, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the university's assets, property and estate.
11. To be the College's legal authority and, as such, to ensure that systems are in place for meeting all the College's legal obligations, including those arising from contracts and other legal commitments made in the College's name.
12. In accordance with the College's Charter and Statutes, to act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the College.
13. To ensure that the College's Charter and Statutes are adhered to at all times, with appropriate advice available to enable this to happen.
14. To be the employing authority for all staff in the institution and to be responsible for establishing the College's human resources strategy.
15. To establish processes to monitor and evaluate the performance and effectiveness of the Council itself.
16. To appoint a Clerk to the Council and ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.

In accordance with the College's Charter and Statutes, the Council is responsible for the efficient management and good conduct of all aspects of the affairs of the College (including its finances and property). It is required to present audited financial statements for each financial year. As such it is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Charter of Incorporation, the Statement of Recommended Practice (SORP) on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, and in accordance with the formal Memorandum of Assurance and Accountability between HEFCE and the College, the Council, through its Designated Officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit and cash flows for that year.



Members of Imperial College London's 2015-16 Council who attended the September 2016 meeting. From left to right: Professor Neil Alford; Professor Tom Welton; Ms Sara Murray; Ms Alison Nimmo; Mr Iain Conn; Mr John Cullen; Professor James Stirling; Mr John Neilson; Sir Philip Dilley; Mr Muir Sanderson; Professor Alice Gast; Professor Nelson Phillips; Mr Nas Andriopoulos; Mr Toby Courtauld; Mr Christopher Williams; Professor Jeff Magee; Ms Rachel Lomax; Mr Jeremy Newsum.

In causing the financial statements to be prepared, the Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- the SORP and applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements;
- the College has adequate resources to continue in operation for the foreseeable future and for this reason the financial statements are prepared on a going concern basis.

The Council has taken reasonable steps to:

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

The key elements of the College's system of internal control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the authority delegated to deans of faculties and heads of academic and administrative departments and divisions as set out in the College's approved Levels of Authority;
- approval by Council each year of a College budget and a three year rolling College plan which, whilst driven from the academic standpoint, are based on detailed financial projections of all College budget centres;
- a comprehensive monthly review of the financial performance of all budget centres and update of forecast outturns with regular financial reports to the President and senior College staff, to the President's Board and to the Council;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- a comprehensive Financial Ordinance, detailing financial controls and procedures, approved by the Audit Committee and the Council;
- independent internal auditors, whose risk-based Strategic Audit Plan of work (based upon the College's Risk Register) is approved by, and conclusions subsequently reviewed by, the Audit Committee.

The Audit Committee, on behalf of the Council, regularly reviews the effectiveness of the internal controls in the College and its subsidiaries. Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

COUNCIL AND COUNCIL COMMITTEES

The members of the Council are the charity trustees of the College and are listed for the period from 1 August 2015 to 25 November 2016, the date that the Annual Report and Accounts have been approved.

The Council

Chairman:

Sir Philip Dilley

Co-opted External Members:

Mr C Brinsmead

Dame Ruth Carnall

(to 31 July 2016)

Mr I Conn

Mr T Courtauld

(from 13 May 2016)

Mr J Cullen

Ms R Lomax

Ms S Murray

(from 20 November 2015)

Mr JHM Newsum

Mr S Newton

(to 30 September 2015)

Ms A Nimmo

(from 1 May 2016)

Professor J Sanders

(from 1 October 2016)

Mr C Williams

(from 1 May 2016)

Ex-Officio:

President:

Professor AP Gast

Provost:

Professor J Stirling

Chief Financial Officer:

Mr M Sanderson

Senior Staff Representatives:

Professor J Magee

Professor N Phillips

(from 1 July 2016)

Professor G Screamon

Professor T Welton

Elected Staff Member:

Professor N Gooderham

(to 30 August 2015)

Professor N Alford

(from 1 September 2015)

President, Imperial

College Union:

Mr N Andriopoulos

(from 1 August 2016)

Ms L Sandon-Allum

(to 31 July 2016)

Co-opted Member:

Professor Dame Julia Higgins

(to 1 February 2016)

Clerk to the Court and Council:

Mr JS Neilson

Audit Committee

Chairman:

Mr J Cullen

Membership:

Ms R Lomax

Mr S Newton

(to 30 September 2015)

Mr C Williams

(from 1 May 2016)

Ms K Kantor

(co-opted)

Secretary:

Mr JB Hancock

Endowment Board

Chairman:

Mr N Moakes

Membership:

Professor DKH Begg

Professor AP Gast

Mr J Newsum

Mr S Newton

(to 30 September 2015)

The Hon. R Rayne

Ms A Rudebeck

(from 29 July 2015)

Mr M Sanderson

Mr C Williams

(from 8 July 2016)

Secretary:

Ms J Soulieux

Imperial White City Syndicate

Chairman:

Mr J Newsum

Membership:

Professor N Alford

(from 4 April 2016)

Sir John Armit

Mr T Courtauld

(from 13 May 2016)

Dr R Easton

Professor AP Gast

Mr S Laidlaw

Ms R Lomax

Mr S Newton

(to 30 September 2015)

Ms A Nimmo

(from 13 May 2016)

Mr M Sanderson

Professor J Stirling

Secretary:

Mr JB Hancock

Nominations Committee

Chair:

Sir Philip Dilley

Membership:

Dame Ruth Carnall

(to 31 July 2016)

Professor AP Gast

Professor Dame Julia Higgins

(to 1 February 2016)

Mr J Newsum

Mr M Sanderson

Professor J Stirling

Secretary:

Mr J Neilson

Remuneration Committee

Chairman:

Sir Philip Dilley

Membership:

Mr C Brinsmead

Ms R Lomax

Mr J Newsum

Secretary:

Mrs L Lindsay

Risk Committee

Chair:

Ms R Lomax

Membership:

Mr N Andriopoulos

(from 1 August 2016)

Mr C Brinsmead

Dame Ruth Carnell

(to 31 July 2016)

Mr J Cullen

Professor AP Gast

Dr J Groom

Mr J Newsum

Mr S Newton

(to 30 September 2015)

Mr M Sanderson

Ms L Sandon-Allum

(from 1 August 2015)

Professor J Stirling

Secretary:

Ms J Soulieux

Staff at the Imperial Summer Garden Party in June 2016. Over 200 members of staff, nominated by their peers and colleagues for their contributions to excellence at the College, joined the President for an evening of celebration.



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We will build a supportive,
inclusive and highly
motivated staff community

IMPERIAL COLLEGE LONDON STRATEGY 2015-20

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We will act courageously and innovatively
when pursuing new opportunities

IMPERIAL COLLEGE LONDON STRATEGY 2015-20

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During 2015-16, work on the Translation & Innovation Hub (I-HUB) at White City Campus approached completion, while substantial progress was made in the construction of the Molecular Sciences Research Hub.



FINANCIAL
STATEMENTS
2015-16

Independent auditors' report

Year ended 31 July 2016

Report on the financial statements

Our opinion

In our opinion Imperial College London's group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2016 and of the group's and of the parent institution's income and expenditure and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, and the requirements of the 2015-16 HEFCE Accounts Direction.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the consolidated and parent institution Statement of Financial Position as at 31 July 2016;
- the consolidated and parent institution Statement of Comprehensive Income and Expenditure for the year then ended;
- the consolidated and parent institution Statement of Changes in Reserves for the year then ended;
- the consolidated Cash Flow Statement for the year then ended;
- the Statement of Principal Accounting Policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Council has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed in the HEFCE Audit Code of Practices issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- income has been applied in accordance with the institution's statutes; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability, and any other terms and conditions attached to them.

Other matters on which we are required to report by exception

Under the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the parent institution and group. We have no exceptions to report from this responsibility.

Responsibilities for the financial statements and the audit

Respective responsibilities of the Council and auditors

As explained more fully in the Responsibilities of the Council set out on page 28 the Council is 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Council as a body in accordance with section 11 of the Charters and Statutes of the institution and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group and parent institution's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Council; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Council's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions.

We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

- (a) The maintenance and integrity of Imperial College London's website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Julian Rickett (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 25 November 2016

Statement of comprehensive income and expenditure

Year ended 31 July 2016

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £m	College £m	Consolidated £m	College £m
Income					
Tuition fees and education contracts	1	244.3	244.3	223.4	223.4
Funding Council grants	2	154.1	154.1	158.7	158.7
Research grants and contracts	3	350.6	348.2	436.2	432.9
Other income	4	177.0	157.8	136.3	125.0
Investment income	5	9.1	9.1	8.7	8.6
Donations and endowments	6	33.3	33.3	35.8	35.8
Total income		968.4	946.8	999.1	984.4
Expenditure					
Staff costs	7, 9	486.8	479.9	469.7	461.5
Other operating expenses	9	331.0	316.2	310.4	309.6
Depreciation	9, 10	68.8	67.6	62.3	61.3
Interest and other finance costs	8, 9	14.8	14.8	13.8	13.8
Total expenditure		901.4	878.5	856.2	846.2
Surplus before other gains/(losses) and share of operating results of joint ventures and associates.		67.0	68.3	142.9	138.2
Gain on disposal of non-current assets		0.9	0.9	-	-
Gain on investments	11	15.9	15.3	20.8	20.8
Gain on deemed disposal of interest in an associate	13	4.4	-	-	-
Share of operating results in joint ventures		-	-	(6.8)	-
Share of operating results in associates		(9.8)	-	2.9	-
Surplus before tax		78.4	84.5	159.8	159.0
Taxation		-	-	(13.2)	(13.2)
Surplus for the year		78.4	84.5	146.6	145.8
Total net comprehensive income for the year		78.4	84.5	146.6	145.8
Represented by:					
Endowment comprehensive income for the year		12.6	12.6	15.6	15.6
Restricted comprehensive income for the year		17.4	17.8	(7.8)	(7.9)
Unrestricted comprehensive income for the year		48.4	54.1	138.8	138.1
		78.4	84.5	146.6	145.8

All items of income and expenditure relate to continuing activities. There are no additional items recognised in other comprehensive income.

