



THE UNIVERSITY OF LEEDS
(incorporated by Royal Charter)

£250,000,000

3.125 PER CENT. BONDS DUE 2050

The issue price of the £250,000,000 3.125 per cent. Bonds due 2050 (the "**Bonds**") of The University of Leeds (the "**Issuer**") is 99.105 per cent. of their principal amount.

Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on 19 December 2050. The Bonds are subject to redemption, in whole but not in part, at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the United Kingdom. The Bonds may also be redeemed at any time at the option of the Issuer, in whole or in part, at the Redemption Price (as defined in "*Terms and Conditions of the Bonds—Condition 5(c)—Redemption at the option of the Issuer*"). See "*Terms and Conditions of the Bonds—Redemption and Purchase*".

The Bonds will bear interest from 19 February 2016 (the "**Issue Date**") at the rate of 3.125 per cent. per annum payable semi-annually in arrear on 19 June and 19 December in each year, except that the first payment of interest shall be made on 19 December 2016 in respect of the period from (and including) the Issue Date to (but excluding) 19 December 2016. Payments on the Bonds will be made in sterling without deduction for or on account of taxes imposed or levied by the United Kingdom to the extent described under "*Terms and Conditions of the Bonds—Condition 7—Taxation*".

Applications have been made to the United Kingdom Financial Conduct Authority (the "**FCA**") under Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**") for the Bonds to be admitted to listing on the Official List of the FCA and to the London Stock Exchange plc (the "**London Stock Exchange**") for the Bonds to be admitted to trading on the Regulated Market of the London Stock Exchange. The Regulated Market of the London Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments.

The Bonds have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are subject to United States tax law requirements. The Bonds are being offered outside the United States by the Joint Lead Managers (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Bonds will be in bearer form and in the denominations of £100,000 and higher integral multiples of £1,000 (up to and including £199,000). The Bonds will initially be in the form of a temporary global bond (the "**Temporary Global Bond**"), without interest coupons, which will be deposited on or around the Issue Date with a common safekeeper for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). The Temporary Global Bond will be exchangeable, in whole or in part, for interests in a permanent global bond (the "**Permanent Global Bond**"), without interest coupons, not earlier than 40 days after the Issue Date upon certification as to non U.S. beneficial ownership. Interest payments in respect of the Bonds cannot be collected without such certification of non U.S. beneficial ownership. The Permanent Global Bond will be exchangeable in certain limited circumstances in whole, but not in part, for Bonds in definitive form in the denominations of £100,000 and higher integral multiples of £1,000 (up to and including £199,000) each with interest coupons and (if applicable) talons attached. See "*Summary of Provisions Relating to the Bonds in Global Form*".

The Bonds are expected to be assigned a rating of Aa2 by Moody's Investors Service Limited ("**Moody's**") upon issue. Moody's is established in the European Economic Area ("**EEA**") and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

An investment in the Bonds involves certain risks; for a discussion of these risks see "Risk Factors" herein.

Joint Lead Managers

BARCLAYS

HSBC

LLOYDS BANK

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IMPORTANT NOTICES

This Prospectus comprises an approved prospectus for the purposes of section 85(2) of the FSMA.

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus to the best of its knowledge is in accordance with the facts and contains no omission likely to affect its import.

The Issuer has confirmed to Barclays Bank PLC, HSBC Bank plc and Lloyds Bank plc (the "**Joint Lead Managers**") that this Prospectus contains all information which is (in the context of the issue, offering and sale of the Bonds) material; this Prospectus is true and accurate in all material respects and is not misleading; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading and are based on reasonable assumptions; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading; and all proper enquiries have been made to ascertain and to verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Bonds other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Joint Lead Managers or the Trustee.

Neither the Joint Lead Managers nor the Trustee nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Bond shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation to subscribe or purchase, any Bonds. The distribution of this Prospectus and the offering, sale and delivery of Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Bonds and on distribution of this Prospectus and other offering material relating to the Bonds, see "*Subscription and Sale*".

In particular, the Bonds have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to U.S. Persons.

In this Prospectus, unless otherwise specified, references to "£" or "sterling" are to the lawful currency for the time being of the United Kingdom. References to "billions" are to thousands of millions.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. Save where expressly stated otherwise, financial information for the year ended 31 July 2015 has been presented in accordance with UK GAAP and not in accordance with FRS 102.

In connection with the issue of the Bonds, Barclays Bank PLC (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over allot Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Bonds should be based on a consideration of the Prospectus as a whole.

Words and expressions defined in the "Terms and Conditions of the Bonds" below or elsewhere in this Prospectus have the same meanings in this overview.

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| The Issuer: | The University of Leeds. |
| Joint Lead Managers: | Barclays Bank PLC, HSBC Bank plc and Lloyds Bank plc. |
| Trustee: | HSBC Corporate Trustee Company (UK) Limited. |
| Principal Paying Agent: | HSBC Bank plc. |
| The Bonds: | £250,000,000 3.125 per cent. Bonds due 2050. |
| Issue Price: | 99.105 per cent. of the principal amount of the Bonds. |
| Issue Date: | 19 February 2016. |
| Use of Proceeds: | General corporate purposes including, but not limited to, the investment in teaching and research facilities, student accommodation and supporting infrastructure. See " <i>Use of Proceeds</i> ". |
| Interest: | The Bonds will bear interest from 19 February 2016 at a rate of 3.125 per cent. per annum payable semi-annually in arrear on 19 June and 19 December in each year, except that the first payment of interest shall be made on 19 December 2016 in respect of the period from (and including) the Issue Date to (but excluding) 19 December 2016. |
| Status: | The Bonds will constitute direct, unsecured and unconditional obligations of the Issuer. |
| Form and Denomination: | <p>The Bonds will be issued in bearer form in the denominations of £100,000 and higher integral multiples of £1,000 (up to and including £199,000).</p> <p>The Temporary Global Bond and the Permanent Global Bond are to be issued in new global note form.</p> |
| Final Redemption: | 19 December 2050. |
| Optional Redemption: | On giving not less than 10 nor more than 20 days' notice to the Bondholders (which notice shall be irrevocable) in accordance with Condition 15 (<i>Notices</i>), the Issuer may redeem some or all of the Bonds for the time being outstanding at any time at the Redemption Price together with interest accrued to (but excluding) the date of redemption. See Condition 5(c) (<i>Redemption at the option of the Issuer</i>). |
| Tax Redemption: | The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, in the event of certain changes affecting taxation in the United Kingdom. See Condition 5(b) (<i>Redemption for tax reasons</i>). |
| Negative Pledge: | So long as any of the Bonds remain outstanding, the Issuer shall not create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness of the Issuer or any guarantee or indemnity by the |

Issuer in respect of any Relevant Indebtedness without (a) at the same time or prior thereto securing the Issuer's obligations under the Bonds, the Coupons and the Trust Deed equally and rateably therewith or (b) providing such other security for the Issuer's obligations under the Bonds, the Coupons and the Trust Deed as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Bondholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders. See Condition 3 (*Negative Pledge*).

Cross Default:

The Trustee may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution, shall (subject in each case to its being indemnified and/or secured and/or prefunded to its satisfaction) give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality if (i) any Indebtedness of the Issuer is not paid when due or (as the case may be) within any originally applicable grace period; or (ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (provided no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or (iii) the Issuer fails to pay when due any amount payable by it under any guarantee for, or indemnity in respect of, any Indebtedness, **provided that** the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee or indemnity referred to in sub-paragraph (iii) above individually or in the aggregate exceeds £25,000,000 (or its equivalent in any other currency or currencies). See Condition 8(c) (*Cross-default of Issuer*).

Withholding Tax:

All payments of principal and interest in respect of the Bonds and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Bondholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond or Coupon presented for payment in the limited circumstances set out in Condition 7 (*Taxation*).

Rating:

The Bonds are expected to be assigned a rating of Aa2 by Moody's.

Moody's is established in the EEA and registered under the CRA Regulation.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Governing Law:

The Bonds, the Trust Deed, the Paying Agency Agreement and any non-contractual obligations arising out of or in connection with any of them will be governed by English law.

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| Listing and Trading: | Applications have been made for the Bonds to be admitted to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange. |
| Clearing Systems: | Euroclear and Clearstream, Luxembourg. |
| Selling Restrictions: | For a description of certain restrictions on offers, sales and deliveries of the Bonds and on the distribution of offering materials in the United Kingdom and the United States see " <i>Subscription and Sale</i> ". |
| Risk Factors: | Investing in the Bonds involves risks. See " <i>Risk Factors</i> ". |
| ISIN: | XS1366919535. |
| Common Code: | 136691953. |

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Bonds are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Bonds for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Risks relating to the Issuer

There is a degree of uncertainty over whether the current level of United Kingdom ("UK") and other European Union ("EU") student numbers will be maintained.

Funding arrangements for the university sector have been reformed, with new funding arrangements having taken effect from the 2012/13 academic year. The effect of these changes is that the proportion of teaching income received from the Higher Education Funding Council for England ("HEFCE") has reduced and the proportion of teaching income derived from student fees has increased (since the 2012/13 academic year, the maximum fee that universities can charge to UK and EU undergraduates has been £9,000 a year, as compared with £3,375 in 2011/12).

HEFCE was established by the Further and Higher Education Act 1992 and does not form part of any government department, but is a public body whose annual priorities are set by the Secretary of State for Business, Innovation and Skills. The total amount of public funding that HEFCE receives is set by the government each year and HEFCE distributes this funding according to agreed principles and criteria. In the 2014/15 academic year the Issuer received £34.3 million for teaching, £48.0 million for research and £5.2 million for 'other purposes' from HEFCE. The total block grant for the full financial year was £87.5 million, with an estimated £31.4 million being generated by UK and EU undergraduate students. The HEFCE teaching grant is calculated according to the number of students enrolled on courses and the nature of those courses (taking into account that certain types of courses, such as laboratory subjects, cost more than classroom based ones).

As a result of the reform and consequential increase in student fees, the HEFCE teaching block grant to the Issuer has been reduced from £82.3 million in the year to 31st July 2012 to £34.3 million in the year to 31st July 2015. HEFCE has indicated that the teaching grant will reduce to £27.4 million in the year to 31st July 2016.

Following the introduction of the £9,000 maximum level of tuition fees for UK/EU students, the Issuer experienced a small fall in demand for students joining for the academic year starting September 2012. Since then, the Issuer has seen an increase in student enrolment numbers, but there is a risk that continued high tuition fees may affect enrolment numbers in the future and, accordingly, the income received by the Issuer from student tuition fees.

With each government change and/or adoption of new higher education policies, there is a risk that fees could continue to be increased over time, which could impact on the level of student enrolment numbers and income received by the Issuer from student tuition fees.

The Issuer does not have control over the number of applications received (or offers accepted) and this could have an impact on the revenue generated by the Issuer from its teaching activities.

The funding that the Issuer receives for teaching UK/EU students is primarily dependent upon the number of students who choose to study on a course provided by the Issuer.

The ability of the Issuer to attract new applicants could be impacted by various factors including poor perception or reputation, aggressive competitor activity from rival universities, an unattractive portfolio

of courses, poor marketing, recruitment or admissions processes, poor facilities or services, unattractive bursaries, and higher fees compared to other institutions – all of which have the potential to affect the Issuer's income and impact on the quality and calibre of its students.

In addition, the current economic climate, coupled with higher tuition fees and the replacement of means-tested maintenance grants by loans, could have an impact on the willingness of students to enter higher education, and this could impact on the number of students who apply to the Issuer. In particular, with higher tuition fees and costs, potential students have to think more carefully about the financial implications of attending university. There is a presumption that as the UK recovers from recession, graduate earnings and repayments will improve; however, there is little evidence that this is the case, and there is a risk that the threat of a possible continuing recession might discourage potential students from committing to the costs associated with higher education.

The number of students applying to the Issuer could also be affected by the government's recent reform of A levels (which might reduce the pool of suitably-qualified applicants) and by the increased emphasis the government is giving to vocational training and apprenticeships (which might discourage some applicants from going into higher education).

Whilst the Issuer has historically attracted a high level of student applications, there can be no guarantee that this will continue. A significant reduction in student numbers could have a material impact on the Issuer's teaching income and overall finances.

The Issuer does not have complete control over the tuition fees that it is able to charge to UK/EU undergraduate students and this could have an impact on the revenue generated by the Issuer from its teaching activities.

The Issuer does not have complete freedom over the amount that it can charge UK/EU undergraduate students for tuition fees. Where the Issuer specifies a fee limit in its fee and access plan (see "*The Issuer's ability to charge the maximum tuition fees is dependent on compliance with a fee and access plan*") in relation to a year and a course, the fee limit must not exceed the maximum amount specified by the government. The maximum amount is currently £9,000 per annum. There is a risk that the government could decrease this amount, which could impact on the income received by the Issuer from student tuition fees.