Statement of financial position

Year ended 31 July 2016

	Notes	As at 31 July 2016		As at 31 July 2015	
		Consolidated £m	College £m	Consolidated £m	College £m
Non-current assets					
Fixed assets	10	1,372.5	1,344.1	1,255.6	1,235.2
Investments	11	384.4	410.0	365.6	387.4
Investments in joint ventures	12	-	-	0.9	1.0
Investments in associates	13	83.1	9.5	85.0	6.0
		1,840.0	1,763.6	1,707.1	1,629.6
Current assets					
Stock		0.5	0.2	0.5	0.3
Trade and other receivables	15	258.4	261.8	241.2	252.1
Investments	16	12.8	12.8	29.2	29.2
Cash and cash equivalents		180.0	171.7	209.4	205.0
		451.7	446.5	480.3	486.6
Creditors: amounts falling due within one year	17	(480.1)	(477.8)	(466.7)	(480.9)
Net current (liabilities)/assets		(28.4)	(31.3)	13.6	5.7
Total assets less current liabilities		1,811.6	1,732.3	1,720.7	1,635.3
Creditors: amounts falling due after more than one year	18	(303.5)	(303.5)	(310.3)	(310.3)
Provisions					
Pension provisions	19	(81.5)	(81.4)	(60.1)	(60.0)
Other provisions	19	(11.8)	(11.8)	(13.9)	(13.9)
Total net assets		1,414.8	1,335.6	1,336.4	1,251.1
Restricted Reserves					
Income and expenditure reserve – endowment reserve	20	126.2	126.2	113.6	113.6
Income and expenditure reserve – restricted reserve	21	52.0	48.1	34.6	30.3
Unrestricted Reserves					
Income and expenditure reserve – unrestricted		1,236.6	1,161.3	1,188.2	1,107.2
Total Reserves		1,414.8	1,335.6	1,336.4	1,251.1

The financial statements were approved by the Council on 25 November 2016 and were signed on its behalf on that date by:

Sir Philip Dilley, Chair of Council

Professor Alice Gast, President

Mr Muir Sanderson, Chief Financial Officer

Statement of changes in reserves

Year ended 31 July 2016

	Income and expenditure account			Total
	Endowment £m	Restricted £m	Unrestricted £m	£m
Consolidated				
Balance at 1 August 2014	98.0	42.4	1,049.4	1,189.8
Surplus/(deficit) from the income and expenditure statement	15.6	(7.8)	138.8	146.6
Total comprehensive income for the year	15.6	(7.8)	138.8	146.6
Balance at 1 August 2015	113.6	34.6	1,188.2	1,336.4
Surplus from the income and expenditure statement	12.6	17.4	48.4	78.4
Total comprehensive income for the year	12.6	17.4	48.4	78.4
Balance at 31 July 2016	126.2	52.0	1,236.6	1,414.8
College				
Balance at 1 August 2014	98.0	38.2	969.1	1,105.3
Surplus/(deficit) from the income and expenditure statement	15.6	(7.9)	138.1	145.8
Total comprehensive income for the year	15.6	(7.9)	138.1	145.8
Balance at 1 August 2015	113.6	30.3	1,107.2	1,251.1
Surplus from the income and expenditure statement	12.6	17.8	54.1	84.5
Total comprehensive income for the year	12.6	17.8	54.1	84.5
Balance at 31 July 2016	126.2	48.1	1,161.3	1,335.6

Consolidated and College cash flow

Year ended 31 July 2016

	Note	Year ended 31 July 2016 £m	Year ended 31 July 2015 £m
Cash flow from operating activities			
Surplus for the year		78.4	146.6
Adjustment for non-cash items			
Depreciation	10	68.8	62.3
(Gain)/loss on investments	11	(15.9)	(20.8)
(Gain)/loss on deemed disposal of interest in an associate		(4.4)	-
Decrease/(increase) in debtors		(17.5)	(60.9)
Increase/(decrease) in creditors		6.4	2.6
Increase/(decrease) in pension provision		20.4	20.4
Increase/(decrease) in other provisions		(2.4)	(11.1)
Share of operating (surplus)/deficit in joint venture		-	6.8
Share of operating (surplus)/deficit in associate		9.8	(2.9)
Unrealised foreign currency gains and losses		(1.5)	(0.3)
Other non-cash items		0.1	-
Taxation		-	13.2
Adjustment for investing or financing activities			
Investment income	5	(9.1)	(8.7)
Interest payable	8	14.8	13.8
Endowment income		(7.5)	(11.6)
Profit on the sale of fixed assets		(0.9)	(0.6)
Capital grant income		(43.3)	(60.2)
		96.2	88.6
Cash flow from investing activities			
Capital grants receipts		43.4	52.1
Proceeds from sales of investment property		17.1	0.7
Disposal of other non-current asset investments		11.4	9.2
Investment income		6.0	8.7
Payments made to acquire fixed assets		(179.3)	(133.1)
Payments to acquire associates		(3.5)	-
New non-current investments		(26.2)	(46.3)
Movement in short-term deposits		16.5	(29.2)
		(114.6)	(137.9)
Cash flow from financing activities			
Interest paid		(7.9)	(6.7)
Interest element of finance lease payments		(5.6)	(5.4)
Endowment cash received		7.5	11.6
New unsecured loans		-	(9.3)
Repayments of amounts borrowed		(5.8)	(5.8)
Capital element of finance lease payments		(0.7)	(0.6)
		(12.5)	(16.2)
(Decrease)/increase in cash and cash equivalents in the year		(30.9)	(65.5)
Cash and cash equivalents at beginning of the year		209.4	274.6
(Decrease)/increase in cash and cash equivalents in the year		(30.9)	(65.5)
Exchange gains/(losses) on cash and cash equivalents		1.5	0.3
Cash and cash equivalents at end of the year		180.0	209.4

Statement of principal accounting policies

1. Accounting convention

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of endowment and fixed asset investments, and in accordance with both the Statement of Recommended Practice (SORP 2015): Accounting for Further and Higher Education Institutions 2015 and with Financial Reporting Standards (FRS) 102. The College is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS 102. The accounting policies have been applied consistently year on year.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in accounting policy 17.

The College is preparing its financial statements in accordance with FRS 102 for the first time following an effective date of transition of 1 August 2014 and consequently has applied the first time adoption requirements. An explanation of how the transition to FRS 102 and the HE SORP 2015 has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 28.

2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the College, Imperial College Union and all subsidiary undertakings for the financial year to 31 July. The consolidated Statement of Comprehensive Income and Expenditure (SOCI&E) includes the College's share of the income, expenditure and tax of associated undertakings and joint ventures, while the consolidated Statement of Financial Position includes investment in associated undertakings and joint ventures using the equity method. Associated undertakings are those in which the College has a significant, but not dominant, influence over their commercial and financial policy decisions.

Joint ventures represent investments in which the College has joint control. Intra-group transactions are eliminated on consolidation.

For those subsidiary, joint venture and associated undertakings that have different accounting year-end dates, management accounts to 31st July for these companies have been consolidated.

For those subsidiary and associated companies that report under International Financial Reporting Standards for their own financial statements, accounts are restated to comply with FRS 102 for the purposes of consolidation into these consolidated Group accounts.

3. Going concern

The College meets its day-to-day working capital requirements through managing liquidity and through its bank facilities. The College's forecasts and projections, taking account of reasonably possible changes in performance, show that the College should be able to operate within the level of its current facilities. The trustees have a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future, despite entering into a net current liabilities position in the year. The College therefore continues to adopt the going concern basis in preparing its financial statements.

4. Recognition of income and expenditure

Income from commercial transactions rendered is included when the goods or services are supplied or the terms of related contracts have been satisfied.

Fee income is credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount.

Grant funding including Funding Council block grant, research grants from government sources and other non-exchange transaction income (including research grants) from non-government sources are recognised as income when the College is entitled to the income and performance related

conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grants are recognised in income when the College is entitled to the funds and any performance related conditions have been met.

Donations and endowments with donor imposed restrictions are recognised in income on entitlement and retained within the restricted reserve until the funds are utilised in line with such restrictions. At this point the income is released to general reserves. Donations with no restrictions are recognised in income on entitlement.

All investment income from short-term deposits and endowments is credited to the income and expenditure account in the period in which it is earned. Investment income from endowments not expended in accordance with the restrictions of the endowment is held within the temporarily or permanently restricted reserve as appropriate.

Expenditure incurred relates to the receipt of goods and services which are recognised when incurred. This includes patent costs which are written off in the year that they are incurred rather than being capitalised. A provision for bad debts is estimated on the basis that as debts become older, a higher percentage become irrecoverable.

Where the College disburses funds it has received as paying agent and has no beneficial interest in the funds, the receipt and subsequent disbursement of the funds have been excluded from the SOCI&E.