The Issuer's ability to charge the maximum tuition fees is dependent on compliance with a fee and access plan.

The maximum fee for UK/EU students is currently £9,000 per annum per student and is dependent upon compliance with criteria set by the Office of Fair Access ("**OFFA**"). This is above the threshold level of tuition fees for UK/EU students commencing undergraduate courses in the 2014/15 academic year, which is set at £6,000 per year. For fees above this threshold level an approved OFFA Access Agreement is required. In order to be able to charge a higher rate of up to £9,000, the Issuer must comply with criteria set by the OFFA.

The Issuer's OFFA Access Agreement Entry 2015-16 provides detailed information on the Issuer's widening participation schemes and its commitment to all students, regardless of background or financial circumstances. This includes merit-based and needs-focused bursary and scholarship programmes and a range of targets and milestones to enhance the Issuer's measurable performance in widening access and participation. In 2015-16, the Issuer aims to provide a total of £15.8 million in bursaries and scholarships, which is a similar level to the £16.4 million that was made available in 2014-15. If the Issuer fails to comply with its OFFA criteria, it may lose its ability to charge up to the maximum level of tuition fees and its access to widening participation funding. Such a reduction in the level of tuition fees would reduce the revenue generated by the Issuer by its teaching activities.

Risks arising from the uncertainty created by the recent Green Paper.

The Department for Business, Innovation and Skills published its Green Paper, "Fulfilling our Potential: Teaching Excellence, Social Mobility and Student Choice" on 6 November 2015 (the "**Green Paper**"). The Green Paper announced a renewed focus on social mobility and the likelihood is that universities such as the Issuer will need to make increased commitments to it.

One of the central objectives of the Green Paper is enhancing the quality of each university's teaching and its provision of a high quality student experience. The government is considering the introduction of a Teaching Excellence Framework which will judge the quality of teaching provided by universities. The government is proposing that universities which provide a high quality of teaching may be allowed to increase the maximum fee they charge to home undergraduate students over £9,000, in line with inflation. It is proposed that universities that deliver poor teaching would not be allowed to increase home undergraduate fees above £9,000 and may even have their ability to award degrees limited or removed.

The Green Paper announced a consultation on plans to replace HEFCE with an Office of Students, which could have stronger regulatory powers than HEFCE. Pending the detail which will come from consultation on the Green Paper, the future regulation of the Issuer is uncertain. (See "*Significant changes are being made to the way in which the government provides funding for research that could impact adversely upon the Issuer's research funding*" and "*Risks associated with greater competition between higher education providers*" and "*Provision of information to students*", all below).

Risks associated with possible further reform to Higher Education Funding.

There is continued pressure to reduce government funding which means there is no guarantee that the current system or levels of funding will be maintained.

In addition to the possible reform to higher education funding, there is a risk that funding for courses in the health sector (such as Medicine, Dentistry and Nursing) will reduce, as the National Health Service ("NHS") struggles with increased cuts. In addition, further spending cuts to the NHS may result in a reduction of its research expenditure which will impact on the amount of any research grant or contract the Issuer receives.

The general view is that the student loans mechanism is likely to be reformed. Most students are dependent on loans provided through the Student Loans Company to fund courses and living expenses. There are discussions about possible attempts to sell student loans to private investors. Reform of the student loans mechanism could have an impact on students' decisions to contract these loans if tougher rules on repayment, security and guarantees are required, making university studies less attractive, which could in turn affect the number of students applying to the Issuer.

The Chancellor announced in August 2015 that the threshold from which graduates would be required to repay student loans would no longer rise in line with any rise in average national earnings, but would be fixed at £21,000 for the next five years.

Significant changes are being made to the way in which the government provides funding for research that could impact adversely upon the Issuer's research funding.

The Issuer needs to focus on research excellence to ensure that the maximum level of funding is obtained and to maintain its reputation in the academic world. Any decline in the Issuer's academic reputation could reduce the Issuer's ability to access external funding and to participate fully in major research projects.

A new system for assessing the quality of research in the UK higher education institutions, known as the Research Excellence Framework ("**REF**"), was completed in 2014 to assess research which had taken place in the period from 2008 to 2013 (inclusive). The results of the 2014 REF are likely to apply until the next REF is held. The current indication from the government is that it will hold the next peer-reviewed REF by 2021.

HEFCE provides block grants for institutions to support their research infrastructure and enable their research activities. Providing the funding as a block grant allows the particular institution freedom to decide how to use the funds. The majority of this grant is known as "quality-related" or "QR" funding. The Issuer's performance in the REF relative to the rest of the sector will affect its recurrent QR funding for the period after 2015 until the next REF. In the 2014/2015 academic year, 7.7 per cent. of the Issuer's total income (excluding research and development expenditure credit) was provided by QR funding.

The continued success of the Issuer in relation to its research activities cannot be guaranteed. A change in the assessment of the quality of the Issuer's research activities relative to the rest of the sector could impact adversely on the level of QR funding received by the Issuer.

The results of the REF also have a much wider reputational impact. The continued success of the Issuer in relation to its research activities is an important factor in the ability of the Issuer to maintain its ranking amongst other global academic institutions and to attract further research funding.

There is an increasing expectation from the government that universities deliver research benefits to society in a range of forms including in relation to the economy, society, culture, public policy and services, health, the environment and quality of life. This has been expressed in a variety of commissioned reviews (for example *A Review of Business-University Collaboration* by Professor Sir Tim Wilson DL, February 2012, and *Encouraging a British Invention Revolution: Sir Andrew Witty's Review of Universities and Growth*, October 2013), the UK Science and Innovation strategy and through Higher Education and research funder policy (e.g. the inclusion of impact as a substantial criterion for the REF and the requirement for planning impact generation and reporting outcomes in Research Councils UK and National Institute of Health Research). Failure to encourage and support academic staff to engage with external stakeholders and pursue impact from their research and knowledge exchange activity will reduce access to research and knowledge exchange funding and damage the Issuer's institutional reputation. Additionally, failure to implement systems, processes and support structures to incentivise, support, monitor and capture this impact may lead to a competitive disadvantage compared to other universities. It will also reduce the opportunity for the Issuer to benefit from promoting its contribution to wider society. To look to tackle this, the Issuer has introduced strategies to ensure strong performance in future REF or similar assessment exercises.