5. Pension schemes

The College participates in four principal pension schemes which are funded defined benefit schemes. The schemes were contracted-out of the State Second Pension (S2P) up to 31 March 2016. The Superannuation Arrangements of the University of London (SAUL), Universities Superannuation Scheme (USS) and Federated Pension Scheme 1634 (FPS) are valued formally every three years by professionally qualified and independent actuaries using the projected unit method. The NHS Pension

scheme is valued every four years using the aggregate method.

The USS, SAUL and NHS are multi-employer schemes and it is not possible to identify the College's share of the underlying assets and liabilities of the schemes. Therefore, as required by FRS 102, the contributions are charged directly to the SOCI&E as if the schemes were defined contribution schemes.

The College has entered into agreements with regards to USS and SAUL that determine how the College will fund the deficits of these schemes. Therefore, in accordance with FRS 102, the College has recognised liabilities for the contributions payable that have arisen from these agreements, with the resulting expenses recognised in the SOCI&E.

The FPS pension scheme is accounted for on the basis of FRS 102. The scheme's assets are included at fair value and the scheme's liabilities are measured on an actuarial basis using the projected unit method and discounted at an appropriate rate of return. The College's share of the surplus or deficit of the scheme is recognised as an asset or liability on the balance sheet, with surplus included only to the extent that it is recoverable through reduced contributions in the future or through refunds from the scheme. A net interest cost is derived by multiplying the net defined benefit obligation/ (surplus) by the discount rate, both determined at the start of the period and taking account of any changes in the net defined benefit obligation/(surplus) during the period. Actuarial gains and losses, including differences between the expected and actual return on the scheme's assets, are recognised in other comprehensive income subject to the recoverability restriction above.

6. Employment benefits

Short term employment benefits are recognised as an expense in the year in which the employees render service to the College. Any unused entitlement relating to accumulating compensated absences are recognised as a liability by the College at the undiscounted additional amount the College would expect to pay as a result. Termination benefits are recognised as an expense in the SOCI&E when incurred.

7. Foreign currencies

Transactions denominated in euros, US dollars and other foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates of exchange. The resulting exchange differences are recognised as part of income and expenditure.

8. Leases

Leases which transfer substantially all of the risks and rewards of ownership of the leased asset are classified as finance leases. Assets held under finance leases together with the related lease obligations are recorded on the balance sheet at inception of the lease at the lower of fair value and the present value of the minimum lease payments. Any excesses of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Assets leased from the College under finance leases are recorded on the balance sheet as a receivable at an amount equal to the net investment in the lease, which is the gross investment in the lease discounted at the interest rate implicit in the lease. Finance income received in relation to these assets is recognised at a constant rate of return.

All other leases are classified as operating leases. Operating lease costs and income are charged to the SOCI&E on a straight line basis over the relevant lease term unless another systematic and rational basis is more appropriate.

9. Land and buildings

Purchased land and purchased or constructed buildings are stated at cost. Freehold land is not depreciated while leasehold land is depreciated over the life of the lease. Buildings, including service plant, are depreciated over their expected useful lives or at the rate of 2% per annum of their historical cost (no purchased buildings are held on leases of less than 50 years). Where land and buildings are acquired with the aid

of specific grants, the grants are recognised in income on entitlement.

Costs incurred in relation to buildings after their initial acquisition are capitalised only to the extent that they increase the expected future benefits beyond those originally assessed. The cost of such enhancements are depreciated at the rate of 2% per annum, or over the life of the asset if shorter. Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets. Assets under construction are capitalised at cost and not depreciated.

An assessment for impairment indicators is carried out at each reporting date. If there are indicators, an impairment test is undertaken.

10. Fixtures, fittings, tools and equipment

Fixtures, fittings, tools and equipment, including computers and software, costing less than £50,000 per individual item or group of related items are written off in the year of acquisition. All other items are capitalised.

Capitalised equipment is stated at cost and, once in service, depreciated over its expected useful life ranging from 5 to 25 years or at 20% per annum, apart from equipment acquired for specific research projects, which is depreciated over the remaining life of the project (generally three years).

Where fixtures, fittings, tools and equipment are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grant is recognised in income on entitlement.

11. Reserves

Reserves are classified as restricted (where the related funds are retained until such time that expenditure is incurred in line with the restriction) or unrestricted (no such restriction on use).

Endowment funds are a form of charitable trust retained for the benefit of the College. Where the donor prohibits the conversion of the capital into income, these funds are held in a permanent reserve. Otherwise these are held in temporarily restricted reserves. Similarly, other donations with specified restrictions

Statement of principal accounting policies *(continued)*

will be held within the temporarily restricted reserves.

12. Investment properties

Investment property is held for long-term rental yields or capital appreciation, or both. Investment property is stated at its fair value at each balance sheet date. Changes in fair values are recorded in income and expenditure. College undertakes a rolling schedule of external valuations at least once every 5 years. Between external valuations, the properties are revalued quarterly linked to an appropriate index. Where an appropriate index is not available, the properties are subject to an annual Directors' Valuation.

13. Financial Instruments

Endowment asset investments are held at market value. Listed fixed asset investments are included in the balance sheet at fair value, with changes in fair value recognised in income and expenditure. Fixed asset investments in shares that are not listed on a recognised stock exchange are carried at cost less any provision for impairment in their value. Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the College's individual accounts. Other fixed asset investments are held at amortised cost. Current asset investments are included at cost less impairment. Impairment of investments held at cost or amortised cost is assessed at the end of each year, and any diminution in value is taken to income and expenditure immediately. Investments in associated companies where the input from the College is represented only by the intellectual property rights are valued at zero historical cost.

Loans are liabilities with fixed or determinable payments and are held at amortised cost. Amortised cost is calculated as the net of the loans initial value, minus repayments and plus cumulative amortisation at the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the loan life to its carrying amount.

Derivatives are held on the balance sheet at fair value with movements in fair value recorded in income and expenditure.

14. Stocks

Only the value of stocks held in the refectories and central stores are included on the balance sheet. They are valued at the lower of cost and estimated selling price less costs to complete and sell.

15. Cash and cash equivalents

Cash flows comprise increases and decreases in cash and cash equivalents. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if a maturity or period of notice of not more than 24 hours has been agreed. Cash equivalents are short-term, highly liquid investments due within 3 months, that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

16. Taxation status

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478-488 of the Corporation Taxes Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax. The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

17. Accounting estimates and judgements

Critical accounting judgements

In February 2016, Imperial Innovations Group Plc ("Innovations") carried out a fundraise which the College did not participate in. As a result, the College's percentage holding was diluted from 20.1% to 17.1%. Although this dilution took the shareholding below the 20% threshold indicative of losing significant influence, the College judged that the retention of the right to appoint a representative to the Innovations Board enabled the College to continue participating in Innovations' decision making and therefore continue to exert significant influence. The College continues to classify its holding in Innovations as an associate (Note 13).

Key sources of estimation uncertainty

Pension Schemes – Assumptions used in the calculation of the USS and SAUL pension deficit provisions represent a source of material uncertainty. Future membership changes have been incorporated into the calculation using budget and forecast data for the next 10 years. Future salary changes have been based on publicly available CPI inflation data. These carrying values of the USS and SAUL deficit provisions as at 31 July 2016 are £77.7 million and £3.8 million respectively (31 July 2015: £60.1 million and £nil respectively).

Employee leave accrual – As per Note 27 (e), the College has recognised a liability for holiday pay due to the requirements of FRS 102 necessitating that short term employee benefits be charged to the SOCI&E as the employee service is received. A subset representative of the employee base of the College has been sampled to ascertain typical holiday usage, the results of which has then been applied to the population of College staff as a whole. Due to the coverage of this sample there remains an element of uncertainty in applying this extrapolation.

The College holds its investment property portfolio at market value. As with any valuation in an illiquid market, judgement is required and this represents a key source of estimation uncertainty on the Statement of Financial Position.

Notes to the accounts

For the year ended 31 July 2016

1. Tuition fees and education contracts

	Registered student numbers		Year ended 31 July 2016		Year ended 31 July 2015	
	31 December 2015	31 December 2014	Consolidated £m	College £m	Consolidated £m	College £m
Full-time home and EU students						
Undergraduate	6,549	6,433	51.9	51.9	45.0	45.0
Postgraduate	3,557	3,556	22.1	22.1	18.5	18.5
Full-time international students						
Undergraduate	2,771	2,621	71.2	71.2	66.4	66.4
Postgraduate	2,857	2,680	63.6	63.6	57.5	57.5
Part-time home and EU students	947	897	3.7	3.7	5.3	5.3
Part-time overseas students	201	160	1.9	1.9	2.4	2.4
Research Training Support Grants			22.7	22.7	22.2	22.2
Short course fees			7.2	7.2	6.1	6.1
			244.3	244.3	223.4	223.4

Fee income is shown net of discounts and fees remitted.

Research training support grants include £4.1 million (£3.9 million in 2015) of tuition fees paid in respect of full-time home and European Union students.

Total numbers of full-time and part-time students are 16,882 in 2016 and 16,347 in 2015 (excluding those on research training support grants and short courses).