The government announced in November's Autumn Statement 2015 that it will also take forward a review of the REF in order to examine how to simplify and strengthen funding on the basis of excellence, and will set out further details shortly. As the details of this change have yet to be announced, the uncertainty which it brings to research funding in the UK presents a risk to universities such as the Issuer.

The government is also taking forward the recommendations of Sir Paul Nurse's independent review and, subject to legislation, will introduce a new body – Research UK – which will work across the existing seven Research Councils. This will take the lead in shaping and driving a strategic approach to science funding, ensuring a focus on the big challenges and opportunities for UK research. As the details of this change have yet to be announced, the uncertainty which it brings to research funding, including the level of QR funding in the UK, presents a risk to universities such as the Issuer.

The government has funded the opening of a number of dedicated research institutes in the last few years, such as the Crick Institute. If the government decides to centralise research funding into such institutes or otherwise concentrates research funding, there may be a reduction in the level of research funding the Issuer receives.

Risks associated with greater competition between higher education providers.

There has always been a high level of competition between higher education providers to attract the best students. However, the level of competition has increased since the phasing out of restrictions on the overall number of students that institutions are able to recruit and the increase of tuition fees. This requires all universities to operate efficiently whilst investing to maintain their competitive positions.

The removal of restrictions on student numbers has increased competition for the most highly qualified students amongst universities and has encouraged the most successful universities to expand. In addition, the government's green paper *Fulfilling our potential: Teaching Excellence, Social Mobility and Student Choice* suggests that entry into the market of new providers will become easier and quicker, which is likely to increase competition even further. While the Issuer, based on its current pattern of applications and acceptances, should be in a position to recruit additional students should it choose to do so, there is also a risk that it may lose high quality students who would otherwise have accepted places at the Issuer to other universities seeking to expand. If these places are not filled by students with lower grades, the overall number of students accepting places at the Issuer may decrease, with a consequent decrease in tuition fees.

The cost of running a university is likely to increase in the future and will include the need to upgrade equipment, facilities and infrastructure continuously to help maintain the Issuer's competitive position. There is a risk that the required level of investment associated with the purchase of such equipment or the development of new facilities is too high, and in any event any technology can quickly become

redundant. As many other universities do, the Issuer is continuously looking to improve its IT infrastructure, as not doing so would have an adverse impact on communication, reputation and security.

The move towards a more competitive market for students will increase the importance of the quality of the student experience, and fluctuations in the Issuer's rating by its existing and/or former students may lead to an increase or decrease in student numbers.

In such a competitive environment, institutions can differentiate themselves by the quality of the experience which they offer to their students. The issuer is continuously seeking to improve its facilities so as to enhance the overall student experience (see "*Risks associated with greater competition between higher education providers*" above).

The National Student Survey ("NSS") is generally viewed as the most comprehensive survey of a student's experience in university. The NSS gathers feedback from undergraduates in their final year on the quality of their courses and associated provision. In the 2015 NSS, the Issuer received an overall satisfaction rating of 90 per cent., an improvement of 2 percentage points on the previous year. This result put the Issuer above the sector-wide average for overall student satisfaction (86 per cent.). It also places the issuer in equal third place among the Russell Group of research-intensive UK universities for overall student satisfaction, and second only to the University of Oxford for student satisfaction with the quality of teaching. While these results are positive, the Issuer's rating could go down as well as up, which could have an adverse effect on student recruitment.

Risks associated with technological shift in teaching to e-learning.

There has been an increase in online learning, some of it free, impacting on learning methods. There is a risk that in the future this could impact on the Issuer.

Whilst this additional form of teaching is embraced by the Issuer and its students (complementing existing teaching methods and providing flexibility to students), it also carries challenges. Students' expectations regarding the delivery of web-based learning are higher and as a result the Issuer is under pressure to ensure that the technology used is efficient, up to date and competitive. A failure to develop digital and blended programmes could impact on the Issuer's ability to provide students with an outstanding education. There is also a risk that the number of students who apply to study on a university campus might drop. Whilst this would have an impact on the Issuer's student recruitment, it might also impact on its estate management as it could result in the Issuer having a high number of under-utilised teaching facilities on campus.

Potential risk of the UK leaving the EU.

The current government is committed to holding a referendum on the UK's continued membership of the EU by the end of 2017. Aside from the impact on the UK as a whole and any effect on general trade and business relations, a departure from the EU could have a significant impact on the higher education sector generally, and has the potential to affect research funding, staff recruitment and retention, student numbers and collaborative partnerships as a significant proportion of higher education funding, including that received by the Issuer, stems from the EU.

Currently, Horizon 2020 is the largest EU Research and Innovation programme with nearly €80 billion of funding available until 2020 to UK research programmes, 70 per cent. of which is to be distributed to higher education institutions. Presently, 80 per cent. of the UK's international academic co-publications are with EU researchers. In 2014/15, the Issuer's research income from the EU Commission was £17.8 million and income from services rendered from the EU was £0.6 million.

On a headcount basis, in 2015/16 the Issuer has 1,063 undergraduate students (representing 4.4 per cent. of the total), and 576 postgraduate students (representing 7.0 per cent. of the total), from the EU (excluding the UK). Any departure of the UK from the EU could have the potential to reduce the number of EU students attending courses offered by the Issuer, as those students may be required to pay overseas students tuition fees which are much higher than those set for EU students. In addition, the ability of the Issuer to offer some courses which include an element of studying at an EU university may also be affected, which may have an impact on the number of applicants.

The loss of EU funding could have an impact on the UK's higher education competitiveness and prestige.

A departure from the EU might also affect staffing. The UK leaving the EU could have an impact on the Issuer's ability to recruit key academic staff from the EU, with potentially higher associated costs.

The Issuer receives research grant income from publicly-funded Research Councils, government departments, charitable foundations, the EU, and overseas sources and through collaborations with the private sector none of which can be guaranteed to continue in the future.

The Issuer receives public funding from competitively won grants for specific research projects and programmes provided by UK Research Councils.

The Issuer also receives a significant proportion of its research grant income from the UK and foreign charitable foundations, the EU, overseas sources, government departments and through collaborations with the private sector.

Further cuts to the funding available to these sources, and hence the funds available to them to support research activities, cannot be ruled out.

There is uncertainty over whether postgraduate taught student numbers and postgraduate research numbers can be maintained.

Between the 2012/13 academic year and the 2015/16 academic year, the Issuer saw an overall increase of 16 per cent. in the number of UK/EU students on taught postgraduate courses and an increase of 20 per cent. in the number of UK/EU postgraduate research students.