2. Funding Council grants

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £m	College £m	Consolidated £m	College £m
HEFCE recurrent – teaching	31.0	31.0	33.0	33.0
HEFCE recurrent – research	94.2	94.2	98.8	98.8
Capital grants	25.9	25.9	22.1	22.1
Higher Education Innovation Fund	2.5	2.5	2.3	2.3
Other	0.5	0.5	2.5	2.5
	154.1	154.1	158.7	158.7

Notes to the accounts

For the year ended 31 July 2016

3. Research grants and contracts

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £m	College £m	Consolidated £m	College £m
Research Councils	111.9	111.9	119.9	119.9
Charities	77.6	77.6	89.0	89.0
Government (UK & EU) and health authorities	50.5	49.3	117.3	116.5
European Commission	42.5	42.5	41.7	41.7
Industry and commerce	53.6	53.5	52.3	52.2
Other	14.5	13.4	16.0	13.6
	350.6	348.2	436.2	432.9

Research from UK government departments in the year ended 31 July 2015 included a Research and Development Expenditure Credit (RDEC) of £60.7 million. The RDEC tax scheme has been designed to incentivise R&D and is based on eligible R&D expenditure. This initial claim was in respect of the past three years. The gross value of the claim is shown above as research income and the tax deduction relating to the claim of £13.2 million is shown as taxation on the face of the SOCI&E. Payment for the initial two years has been received during the year with the outstanding amount due for 2014-15 included within accrued income in note 15.

Other research grants and contracts include restricted grant aid from the Big Lottery Fund (BLF). The total amount of funding awarded for projects ongoing in 2016 was £3 million (2015: £3 million) to fund a UK-wide expansion of an interdisciplinary study of the natural environments. Of this total awarded, £2.1 million (2015: £1.1 million) has been spent and recognised in the year (£0.9 million by the College, and £1.2 million by unrelated third party partners).

4. Other income

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £m	College £m	Consolidated £m	College £m
Residences, catering and conferences	56.1	54.0	52.3	49.0
Consultancies and scientific services	19.1	3.3	18.3	2.5
Health and hospital authorities	25.3	25.3	16.8	16.8
Rents receivable from commercial property	7.5	0.9	10.1	3.1
Other revenue grants	8.0	8.0	10.3	10.3
Other	61.0	66.3	28.5	43.3
	177.0	157.8	136.3	125.0

Other income includes a one-off payment of £22.9 million relating to a sale of a building on land the College had leased at White City, as well as £5.5 million income relating to the recovery of planning and feasibility design costs at White City Campus, and £7.3 million (2015: £4.9 million) from our collaboration with Nanyang Technological University in Singapore.

Included within health and hospital authorities in 2016 was £7.7 million of income that would have been classified as research previously. In 2015 the equivalent figure was £7.8 million.

5. Investment income

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £m	College £m	Consolidated £m	College £m
Interest and investment income on endowments	1.8	1.8	1.9	1.9
Other investment income	5.2	5.2	3.0	3.0
Interest on cash and cash equivalents	2.1	2.1	3.8	3.7
	9.1	9.1	8.7	8.6

6. Donations and endowments

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £m	College £m	Consolidated £m	College £m
Endowments	7.5	7.5	11.6	11.6
Donations with performance related conditions	1.3	1.3	0.8	0.8
Research donations	8.8	8.8	9.2	9.2
Capital donations	8.7	8.7	8.9	8.9
Other donations with restrictions	4.4	4.4	4.2	4.2
Unrestricted donations	2.6	2.6	1.1	1.1
	33.3	33.3	35.8	35.8

7. Staff costs

	Note	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £m	College £m	Consolidated £m	College £m
Staff costs					
Salaries		379.0	372.3	369.5	361.7
Social security costs		35.5	35.4	32.6	32.4
Movement on USS provision	19	19.2	19.2	28.7	28.6
Movement on SAUL provision	19	4.5	4.5	-	-
Other pension costs		46.7	46.6	37.6	37.5
		484.9	478.0	468.4	460.2
Restructuring costs		1.9	1.9	1.3	1.3
		486.8	479.9	469.7	461.5

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Emoluments of the President		
Salary	353	349
Benefits	18	25
	371	374
Employer's pension contributions to USS	59	56
	430	430

The President contributes to the USS pension scheme through the PensionSMART salary sacrifice scheme, which is the College's standard method of contribution. Under PensionSMART, the member of staff does not make any direct payments to the pension scheme and their basic salary (and other elements of pensionable income) is reduced by the percentage they are eligible to contribute. The College contributes both the employer and employee percentage (26% in total) directly to the scheme.

Benefits include taxable benefits in kind in respect of the President's official residence, which is necessary for performance of her duties and is used from time to time for the College's official functions.

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For the year ended 31 July 2016

7. Staff costs (continued)

	Full-time equivalent (FTE)		Headcount	
	2016 No.	2015 No.	2016 No.	2015 No.
Staff numbers by major category				
Academic and research	3,738	3,782	4,021	4,064
Professional services	2,746	2,579	2,996	2,817
Technical services	503	506	521	520
Operational services	492	512	617	676
Learning & teaching	147	137	198	185
	7,626	7,516	8,353	8,262

The FTE number is based on the headcount but adjusted to include only the pro rata element of part-time staff.

The numbers include staff employed by subsidiary companies and the Imperial College Union.

All numbers are based on the snapshot as at 31 July.

Aggregate payments for compensation for loss of office payable to senior members of staff earning in excess of £100,000 per annum (two in 2016, three in 2015) were as follows:

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Compensation payable recorded within staff costs	96	169

Payments in respect of loss of office comprise termination payments paid directly to individuals in respect of loss of office, plus contributions made towards legal expenses. All compensation in respect of loss of office has been internally funded by the College.

Key management personnel

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

Key management personnel comprises members of the President's Board and the Provost's Board.

	Year ended 31 July 2016	Year ended 31 July 2015
	£m	£m
Key management personnel compensation	4.9	4.8

	Including consultancies		Excluding consultancies	
	2016 No.	2015 No.	2016 No.	2015 No.
Remuneration of other higher paid staff (excluding the President):				
£100,000-£109,999	78	75	80	75
£110,000-£119,999	53	64	50	55
£120,000-£129,999	57	45	52	41
£130,000-£139,999	37	37	34	33
£140,000-£149,999	27	29	23	31
£150,000-£159,999	34	33	36	31
£160,000-£169,999	15	17	16	16
£170,000-£179,999	17	19	15	18
£180,000-£189,999	20	17	19	14
£190,000-£199,999	7	11	7	10
£200,000-£209,999	9	8	9	7
£210,000-£219,999	4	2	5	2
£220,000-£229,999	8	3	5	3
£230,000-£239,999	1	-	1	1
£240,000-£249,999	2	3	2	3
£250,000-£259,999	-	2	-	3
£260,000-£269,999	3	2	2	1
£270,000-£279,999	-	1	-	1
£280,000-£289,999	1	1	1	1
£290,000-£299,999	2	3	2	2
£300,000-£309,999	1	1	1	1
£310,000-£319,999	2	-	2	-
£330,000-£339,999	1	-	1	-
£340,000-£349,999	-	-	-	-
£350,000-£359,999	-	1	-	1
£360,000-£369,999	-	-	-	-
£370,000-£379,999	1	-	1	-
£380,000-£389,999	-	2	-	1
£390,000-£399,999	-	-	-	-
£410,000-£419,999	-	-	-	-
£420,000-£429,999	-	1	-	1
£440,000-£449,999	1	1	1	1
	381	378	365	353

Remuneration of higher paid staff excludes employer's pension and National Insurance contributions, but includes payments to staff for NHS Distinction Awards and is presented with and without private consultancy services made through subsidiaries.

Notes to the accounts

For the year ended 31 July 2016

7. Staff costs (continued)

Related party transactions

For some years the College has maintained a Register of Interests of all Governors, academic and professional services staff. Policies incorporated within the College's Financial Regulations require an individual to declare an interest and withdraw from any commercial discussions should a conflict of interest potentially arise. Written assurances have been obtained from all Governors and senior officers of the College in respect of themselves and their close family that for the year to 31 July 2016 they have not unduly influenced any transaction between the College and a related party, as defined by FRS 102.

Commercial relationships with companies or other organisations that might be regarded as related parties have been reviewed. Transactions of a similar nature are aggregated unless, in the opinion of the College, separate disclosure is necessary to understand the effect of the transactions on the financial statements. The College has taken advantage of the exemption given by FRS 102, Related Party Disclosures, from disclosing transactions with its wholly owned subsidiaries. During the year, the College purchased goods and services amounting to £6.5 million and received research grants and contracts amounting to £26.6 million from such parties. At the year end £1.3 million was outstanding and included in debtors. Purchases of £2.2 million and research grants of £2.4 million relate to the transactions with companies in which the key management personnel declared interest. Research grants include £23.9 million from the Wellcome Trust where Mr Nick Moakes is Managing Director – Investments and a member of the Investment Committee. The Wellcome Trust has detailed guidelines and controls which require that Governors withdraw from any discussion or decision making on the award of grants where there may be a conflict of interest. Research contract income also includes £0.5 million from the King Abdullah University of Science and Technology (KAUST) where President Alice Gast is a trustee. Louise Lindsay, Director of Human Resources, has been director of the SAUL pension scheme from January 2015.

A number of College employees also hold positions in the Imperial College Healthcare NHS Trust.

In common with many universities, senior members of the College sit on Research Councils, other NHS Trust boards and other grant awarding bodies which have their own internal procedures to avoid potential conflicts of interest.

A number of other College employees own ordinary shares in Imperial Innovations Group plc, an associate of the College. The total shareholding owned by College employees continues to represent less than one half of one per cent of the issued share capital. In addition Mr Stewart Newton, the Hon Robert Rayne and Mr Jeremy Newsum all have shareholdings in Imperial Innovations Group plc.

The College has close relationships with a number of West London NHS Trusts with whom the College shares a number of sites and facilities. College staff work closely with those Trusts particularly in the clinical service areas.

The Group has an interest in a number of joint ventures and associates which are disclosed in notes 12 and 13. During 2014-15 the Hon Robert Rayne was a Director of LMS Capital in which he had a shareholding. LMS Capital was a significant investor in Voreda Real Estate Fund LP, which was the College's joint venture partner in Woodlands 1 LLP. This is no longer the case for 2015-16.

No trustee has received any remuneration or waived payments from the College during the year in respect of their services as a trustee (2015: Nil).

The total expenses paid to or on behalf of one trustee were £1,166 (2015: £2,701 to two trustees). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity.

8. Interest and other finance costs

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £m	College £m	Consolidated £m	College £m
Loan interest	7.9	7.9	7.0	7.0
Finance lease interest	5.6	5.6	5.4	5.4
Other financing costs	1.3	1.3	1.4	1.4
	14.8	14.8	13.8	13.8

9. Analysis of total expenditure by activity

					Consolidated	College
	Staff costs £m	Depreciation £m	Other operating expenses £m	Interest £m	Total £m	Total £m
2016						
Academic departments	209.4	3.2	55.7	0.2	268.5	268.8
Research grants and contracts	160.7	16.2	108.4	-	285.3	282.9
Academic services	23.1	0.2	19.2	-	42.5	42.5
Bursaries and scholarships	-	-	35.9	-	35.9	35.9
Administration and central services	37.0	0.4	24.4	-	61.8	57.9
Premises	14.6	38.4	53.1	-	106.1	103.8
Residences, catering and conferences	10.5	10.4	23.2	5.6	49.7	47.9
Other expenditure	31.5	-	11.1	9.0	51.6	38.8
	486.8	68.8	331.0	14.8	901.4	878.5
2015						
Academic departments	190.2	3.2	52.9	0.2	246.5	246.8
Research grants and contracts	163.2	14.2	112.2	-	289.6	286.3
Academic services	20.8	0.2	17.8	-	38.8	38.9
Bursaries and scholarships	-	-	34.6	-	34.6	34.6
Administration and central services	34.1	0.4	21.6	-	56.1	53.1
Premises	14.3	36.2	52.9	-	103.4	100.8
Residences, catering and conferences	10.3	8.1	26.1	5.4	49.9	48.0
Other expenditure	36.8	-	(7.7)	8.2	37.3	37.7
	469.7	62.3	310.4	13.8	856.2	846.2

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Other operating expenses include:		
External auditors remuneration in respect of audit services	228	217
External auditors remuneration in respect of non-audit services	21	183

Included in Other operating expenditure within Premises is £26,500 (2015: £26,500) of operating lease payments in respect of land leased from the Commissioners for the 1851 Exhibition. There are a further 939 years remaining on these leases.

Notes to the accounts

For the year ended 31 July 2016

10. Fixed assets

Consolidated	Freehold land and buildings £m	Leasehold land and buildings £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
Cost					
At 1 August 2015	698.7	724.9	254.9	148.1	1,826.6
Additions	47.8	6.4	8.7	123.2	186.1
Transfers	19.7	37.2	6.1	(63.0)	-
Disposals	(0.1)	-	(3.3)	(0.2)	(3.6)
At 31 July 2016	766.1	768.5	266.4	208.1	2,009.1
Accumulated depreciation					
At 1 August 2015	139.0	230.0	202.0	-	571.0
Charge for the year	17.5	26.7	24.6	-	68.8
Disposals	-	-	(3.2)	-	(3.2)
At 31 July 2016	156.5	256.7	223.4	-	636.6
Net book value					
At 31 July 2016	609.6	511.8	43.0	208.1	1,372.5
At 31 July 2015	559.7	494.9	52.9	148.1	1,255.6
College					
Cost					
At 1 August 2015	698.7	698.8	252.6	148.1	1,798.2
Additions	47.8	5.4	8.6	115.2	177.0
Transfers	19.7	37.3	6.0	(63.0)	-
Disposals	(0.1)	-	(3.2)	(0.2)	(3.5)
At 31 July 2016	766.1	741.5	264.0	200.1	1,971.7
Accumulated depreciation					
At 1 August 2015	139.0	224.0	200.0	-	563.0
Charge for the year	17.5	25.7	24.4	-	67.6
Disposals	-	-	(3.0)	-	(3.0)
At 31 July 2016	156.5	249.7	221.4	-	627.6
Net book value					
At 31 July 2016	609.6	491.8	42.6	200.1	1,344.1
At 31 July 2015	559.7	474.8	52.6	148.1	1,235.2

At 31 July 2016, freehold land and buildings included £185.8 million (2015 – £185.9 million) in respect of freehold land and is not depreciated.

Griffon Studios, the 566 postgraduate student apartment block, is held under a 45 year finance lease following its sale to and leaseback from Legal and General Pensions Ltd in 2012. Included in land and buildings under finance leases is also the land belonging to the Trustees of the Charitable Funds for the Charing Cross, Hammersmith and Queen Charlotte's Hospitals. The Trustees have leased the land to Imperial College on a 125 year lease which is held at a value of £1.7 million.

Consolidated leasehold land and buildings include assets held under finance leases as follows:	Year ended 31 July 2016	Year ended 31 July 2015
	£m	£m
Cost	95.6	95.6
Accumulated depreciation	(7.8)	(5.7)
Charge for year	(2.1)	(2.1)
Net book value	85.7	87.8

Included at cost within land and buildings for the College and Group as at 31 July 2016 is a heritage asset, being the nineteenth-century built Queen's Tower, currently insured at a value of £11.4 million (2015: £11.1 million).

11. Non-current investments

	Subsidiary companies £m	Investment property £m	Other non-current investments £m	Total £m
Consolidated				
At 1 August 2015	-	134.4	231.2	365.6
Additions	-	0.5	29.4	29.9
Disposals	-	(16.1)	(10.9)	(27.0)
(Loss)/gain on market movements	-	(2.2)	18.1	15.9
At 31 July 2016	-	116.6	267.8	384.4
College				
At 1 August 2015	22.2	134.4	230.8	387.4
Additions	4.2	0.5	29.4	34.1
Disposals	-	(16.1)	(10.7)	(26.8)
(Loss)/gain on market movements	-	(2.2)	18.1	15.9
Impairment	(0.6)	-	-	(0.6)
At 31 July 2016	25.8	116.6	267.6	410.0

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £m	College £m	Consolidated £m	College £m
Other non-current investments consist of:				
Securities	117.7	117.7	93.8	93.8
Endowment funds assets	103.9	103.9	96.4	96.4
Francis Crick Institute	40.0	40.0	33.9	33.9
Other	6.2	6.0	7.1	6.7
	267.8	267.6	231.2	230.8

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For the year ended 31 July 2016

12. Investments in joint ventures

As at 31 July 2015, the College held a 50% share in Imperial West Ltd ('IWL'), a UK private limited company set up to achieve planning permissions at the White City campus. This was consolidated using the equity method. The carrying value of this investment was £0.9 million. The corresponding cost in College books was £1.0 million.

On 1 April 2016, the remaining 50% share was purchased by the College, IWL becoming a subsidiary as at that date. The share of the joint venture's income and expenditure has been recognised for the period up to date of purchase, from which point the subsidiary's income, expenditure, assets and liabilities have been fully consolidated. Overall income of £5.5 million and cost of £3.9 million have been recognised in 2015-16.

Also in 2014-15, the College held a joint venture investment in Woodlands 1 LLP, which owned and operated postgraduate accommodation on the White City Campus. This ceased to be a joint venture in 2014-15, following sale of the accommodation asset to the College and removal of the joint venture from the Companies Register.

The College has investment of 49.9% in Imperial West Developments LLP. This joint venture is currently dormant.

13. Investments in associates

Associates are consolidated using the equity method.

In February 2016, Imperial Innovations Group plc ('Innovations') carried out fundraising which the College did not participate in, therefore the Group's percentage investment decreased from 20.1% to 17.1%. On review, it was concluded that the Group retains a significant influence and therefore continues to hold the investment as an associate, the carrying and fair values of which at 31 July 2016 were £78.0 million and £117.3 million respectively (31 July 2015: £84.5 million and £133.8 million respectively). However, as a result of the dilution of interest, the Group recorded a deemed profit of £4.4 million. The cost of this investment recognised for the College at 31 July 2016 was £4.8 million (31 July 2015: £4.8 million).

In January 2016, the College acquired a 23% share in Twig Rights Limited, the holding company of a trading entity which creates digital educational resources. The cost of this investment was £3.5 million. This has been consolidated using the equity method to 31 July 2016, at which point the carrying amount of the associate was £4.4 million.

The College also has a 25% holding in Imanova Ltd which offers environmental consultancy and scientific services. The carrying amount of this associate at 31 July 2016 was £0.7 million (31 July 2015: £0.5 million), the cost recognised for the College at 31 July 2016 was £1.2 million (31 July 2015: £1.2 million).