PGT/PGR enrolment numbers

| | <u>2012/2013</u> | <u>2013/2014</u> | <u>2014/2015</u> | <u>2015/16</u> |
|-----------------------------|------------------|------------------|------------------|----------------|
| Postgraduate teaching | 4,820 | 5,256 | 5,679 | 5,595 |
| Postgraduate research | 2,189 | 2,315 | 2,541 | 2,619 |

It is not yet clear whether the increase in the level of tuition fees for UK/EU undergraduate students will affect the number of prospective students who choose to go on to apply for a place on a taught postgraduate or postgraduate research course. Given the increased student loan liability incurred by UK/EU students, and the constraints on the funding of postgraduate study, there is no guarantee that the numbers of UK/EU postgraduate students will remain at their current levels.

Any significant reduction in the numbers of postgraduate students will impact on the Issuer's teaching revenue and on its ability to continue its research activities at current levels.

Risk associated with international students.

Although the Issuer is not subject to a fee cap in relation to non-UK/EU students and is therefore able to charge a higher amount than for UK/EU students, the maintenance of its fee levels cannot be guaranteed. The Issuer is competing in a global market and its ability to command particular fee levels will depend on, amongst other things, global economic conditions, its competitors and the international reputation of the Issuer more generally.

If the Issuer is unable to maintain or improve the current fee levels charged to non-UK/EU students, this could reduce the Issuer's non-UK/EU student fee income and could impact on the overall revenue of the Issuer from overseas. While the trend has been that an increasing number of students are from overseas, the flow of international students enrolling on courses at the Issuer cannot be guaranteed.

Total number of students

| | <u>2012/2013</u> | <u>2013/2014</u> | <u>2014/2015</u> | <u>2015/16</u> |
|----------------|------------------|------------------|------------------|----------------|
| EU/UK | 26,075 | 25,932 | 26,069 | 26,032 |
| Overseas | 4,736 | 5,395 | 5,836 | 6,106 |
| Total | <u>30,811</u> | <u>31,327</u> | <u>31,905</u> | <u>32,138</u> |

As competition between universities continues to increase (including from universities in other countries, such as the Netherlands, where courses are also taught in English), the Issuer may need to review the

level of overseas fees to remain attractive to overseas students. The Issuer is also facing tougher scrutiny from third parties with respect to funding arrangements with overseas students, particularly in light of sanctions legislation. As a result, the Issuer may find it has to turn down students from certain countries or with funding arrangements which have the potential to breach sanctions regulations. The UK's immigration policy is currently under scrutiny and there is a risk that tougher legislation may be introduced, making the UK less attractive to overseas students (see *"There have been, and may in future be, changes to the UK's immigration system which could impact negatively on the Issuer's ability to attract non-UK/EU students and recruit/retain academic staff from overseas"* below).

The risk of geo-political and economic events such as pandemics, currency collapse and war, can lead to the shrinkage of particular markets, resulting in many international students unable to pursue higher education in the UK. This may impact on the Issuer's ability to recruit students from overseas and may result in a significant loss of income if the Issuer is unable to recruit from certain markets.

There have been, and may in future be, changes to the UK's immigration system which could impact negatively on the Issuer's ability to attract non-UK/EU students and recruit/retain academic staff from overseas.

Fee income from non-UK/EU students is a significant element of the Issuer's total income. In 2014/15, tuition fee income from non-UK/EU students was £76.8 million as compared with £158.2 million for tuition fee income from UK/EU students. In contrast to fees from UK/EU students, the Issuer is not subject to a fee cap in relation to non-UK/EU students and is therefore able to charge a higher amount.

There is a risk that current and future UK immigration arrangements will impact negatively on the competitiveness of the UK higher education sector and on the way in which the UK higher education sector is perceived internationally. The increasingly strict immigration rules being imposed on the UK higher education sector by the Home Office are impacting on the UK's image as a friendly and welcoming destination for international students. The UK's desirability as a study destination is further impacted by the implication of the Tier 4 visa regime and the requirement to be earning more than £20,000 per annum to remain in the UK for more than four months after graduation. The Issuer's ability to continue to recruit international students is dependent on its ability to retain its Tier 4 immigration sponsor licence. This could have implications for the Issuer's capacity to attract non-UK/EU students at current levels and therefore could reduce the Issuer's non-UK/EU student fee income.

As a result of stricter immigration rules, a potential failure by the Issuer to update systems and processes to ensure compliance with tighter government immigration rules may also affect its ability to recruit and retain key academic staff from overseas.

It is possible that future governments may change immigration policy further, which may give rise to additional issues which could further impact on the Issuer's ability to attract more UK/EU students and recruit/retain academic staff from overseas.

There are financial risks associated with the pensions schemes in which the Issuer participates which could have adverse impacts on the Issuer.

The principal pension schemes in which the Issuer participates are:

- the Universities Superannuation Scheme ("USS"), which is the Issuer's principal scheme for academic and academic-related staff;
- the University of Leeds Pension and Assurance Scheme ("PAS");
- the University of Leeds Defined Contribution Scheme ("DC plan"); and
- the NHS Pension Scheme ("NHSPS").

With the exception of the DC plan, the schemes are contracted out of the State Second Pension until it is abolished in April 2016 and replaced by a single-tier state pension, with the assets of the schemes held separately from those of the Issuer in separate trustee administered funds. USS and PAS have a full valuation every three years carried out by professionally qualified independent actuaries.

The USS and the NHSPS are large multi-employer schemes. As a result of the mutual nature of the schemes, their assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The Issuer is therefore exposed to the actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis. As such, as required by FRS 17, the Issuer accounts for the USS and the NHSPS schemes as if they were defined contribution schemes.

The last triennial actuarial valuation of the USS was carried out as at 31 March 2014. 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 scheme's assets were sufficient to cover 89 per cent. of the benefits which had accrued to members.

As part of the valuation, the trustee has determined a recovery plan to pay off the shortfall by 31 March 2031.

The employers' contributions will increase to 18 per cent. per annum of salaries from 1 April 2016 (from its current level of 16 per cent. per annum).

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

For the year ended 31 July 2015, the total pension cost to the Issuer was £27.7 million in relation to the USS.