14. Subsidiary undertakings

As at 31 July 2016 the subsidiary companies (all of which are registered in England), wholly-owned or effectively controlled by the College, were as follows:

Company	Principal activity	Holding %
IC Consultants Ltd	Consultancy and scientific services	100
Imperial Activities Ltd	Commercial property services	100
Private Patient Healthcare Ltd	Private patient healthcare services	100
Burlington Danes Construction Ltd	Construction and property services	100
Imperial College ThinkSpace Ltd	Provision of facilities to spin-out companies	100
Imperial (Forest House) Ltd	Commercial property services	100
Imperial College Projects Ltd	Provision of scientific services	100
Imperial MBA Ltd	Dormant	100
Imperial College London Ltd	Dormant	100
Wye Foundation Trust	Charitable Trust	100
Extracalm Company Ltd	Administrative services	100
Extracalm Cleaning LLP	Cleaning services partnership	partnership
Imperial White City Incubator Ltd	Provision of facilities to spin-out companies	100
Imperial West Ltd	Construction and property services	100
Imperial College Union	Student activities	

Imperial College Union is an unincorporated charitable association fully consolidated by the College. Imperial Bioincubator Limited changed its name to Imperial College ThinkSpace Limited on 4 December 2015.

15. Trade and other receivables

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £m	College £m	Consolidated £m	College £m
Amounts falling due within one year:				
Research grants and contracts - receivables	28.5	28.5	20.8	20.8
Research grants and contracts - work in progress	53.0	53.0	48.2	48.2
Other trade receivables	100.7	97.0	99.9	96.5
Prepayments and accrued income	73.6	68.7	72.3	71.5
Amounts due from subsidiary companies	-	12.0	-	15.1
Amounts due from associate companies	0.1	0.1	-	-
Derivatives	2.5	2.5	-	-
	258.4	261.8	241.2	252.1
Debtors due after more than one year included above	1.7	3.2	-	1.5

The derivatives relate to forward contracts for gas and electricity entered into to mitigate the effect of adverse market energy prices. These are held at fair value using quoted market energy rates as at 31 July 2016. The fair value at 31 July 2016 of those maturing within one year is £0.8 million and £1.7 million for those maturing after one year, with the total £2.5 million gain from change in fair value recognised in 2015-16.

Included within Other trade receivables are invoices totalling £81.0 million (£80.6 million in 2015) in respect of tuition fees for courses starting in the next financial year with the income deferred on the balance sheet until the start of the course.

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For the year ended 31 July 2016

16. Current investments

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £m	College £m	Consolidated £m	College £m
Short term deposits	12.8	12.8	29.2	29.2

Deposits are held with banks and building societies with more than three months maturity at the balance sheet date.

At 31 July 2016 the weighted average interest rate of these fixed rate deposits was 1% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 286 days. The fair value of these deposits was not materially different from the book value.

17. Creditors : amounts falling due within one year

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £m	College £m	Consolidated £m	College £m
Bank overdraft	-	15.6	-	28.5
Unsecured loans	5.8	5.8	5.8	5.8
Obligations under finance leases	0.7	0.7	0.7	0.7
Deferred lease premiums	0.3	0.3	0.3	0.3
Research payments received on account	199.3	199.3	195.3	195.3
Trade payables	27.7	19.5	31.7	25.7
Social security and other taxation payable	13.8	13.5	11.8	11.8
Accruals and deferred income	232.5	219.8	221.1	210.2
Amounts due to subsidiary companies	-	3.3	-	2.6
	480.1	477.8	466.7	480.9

Deferred income

Included with accruals and deferred income are the following items of income which have been deferred.

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £m	College £m	Consolidated £m	College £m
Income with performance related conditions	8.0	8.0	7.7	7.7
Other income	142.6	142.6	136.4	136.4
	150.6	150.6	144.1	144.1

Included within other income are deferred tuition fees totalling £98.8 million (£98.8 million in 2015) in respect of courses starting in the next financial year.

18. Creditors : amounts falling due after more than one year

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £m	College £m	Consolidated £m	College £m
Obligations under finance lease	90.4	90.4	91.1	91.1
Deferred lease premiums	12.3	12.3	12.7	12.7
Unsecured loans	200.8	200.8	206.5	206.5
	303.5	303.5	310.3	310.3

The maturity profile of the carrying amount of the Group's liabilities, at 31 July was as follows:

	Lease premiums £m	Bank loans £m	Finance leases £m	2016 £m	2015 £m
Due within one year or on demand (Note 17)	0.3	5.8	0.7	6.8	6.8
In more than one year but no more than two years	0.3	5.8	0.7	6.8	6.8
In more than two years but no more than five years	0.9	23.7	2.4	27.0	26.9
In more than five years	11.1	171.3	87.3	269.7	276.6
Total unsecured loans and finance lease obligations	12.6	206.6	91.1	310.3	317.1
Less than one year	(0.3)	(5.8)	(0.7)	(6.8)	(6.8)
Due after more than one year	12.3	200.8	90.4	303.5	310.3

The bank loans comprise the following unsecured sterling borrowing facilities:

	Outstanding amount drawn £m	Original amount £m	Interest rate %	Date drawn	Term Years
Lender					
Private Placement	50.0	50.0	5.39	Mar-03	30
EIB	9.7	23.2	floating	Dec-05	15
Private Placement	50.0	50.0	4.84	Jul-06	50
EIB	26.9	50.0	floating	May-08	15
EIB	70.0	70.0	2.87	Dec-14	25
	206.6	243.2			

Notes to the accounts

For the year ended 31 July 2016

19. Provisions for liabilities	Obligation to fund deficit on USS pension £m	Obligation to fund deficit on SAUL pension £m	Total pensions provisions £m	Restructuring £m	Decommissioning of engineering facility £m	Total other £m
Consolidated						
At 1 August 2015	60.1	-	60.1	0.3	13.6	13.9
Utilised in year	(2.7)	(0.7)	(3.4)	(0.2)	(3.2)	(3.4)
Additions in 2015-16	20.3	4.5	24.8	0.1	1.2	1.3
At 31 July 2016	77.7	3.8	81.5	0.2	11.6	11.8
College						
At 1 August 2015	60.0	-	60.0	0.3	13.6	13.9
Utilised in year	(2.7)	(0.7)	(3.4)	(0.2)	(3.2)	(3.4)
Additions in 2015-16	20.3	4.5	24.8	0.1	1.2	1.3
At 31 July 2016	77.6	3.8	81.4	0.2	11.6	11.8

A number of restructuring programmes are currently underway within the College with the aim of reducing costs.

USS deficit

The obligation to fund the past deficit on the USS pension scheme arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have re-assessed future employee membership within the USS scheme and salary increases over the period of the contracted obligation in assessing the value of this liability, which has resulted in an increase of £19.2 million in the year. Additions in the year also includes a finance charge of £1.1 million, relating to the unwind of the provision.

SAUL deficit

The obligation to fund the past deficit on the SAUL pension scheme arises from the contractual obligation with the pension scheme, agreed in 2015-16, for total payments relating to benefits arising from past performance. Management have assessed future employee membership within the SAUL scheme and salary increases over the period of the contracted obligation in assessing the value of this liability, additions in the year of £4.5 million relating to the initial recognition of the provision.

20. Endowment reserves

Restricted net assets relating to endowments are as follows:

				2016	2015
	Restricted permanent endowments £m	Unrestricted permanent endowments £m	Expendable endowments £m	Total £m	Total £m
Balances at 1 August					
Capital	63.4	10.9	51.0	125.3	106.4
Accumulated income	(0.2)	-	(11.5)	(11.7)	(8.4)
	63.2	10.9	39.5	113.6	98.0
New endowments	1.7	-	5.8	7.5	11.6
Reclassification – capital	-	-	-	-	0.5
Reclassification – accumulated income	-	-	-	-	(0.5)
Investment income	1.0	0.2	0.6	1.8	1.7
Expenditure	(1.6)	(0.3)	(3.0)	(4.9)	(4.5)
	(0.6)	(0.1)	(2.4)	(3.1)	(3.3)
Increase in market value of investments	5.1	0.9	2.2	8.2	6.8
At 31 July	69.4	11.7	45.1	126.2	113.6
Represented by:					
Capital	70.2	11.8	59.0	141.0	125.3
Accumulated income	(0.8)	(0.1)	(13.9)	(14.8)	(11.7)
	69.4	11.7	45.1	126.2	113.6
Analysis by asset					
Fixed assets				103.9	96.4
Current liabilities				(0.2)	(0.2)
Cash & cash equivalents				22.5	17.4
				126.2	113.6

Included within endowments are a number of permanent funds with a deficit of accumulated income as at 31 July 2016. Within unrestricted permanent endowments there are 3 funds with a combined deficit balance of £0.1 million (2015: 3 funds with a deficit totalling £0.1 million). Within restricted permanent endowments there are 66 individual funds with a total combined deficit of £3.6 million (2015: 57 funds with a total combined deficit of £2.9 million). The College monitors funds in a deficit position and takes corrective action to ensure that these funds return to surplus in the medium term.

Notes to the accounts

For the year ended 31 July 2016

21. Restricted reserves

Reserves with restrictions are as follows:

	Capital £m	Research £m	Other £m	2016	2015
				Total £m	Total £m
College					
Balances at 1 August	12.1	7.1	11.1	30.3	38.2
New HEFCE grants	25.9	-	-	25.9	22.1
New income / donations	8.8	8.8	7.0	24.6	37.1
Expenditure	(20.9)	(8.4)	(3.4)	(32.7)	(67.1)
	13.8	0.4	3.6	17.8	(7.9)
At 31 July	25.9	7.5	14.7	48.1	30.3
Consolidated					
Balances at 1 August	15.4	7.1	12.1	34.6	42.4
New HEFCE grants	25.9	-	-	25.9	22.1
New income / donations	8.8	8.8	9.4	27.0	39.7
Expenditure	(21.1)	(8.4)	(6.0)	(35.5)	(69.6)
	13.6	0.4	3.4	17.4	(7.8)
At 31 July	29.0	7.5	15.5	52.0	34.6

22. Capital and other commitments

Provision has not been made for the following capital commitments at 31 July:

	2016		2015	
	Consolidated £m	College £m	Consolidated £m	College £m
Capital commitments for major building projects contracted at 31 July	100.1	95.0	108.4	96.3

23. Contingent liabilities

The College is involved in a number of legal cases and subject to a number of overage clauses. In addition, there is a potential legal case involving the Health and Safety Executive in relation to an incident in 2011. No material financial liabilities are anticipated.

24. Lease receivables

Total rentals receivable under operating leases:

	2016	2015
	£m	£m
Future minimum lease payments due		
Not later than one year	3.7	2.9
Later than one year and not later than five years	6.3	6.7
Later than five years	6.9	6.5
Total lease payments due	16.9	16.1

25. Events after the reporting year

On 23 August 2016, the Innovation and Translation Hub at the White City campus was completed and Imperial ThinkSpace Limited took possession on a 25 year lease. The minimum lease payments are:

	£m
Within one year	5.6
In more than two years but no more than five years	22.4
In more than five years	112.0

A £200 million private placement facility to be drawn down from a syndicate of investors in January 2017 was arranged in November 2016. This will be separated into three tranches of £30 million, £71 million and £99 million, drawn down for periods of 33 years, 35 years and 40 years respectively. The interest rate of these amounts will be fixed at 2.47%, 2.47% and 2.44% respectively.

26. Connected charitable institutions

The College has no linked charities with income of £100,000 and above to disclose. Aggregate figures for linked charities with income below this threshold are disclosed below.

Funds where individual income for the year was under £100,000	Opening reserves £'000	Income and donations received £'000	Expenditure & outgoing resources £'000	Capital growth/ diminution £'000	Closing reserves £'000
Consolidated					
Prize Funds (2 funds)	328	5	(20)	24	337
Research support (2 funds)	2,079	33	(14)	157	2,255
Student support (1 fund)	2,871	51	(59)	219	3,082
	5,278	89	(93)	400	5,674

27. Pension schemes

The College participates in four separate, independently managed, defined benefit, occupational pension schemes, which were contracted out of the State Second Pension (S2P) until 31 March 2016; each is valued by professionally qualified and independent actuaries, triennially except the NHS Scheme which is quadrennially. The USS, SAUL and NHS pension schemes are multi-employer schemes and it is not possible to identify the College's share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and hence, as required by Section 28 of FRS 102, contributions to the schemes are accounted for as if they were defined contribution schemes. As a result, the amounts charged to the statement of comprehensive income and expenditure represent the contributions payable to the schemes in respect of the accounting period. For both USS and SAUL, in the event of the insolvency of any of the participating employers, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer may be spread across the remaining participant employers and reflected in the next actuarial valuation.

Imperial Consultants Ltd, a subsidiary of the College, operates a defined contribution pension scheme for its employees with contributions being charged to the income and expenditure account in the period to which they relate. In addition, Imperial Consultants Ltd joined the SAUL pension scheme in the year ended 31 July 2016.

USS

Staff paid on academic and academic-related scales, who are otherwise eligible, can acquire pension rights through USS, which is a national scheme administered centrally for UK universities. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

Notes to the accounts

For the year ended 31 July 2016

27. Pension schemes (continued)

At 31 March 2016, USS had over 180,000 active members and the College had 4,060 active members participating in the scheme (31 March 2015: 162,000 and 4,046 members respectively). The total pension cost for the College for the year ended 31 July 2016 was £35.3 million (2015: £32.6 million).

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

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme’s technical provisions was £46.9 billion, indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% *
Price inflation (CPI)	2.2%	2.2%
Life expectancy:		
Males (females) currently aged 65 (years)	24.3 (26.5)	24.2 (26.4)
Males (females) currently aged 45 (years)	26.4 (28.8)	26.3 (28.7)
Existing scheme’s benefits:		
Scheme assets	£49.8bn	£49.1bn
FRS 102 liabilities	£58.3bn	£60.2bn
FRS 102 deficit	£8.5bn	£11.1bn
FRS 102 funding level	85%	82%

* 3.5% in the first year, 4.0% thereafter

The College is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to its employees. Following the 2011 triennial valuation, in 2012 employers agreed a deficit recovery plan for the period 1 April 2012 to 31 March 2021 to pay off the scheme shortfall. This recovery plan was subsequently revised in July 2015 to end on 31 March 2031. From 1 April 2016 employer contributions have increased to 18% of salaries (2015: 16%), providing a deficit contribution of 2.5% per annum. Member contributions have increased to 8% of salaries (2015: Final salary – 7.5%, Career Revalued Benefits – 6.5%).

The defined benefit liability to be recognised by the College in respect of the deficit contributions due to USS is £77.7 million as at 31 July 2016 (£60.1 million as at 31 July 2015). Management have assessed future employee membership within the USS scheme and salary increases over the period of the contracted obligation in assessing the value of this liability (Note 19).

SAUL

The College participates in SAUL, which is a centralised defined benefit scheme within the United Kingdom and is contracted-out of the Second State Pension (prior to April 2016). SAUL is an independently-managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

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

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

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

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

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2014. The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of the scheme's assets was £1,927 million representing 97% of the liability for benefits accrued up to 31 March 2014.

Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

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

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

The defined benefit liability to be recognised by the College in respect of the deficit contributions due to SAUL is £3.8 million as at 31 July 2016 (nil as at 31 July 2015). Management have assessed future employee membership within the SAUL scheme and salary increases over the period of the contracted obligation in assessing the value of this liability (Note 19).

NHS

Staff who have pension rights in the NHS Pension Scheme, on taking up a post within the College, may remain in membership of that scheme which is the nationally administered scheme for the National Health Service. The NHS Pension Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State in England and Wales.

The Scheme is subject to a full valuation every four years. A valuation of the scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2016, is based on the valuation data as at 31 March 2015, updated to 31 March 2016 with summary global member and accounting data. The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow contribution rates to be set by the Secretary of State for Health, with consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate. Details of the benefits payable, rules and accounts of the Scheme can be viewed on the NHS Pensions website www.nhsbsa.nhs.uk/pensions.

FPS defined benefit scheme

FPS is the scheme St Mary's Hospital Medical School operated for non-academic staff prior to 1 August 1988, when it was closed to new entrants. Two thirds of the membership elected to transfer into SAUL at that time and there are now no contributing members. A full actuarial valuation was carried out as at 31 March 2016 by a qualified independent actuary.

The liabilities set out in this note have been calculated based on the preliminary results of the full Scheme Funding Assessment as of 31 March 2016. The present value of the defined benefit obligation was measured using the projected unit credit method. Imperial College London has agreed a funding plan with the trustee body following the 31 March 2013 funding assessment, whereby it was expected that no contributions would be required for the five year period commencing 31 March 2013.

Notes to the accounts

For the year ended 31 July 2016

27. Pension schemes (continued)

The results of the calculations and the assumptions adopted are shown below:

Assumptions	2016	2015
Discount rate	2.3%	3.5%
Aggregate long-term expected rate of return on assets (net of expenses)	2.3%	3.5%
Retail Prices Index (RPI) Inflation	2.7%	3.2%
Consumer Prices Index (CPI) Inflation	1.7%	2.2%
Future statutory revaluation of pensions in deferment	1.7%	2.2%
Pensions in payment, increasing by CPI capped at 5% p.a.	1.8%	2.2%
Post retirement mortality assumption	90% of S2PxA	90% of S1PxA (b=yob)
<hr/>		
Major categories of scheme assets as a percentage of total scheme assets	2016	2015
Equities	0%	0%
Property and infrastructure	-	-
Gilts	61%	61%
Corporate bonds	16%	15%
Insured annuity contracts	1%	1%
Cash	22%	24%
Total	100%	100%

The pension scheme has not invested in any of Imperial College London's own financial instruments, nor in properties or other assets used by Imperial College London. The assets are all quoted in an active market with the exception of the insured pensions.

Reconciliation of the present value of scheme liabilities and fair value of assets to the asset recognised in the Balance Sheet	2016	2015
	£m	£m
Fair value of assets	7.1	6.8
Value of liabilities	(4.6)	(4.5)
Funded status	2.5	2.3
Unrecognised pension asset	2.5	2.3
<hr/>		
Total expense recognised in Income & Expenditure	£m	£m
Administration expenses	0.1	0.1
Total recognised in Income & Expenditure	0.1	0.1
<hr/>		
Total amounts recognised in Other Comprehensive Income	£m	£m
Actual return on scheme assets – gains and (losses)	0.6	0.6
less: amounts included in net interest on the net defined benefit liability	(0.2)	(0.2)
Remeasurement gains and (losses) – Return on scheme assets excluding interest income	0.4	0.4
Remeasurement gains and (losses) – Actuarial gains and (losses)	(0.1)	(0.3)
Surplus restriction	(0.3)	(0.1)
Other Comprehensive income gains/(losses)	-	-

	2016	2015
	£m	£m
Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	(4.5)	(4.2)
Interest cost on obligation	(0.2)	(0.2)
Administration costs	(0.1)	(0.1)
Current service cost	-	-
Remeasurement gains and (losses) - Actuarial gains and (losses)	(0.1)	(0.3)
Member contributions	-	-
Benefits paid including expenses	0.3	0.3
Closing defined benefit obligation	(4.6)	(4.5)

	2016	2015
	£m	£m
Changes in the fair value of scheme assets		
Opening fair value of assets	6.8	6.6
Interest income	0.2	0.2
Remeasurement gains and (losses) – Return on scheme assets excluding interest income	0.4	0.3
Member contributions	-	-
Benefits paid including expenses	(0.3)	(0.3)
Closing fair value of scheme assets	7.1	6.8

FPS assets do not include any of the College's own financial instruments, or any property occupied by the College.