With effect from 31 March 2016 there will be a number of changes to the benefits provided by the scheme, which include the following:

- The Final Salary section of the scheme will close and these members will move to the Career Revalued Benefit ("**CRB**") section. The accrued benefits up to the implementation date will be revalued in line with increases in official pensions (currently the Consumer Price Index) each April up to the point of retirement or leaving the scheme;
- All members will accrue a pension of 1/75th and a cash lump sum of 3/75ths of salary for each year of service after the implementation date;
- From 1 October 2016 a salary cap of £55,000 will apply to the CRB section. The salary threshold will be automatically revalued in line with increases in official pensions and will be subject to a review to be undertaken by 31 March 2020;
- From 1 October 2016 contributions on salary above the salary threshold will be invested in a Defined Contribution arrangement. All members will have access to the new DC section, made up of individual defined contribution accounts;
- All member contributions will increase to 8 per cent. of salary;
- Employer contributions will increase to 18 per cent. of salary for all members until 31 March 2020; and
- Optional additional contributions into the members defined contribution account will be available with the first 1 per cent. of additional contributions being matched by the employer.

The Issuer operates two pension schemes for those staff not eligible to join the USS. The PAS scheme consists of two sections: a final salary section that was closed to new entrants in April 2013 and a Career Average Revalued Earnings ("**CARE**") section. New employees are automatically enrolled into the DC plan and have the option to join the CARE scheme.

A full actuarial valuation of PAS was carried out as at 31 March 2014 which showed a surplus, relative to technical provisions, of £35.1 million, equivalent to a funding position of 111 per cent. The Issuer currently pays contributions at the rate of 18.15 per cent. per annum of earnings which it has been agreed

will reduce to 16 per cent. from April 2016. The employees pay 7.5 per cent. for the final salary section and 6.5 per cent. in the CARE section.

Life Assurance benefits for the DC Plan of 5 times pensionable salary are self-insured in PAS. There is an employer contribution of 0.5 per cent. of pensionable salary paid to PAS to cover this benefit.

For the year ended 31 July 2015, the total pension cost for the Issuer in respect of the PAS was £5.5 million.

The Issuer's contribution to the DC plan is twice that of the employee, up to a maximum of 10 per cent. of earnings. For the year ended 31 July 2015 the total pension cost for the Issuer in respect of the DC plan was £0.5 million.

The Issuer also participates in the NHSPS. The notional assets of NHSPS are assessed by the Government Actuary and the benefits are underwritten by the government. There are no underlying assets. It is not possible to identify each institution's share of the underlying assets and liabilities of the NHSPS and hence contributions to the NHSPS are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account is therefore equal to the contributions payable to the NHSPS for the year.

The latest published actuarial valuation of the NHSPS was at 31 March 2012. The contribution rate payable by the Issuer from April 2015 is 14.3 per cent. (rise from 14 per cent.) of the total pensionable salaries, in accordance with the conclusion of the Government Actuary's report on the NHSPS.

The total pension cost for the Issuer in respect of the NHSPS for the year ended 31 July 2015 was £1.5 million.

With the exception of the DC plan, given the current status of the pensions schemes described above, it is possible that the Issuer may be required to make further payments in respect of those schemes which could have an adverse impact on the Issuer's finances.

A deterioration in employee relations with the Issuer's staff and trade unions could lead to industrial action and affect the Issuer's reputation, research and teaching functions.

The nature and size of the Issuer coupled with the need to remain efficient (and the current cap on tuition fees) means that constant organisational developments and changes are required to be made, affecting various areas (such as pensions, pay claims, staff flexibility, strategic initiatives). As a result, the Issuer may experience a deterioration in employee relations with its staff and trade unions. Any such deterioration could result in industrial action, such as work to rule, or strike action, which could impact on the Issuer's reputation (e.g. students being unable to graduate, complaints from students and stakeholders, impact on student experiences, research projects, teaching functions and quality and standards). Students and stakeholders may seek compensation or other forms of legal redress. The Issuer regularly consults with the three recognised trade unions (Unison, Unite and the University and College Union) and the Issuer continues to engage in regular discussions with them and to develop partnerships. However, it is possible that such consultations may result in potential delay (and dispute) in respect of the implementation of efficiency measures and changes.

The delivery of the Issuer's strategic plan for 2015-20 is subject to risks associated with major estates projects.

The quality of the Issuer's estate is fundamental to the experience of both staff and students. Under its strategic plan for 2015-20, the Issuer plans to invest £520 million in capital projects and equipment during the period between 2015 and 2020.

As with any major capital project, there are risks that the works may not be completed on time and within budget, with consequent disruption to the student and staff experience over a period of years. 46 per cent. of the Issuer's estate is listed or in conservation zones. As a result, the cost of redevelopment is considerably high and there is a risk that the Issuer may not be able to achieve a desired design outcome which fully suits its needs. There is also currently a shortage in the number of contractors available to carry out the size of capital projects required by the Issuer. This may increase the cost of the works and there is a risk that programmes may overrun from their intended completion dates.

The Issuer's campus is on a contained site within Leeds city centre and there is a risk that there may be little opportunity for growth in the future, impeding on its ability to recruit students.

The delivery of the Issuer's strategic plan for 2015-20 is subject to risks associated with the recruitment and retention of the best academics.

The delivery of the Issuer's strategic plan is dependent upon attracting the highest calibre of researchers and teachers. On the global stage, the Issuer competes for the best academics with foreign institutions, a number of which have greater endowment and other investment assets. In future, the reputational impact of the REF, the changes to the UK immigration system, possible changes to the academic pension scheme and potential future cuts to the public funding of higher education could all have an impact on the ability of the Issuer to compete for and retain the best academics. In addition, the uncertainty over whether postgraduate student numbers can be maintained could have an adverse effect on the number and quality of the academics employed by the Issuer in the future (many of whom are recruited from the current pool of postgraduate students).

Failure to recruit and retain high quality staff could mean that the Issuer is unable to deliver the level of high quality research it aspires to through an increased number of staff holding research grants, and an increase in pure and translational research.

The value of the Issuer's endowments can fall as well as rise.

The total endowment assets of the Issuer were valued at £66.7 million as at 31 July 2015. The value of the Issuer's investments, and the income received from them, could fall as well as rise and therefore the income, return and the availability of funding to the Issuer from the endowment assets could vary considerably.

The Issuer's endowment assets are restricted for specific purposes.

All of the endowment assets reported within the balance sheet of the Issuer are restricted for specific purposes and must be applied solely for the purpose for which they were given to the Issuer. The value of the Issuer's endowment assets is therefore not available to holders of the Bonds or other creditors of the Issuer.

Other sources of income are important for the Issuer, the continued availability of which cannot be guaranteed.

The Issuer derives significant rental income from its student residences, catering and conference facilities. In 2014/15 these activities generated £52.8 million of income for the Issuer. If student numbers decline, this may have an adverse impact on these levels of rental income.

The Issuer also generated substantial income from other services and miscellaneous activities. In total, this amounted to £60.4 million in 2014/15. Most of this income is competitively won and there is therefore no guarantee that this level of income can be generated in future.

Claims against the Issuer could have a material impact on the revenue or business of the Issuer.

To date, claims against the Issuer have not had a material impact on the revenue or business of the Issuer, although there can be no assurance that the Issuer will not, in the future, be subject to a claim which may have a material impact upon its revenue or business, with associated reputational damage.

Reputational risk.

The Issuer is a leading academic institution and has a reputation as a leading teaching and research institution. This reputation has been built up over a long time since its incorporation in 1904. The Issuer's reputation is an important factor in attracting the best academics and the best students. If, for example, the integrity of research, behaviour of a large number of staff or students, admissions, failure to manage risk, or standards and quality of teaching and university facilities were to be called into question, this would have the potential to damage the reputation of the Issuer. The main threats to the Issuer's reputation include those arising from international collaborations, extremism, industrial relations, student dissatisfaction and compliance with national or international regulations.

A failure to manage reputational risk effectively could materially affect the Issuer's business and prospects.

Information Technology Risks.

The Issuer is dependent upon the continued effective operation of its information technology systems and related infrastructure. If the same were to fail it would have a significant negative impact on the effective operation of the Issuer.

Provision of Information to Students.

The Higher Education sector has been the subject of a review by the Competition and Markets Authority ("CMA"). The CMA found that some universities do not provide potential students with clear information about the course on which they will study, or that universities do not deliver what had been advertised to potential students. The November 2015 Green Paper has further suggested that universities will be required to provide more information to prospective students about the service which they will receive. The effect of this will be not only an increased administrative burden for the Issuer, but a potential for a higher risk that students may seek to claim against the Issuer that the services they had paid for were not suitably delivered.

Threat of unsustainable pay increases.

Pay increases in the sector are determined nationally, by national bargaining with the relevant unions, and so are not within the Issuer's control. There is a risk that, in times of financial pressure, significant pay increases could have a major negative impact on the Issuer.

Risk of a potential failure of the new joint school in China.

The Issuer has launched a joint school with Southwest Jiatong University to deliver teaching and research in engineering. Based in Chengdu, China, the joint school is due to open in September 2016 and is the first overseas school to be established by the Issuer.

There is a risk that the joint school in China may not be a success (e.g. through a failure to successfully recruit students and/or staff), which may have a negative impact on the Issuer's reputation. In addition, there may be a regulatory risk if for any reason the Issuer fails to comply with the requirements of the Ministry of Education in China. This may impact on any future collaborations of the Issuer in China as well as student recruitment in China.

Potential failure of the Leeds Institute of Data Analytics ("LIDA") to protect data.

The LIDA offers facilities in data analytics to enable researchers and organisations to come together to generate new outcomes and insight into consumer and medical data analysis. The LIDA receives funding from the Medical Research Council and the Economic and Social Research Council. It holds large quantities of data (so called "big data"), including patient records and other sensitive information, and therefore poses a high information security risk. If there were ever to be a failure of the LIDA to protect the data it holds, it would impact considerably on the Issuer's reputation and potentially the funding the Issuer receives.

Risk of a failure to deliver new generating station to secure the Issuer's power supply.

An increased demand for power could threaten the resilience of the Issuer's infrastructure. Therefore, the Issuer is negotiating a new contract to refit and manage the generating station to provide a power supply to its campus for the next 20 to 25 years. This major investment is being undertaken jointly with the Leeds Teaching Hospital Trust.

The high voltage network is also due to be upgraded. However, there is a risk that until the generating station and high voltage network are fully upgraded, parts of the campus may be liable to losing power. This could impact on the student experience and the Issuer's ability to provide its services to its students.

Risk relating to the Bonds

There is no active trading market for the Bonds.

The Bonds are new securities which may not be widely distributed and for which there is currently no active trading market. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Bonds to be admitted to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Bonds.

The Bonds may be redeemed prior to maturity.

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Bonds due to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Bonds in accordance with their terms and conditions (the "**Conditions**").

In addition the Conditions provide that the Bonds are redeemable at the Issuer's option and accordingly the Issuer may choose to redeem the Bonds at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Bonds.

Because the Temporary Global Bond and the Permanent Global Bond are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

The Bonds will initially be represented by the Temporary Global Bond and thereafter by a Permanent Global Bond except in certain limited circumstances described in the Permanent Global Bond. The Temporary Global Bond and the Permanent Global Bond will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Bond, investors will not be entitled to receive Definitive Bonds (as defined below). Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Temporary Global Bond and the Permanent Global Bond. While the Bonds are represented by the Temporary Global Bond or the Permanent Global Bond, investors will be able to trade beneficial interests in the Bonds only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Bonds by making payments to or to the order of the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Permanent Global Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Permanent Global Bond.

Holders of beneficial interests in the Temporary Global Bond or the Permanent Global Bond will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Minimum Denomination.

As the Bonds have denominations consisting of the minimum denomination of £100,000 and higher integral multiples of £1,000 (up to and including £199,000), it is possible that the Bonds may be traded in amounts in excess of £100,000 that are not integral multiples of £100,000. In such case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination of £100,000 may not receive a Definitive Bond in respect of such holding (should Definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that its holding amounts to that minimum denomination.

Credit Rating

The Bonds are expected to be assigned a rating of "Aa2" by Moody's. Moody's is established in the EEA and registered under the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Bonds.

Exchange rate risks and exchange controls.

Payments of principal and interest on the Bonds will be made in sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to sterling would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks.

The Bonds bear interest at a fixed rate. An investment in the Bonds during that time involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Modifications, waivers and substitution.

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of the Conditions or the Trust Deed and to obtain written resolutions of Bondholders without calling a meeting.

Any modification of the Conditions or the Trust Deed may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Bondholders holding not less than one-quarter of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing at least one-third of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, one or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; **provided, however, that** certain proposals (including any proposal to delay or extend any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which one or more persons holding or representing not less than one-half or, at any adjourned meeting, not less than one-quarter of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders and Couponholders, whether present or not.