		2016	2015
	Note	£m	£m
The pension costs for the College and its subsidiaries under FRS 102 were:			
Contributions to USS		35.3	32.6
Contributions to SAUL		10.4	8.8
Contributions to NHS		4.3	4.4
Contributions to defined contribution pension schemes		0.1	0.1
Total contributions payable		50.1	45.9
Contributions towards USS deficit	19	(2.7)	(8.3)
Contributions towards SAUL deficit	19	(0.7)	-
Total contributions recognised in staff costs	7	46.7	37.6

28. Transition to FRS 102 and the 2015 SORP

As explained in the accounting policies, these are the College's first financial statements prepared in accordance with FRS 102 and the 2015 SORP. The accounting policies, set out in the Statement of Accounting Policies, have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the College 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 College's financial position, financial performance and cash flows is set out in the following tables.

Notes to the accounts

For the year ended 31 July 2016

28. Transition to FRS 102 and the 2015 SORP (continued)

Financial position	01 August 2014		31 July 2015	
	Consolidated £m	College £m	Consolidated £m	College £m
Total reserves under UK GAAP & 2007 SORP	1,097.9	1,022.4	1,363.8	1,292.1
Investment property	A	81.3	81.3	-
Associates	B	6.2	-	11.0
Endowments	C	-	-	-
Deferred income	D	25.6	25.6	18.2
Employee leave accrual	E	(7.4)	(7.4)	(8.6)
USS pension provision	F	(38.8)	(38.8)	(60.1)
Capital Grant income	G	26.3	23.5	12.1
Financial instruments	H	(1.3)	(1.3)	-
Total effect of transition to FRS 102	91.9	82.9	(27.4)	(41.0)
Total reserves under 2015 SORP	1,189.8	1,105.3	1,336.4	1,251.1

Financial performance	Year ended 31 July 2015	
	Consolidated £m	College £m
Surplus for the year under UK GAAP & 2007 SORP	129.6	133.4
Investment property	A	(6.5)
Associates	B	4.8
Endowments	C	15.6
Deferred income	D	(7.4)
Employee leave accrual	E	(1.2)
USS pension provision	F	(21.3)
Capital Grant income	G	60.3
Financial instruments	H	1.3
Investment Gains	I	6.3
Deferred capital grant release	J	(34.9)
Total effect of transition to FRS 102	17.0	12.4
Total comprehensive income for the year under 2015 SORP	146.6	145.8

Cash and cash equivalents	01 August 2014		31 July 2015	
	Consolidated £m	Cash flow £m	Consolidated £m	
Cash at bank and in hand	262.6	(120.6)	142.0	
Cash within endowment assets	12.0	5.4	17.4	
Cash under UK GAAP & 2007 SORP	274.6	(115.2)	159.4	
Cash equivalents	-	50.0	50.0	
Cash under 2015 SORP	274.6	(65.2)	209.4	

Cash flows

The only impact of the transition to FRS 102 on the cash flows of the College or the Group is the reclassification of some short term, highly liquid investments to cash and cash equivalents as shown above.

A. Investment property

FRS 102 requires investment property to be held at fair value, with movements charged to the SOCI&E whereas previously these were held at open market value with movements charged to the STRGL. A net asset movement on transition of £81.3 million was recognised following the reclassification of the Endowment's non-core property portfolio as investment properties as required by FRS 102. In the year to 31 July 2015, this reclassification to investment properties was performed under UK GAAP, therefore only fair value gains in market value of £7.9 million were recognised to adhere to FRS 102, this being offset by the reversal of a one-off £14.4 million UK GAAP credit resulting from the reclassification mentioned above.

B. Associates

FRS 102 requires the use of fair value for investments in shares which are publicly traded or where the fair value can be measured reliably, with movements in fair value recognised in the SOCI&E. Within the Group, publicly traded shares are held by Imperial Innovations, an associate of the College. Previously these were held at cost under UK GAAP. Therefore the requirement of FRS 102 has led to revaluation of these investments to fair value, which has subsequently increased the share of associate net assets on transition by £6.2 million. Gains on these investments of £4.8 million were recognised in the year to 31 July 2015 leading to an increased share of associate net assets at 31 July 2015 of £11.0 million.

C. Endowments

FRS 102 requires new endowments and market value increases received from these to be recognised in the SOCI&E, previously these were recognised in reserves. In the year to 31 July 2015 new endowments of £11.6 million and £6.8 million of market value increases were recognised as income through the SOCI&E, offset by a reversal of a £2.8 million movement from accumulated income. Endowment assets are also no longer recognised separately on the balance sheet. Instead, their constituent parts (cash and investments) are recognised in their respective lines on the balance sheet.

D. Deferred income

Under FRS 102, the College and Group has chosen to account for government grants and non-exchange transactions using the performance model, whereby income can only be deferred if there are performance related conditions attached which have yet to be fulfilled. Otherwise, the income is recognised in the SOCI&E when received or receivable. Previously under UK GAAP, this income was recognised on an accruals basis.

On transition, unrestricted income of £13.5 million was released to the SOCI&E in the year to 31 July 2014. Restricted income with no performance related conditions attached of £12.1 million was moved from deferred income to the restricted reserve.

In the year to 31 July 2015, the movement on restricted funds with no performance related conditions attached amounted to £6.1 million and has been released to the restricted reserve in the SOCI&E. The unrestricted income of £13.5 million deferred in 13-14 was released under UKGAAP in 14-15 therefore this has been reversed in the year to 31 July 2015 in the SOCI&E under FRS 102. All other income with performance related conditions attached remain deferred.

E. Employee leave accrual

FRS 102 requires short term employee benefits to be charged to the SOCI&E as the employee service is received. This has resulted in the College and Group recognising a liability for holiday pay of £7.4 million on transition to FRS 102. Previously holiday pay accruals were not recognised and were charged to the SOCI&E as they were paid. In the year to 31 July 2015 an additional charge of £1.2 million was recognised in the SOCI&E and the liability at 31 July 2015 was £8.6 million.

F. USS pension provision

FRS 102 requires that where an entity participates in a defined benefit plan which is a multi-employer plan that is accounted for as if the plan were a defined contribution plan, and the entity has entered into an agreement with the multi-employer plan that determines how the entity will fund a deficit, the entity shall recognise a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in the SOCI&E. The College participates in the USS pension scheme which is accounted for in this way and therefore has recognised its share of the USS deficit reduction scheme as a provision of £38.8 million on transition to FRS 102. In the year to 31 July 2015 an additional provision charge of £20.3 million was recognised in the SOCI&E, as well as a finance charge of £1 million, and the provision at 31 July 2015 was £60.1 million. Previously there were no such requirements in UK GAAP for a deficit recovery provision to be recognised.

G. Capital Grant income

Under FRS 102 capital grants are accounted for using the performance model. These grants are therefore recognised in the SOCI&E when received or receivable and held in the restricted reserve until spent. Previously under UK GAAP capital grants were deferred and recognised in the SOCI&E over the lifetime of the capital asset. On transition to FRS 102, £26.3 million of unspent grants were recognised in the restricted reserve at 31 July 2014. In the year to 31 July 2015, a further £60.3 million capital grant income was recognised in the SOCI&E, and at 31 July 2015 £12.1 million of unspent grants are held in the restricted reserve.

H. Financial instruments

FRS 102 requires financial liabilities to be derecognised when the obligation specified in the contract is discharged, is cancelled or expires. The College hedged the future rate of a loan entered into in 2006 for three months. On drawdown the value of the hedge had moved adversely, the value of which was capitalised and depreciated over the life of the loan in accordance with UK GAAP. Under FRS 102 this should have been recognised on commencement and derecognised when the College settled the adverse position in 2006. The carrying value of the hedge of £1.3 million is therefore taken to reserves on transition at 31 July 2014. Under UK GAAP this had been written off in 2014-15 and therefore has been written back in the year to 31 July 2015.

I. Investment gains


FRS 102 requires the use of fair value for investments in shares which are publicly traded or where the fair value can be measured reliably, with movements in fair value recognised in the SOCI&E. Previously, listed investments in the Endowment's Unitised Scheme were accounted for under UK GAAP as available-for-sale investments, measured at fair value but with changes in fair value recorded in equity. In 2014-15 revaluation gains on these funds of £6.3 million are recognised in the SOCI&E rather than as a movement in equity.

J. Deferred capital grant release

Under FRS 102, capital grants are accounted for using the performance model and can no longer be deferred as under UK GAAP. During the year to 31 July 2015, deferred capital grants to the value of £34.9 million were released and therefore are reversed under FRS 102.

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We will build strong relationships
with our alumni and friends

IMPERIAL COLLEGE LONDON STRATEGY 2015-20
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Alumni chat with staff during a Welcome
Back Breakfast at the 2016 Alumni Weekend.