A written resolution signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Bonds who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Trust Deed and whose Bonds are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Bonds are held in global form in Euroclear and Clearstream, Luxembourg, the Issuer and the Trustee (as the case may be) will be entitled to rely upon:

- (i) where the terms of the proposed resolution have been notified through the relevant clearing system(s) as provided in the Trust Deed, approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the

electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Bonds for the time being outstanding; and

- (ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Issuer and/or the Trustee (as the case may be) by (a) accountholders in the clearing systems with entitlements to the Permanent Global Bond and/or, (b) where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above.

A written resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Bondholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Bondholders satisfying the special quorum in accordance with the provisions of the Trust Deed, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Bondholders, agree to any modification of the Conditions, the Trust Deed or the Paying Agency Agreement (other than in respect of a Reserved Matter), if in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of the Bondholders and to any other modification of the Conditions, the Trust Deed or the Paying Agency Agreement which is in its opinion of a formal, minor or technical nature or to correct a manifest error. The Trustee may also agree, without the consent of Bondholders, to (i) the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds or the Trust Deed or (ii) determine without the consent of the Bondholders that any Event of Default or Potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Bonds in place of the Issuer, in each case in the circumstances described in Condition 12 and the Trust Deed.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the Conditions of the Bonds which (subject to amendment) will be endorsed on each Bond in definitive form (if issued):

The £250,000,000 3.125 per cent. Bonds due 2050 (the "**Bonds**", which expression includes any further Bonds issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of The University of Leeds (the "**Issuer**") are constituted by a trust deed dated 19 February 2016 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and HSBC Corporate Trustee Company (UK) Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed). The Issuer, HSBC Bank plc as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds) and the Trustee have entered into a paying agency agreement dated 19 February 2016 (as amended or supplemented from time to time, the "**Paying Agency Agreement**") in relation to the Bonds. Certain provisions of these Conditions are summaries of the Trust Deed and the Paying Agency Agreement and subject to their detailed provisions. The holders of the Bonds (the "**Bondholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively, which expressions shall, unless the context otherwise requires, include the holders of the talons for further Coupons (the "**Talonholders**") and the "**Talons**", respectively) are bound by and have the benefit of the Trust Deed and are deemed to have notice of all the provisions of the Trust Deed and the Paying Agency Agreement applicable to them. Copies of the Trust Deed and the Paying Agency Agreement are available for inspection by Bondholders during normal business hours at the Specified Offices (as defined in the Trust Deed) of each of the Paying Agents, the initial specified offices of which are set out below.

1. **Form, Denomination and Title**

The Bonds are serially numbered and in bearer form in denominations of £100,000 and higher integral multiples of £1,000 up to and including £199,000 with Coupons and Talons attached at the time of issue. Bonds of one denomination will not be exchangeable for Bonds of another denomination. Title to the Bonds, the Coupons and the Talons will pass by delivery. The holder of any Bond, Coupon or Talon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Bonds, the Coupons or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

2. **Status**

The Bonds and the Coupons constitute direct, unconditional and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by applicable laws relating to creditors' rights.

3. **Negative Pledge**

So long as any of the Bonds remains outstanding (as defined in the Trust Deed), the Issuer shall not create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness of the Issuer or any guarantee or indemnity by the Issuer in respect of any Relevant Indebtedness without (a) at the same time or prior thereto securing the Issuer's obligations under the Bonds, the Coupons and the Trust Deed equally and rateably therewith or (b) providing such other security for the Issuer's obligations under the Bonds, the Coupons and the Trust Deed as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Bondholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders.

In these Conditions:

"Relevant Indebtedness" means any indebtedness for money borrowed or raised which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which, for the time being, is, or is intended by the Issuer to be, listed, quoted, dealt in or traded on any stock exchange or regulated securities market; and

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

4. **Interest**

The Bonds bear interest from 19 February 2016 (the **"Issue Date"**) at the rate of 3.125 per cent. per annum, (the **"Rate of Interest"**) payable semi-annually in arrear on 19 June and 19 December in each year (each, an **"Interest Payment Date"**), except that the first payment of interest shall be made on 19 December 2016 (also, an **"Interest Payment Date"**) in respect of the period from (and including) the Issue Date to (but excluding) such Interest Payment Date, subject as provided in Condition 6 (*Payments*).

The amount of interest payable on the first Interest Payment Date shall be £25.96 per £1,000 (the **"Calculation Amount"**). The amount of interest payable on any other Interest Payment Date shall be £15.63 per Calculation Amount. The period from and including the Issue Date to but excluding the initial Interest Payment Date, and each period from and including one Interest Payment Date to but excluding the next Interest Payment Date shall constitute an **"Interest Period"**.

Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

If interest is required to be paid in respect of a Bond on any date other than an Interest Payment Date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by a fraction (a) the numerator of which is the number of days from (and including) the most recent Interest Payment Date (or from the Issue Date if such period is before the first scheduled Interest Payment Date) to (but excluding) the date of payment; and (b) the denominator of which is the number of days (including the first such day and excluding the last such day) in the scheduled Interest Period in which the relevant calculation period falls multiplied by two, rounding the resulting figure to the nearest penny (half a penny being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Bond divided by the Calculation Amount.

5. **Redemption and Purchase**

- (a) ***Scheduled redemption:*** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 19 December 2050, subject as provided in Condition 6 (*Payments*).
- (b) ***Redemption for tax reasons:*** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:
 - (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or

any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 19 February 2016; and

- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver to the Trustee:

- (A) a certificate signed by two Authorised Signatories (as defined in the Trust Deed) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- (B) an opinion in form and substance satisfactory to the Trustee of independent legal, accounting or other advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and rely on such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above without liability to any person for so doing, in which event it shall be conclusive and binding on the Bondholders and the Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(b).

- (c) ***Redemption at the option of the Issuer:*** On giving not less than 10 nor more than 20 days' notice to the Bondholders in accordance with Condition 15 (*Notices*), the Issuer may redeem some or all of the Bonds for the time being outstanding at any time at the Redemption Price (as defined below) together with interest accrued to (but excluding) the date of redemption (the "**Redemption Date**").

The "**Redemption Price**" shall be: (i) if the Redemption Date falls on or after 19 September 2050 the principal amount of the Bonds to be redeemed, or (ii) otherwise, the higher of: (a) the principal amount of the Bonds to be redeemed; and (b) the product of the principal amount of the Bonds to be redeemed and the price, expressed as a percentage (rounded to three decimal places, with 0.005 being rounded down), (as reported in writing to the Issuer and the Trustee by an independent financial adviser (a "**financial adviser**") appointed by the Issuer and approved by the Trustee) at which the Gross Redemption Yield on the Bonds on the Calculation Date is equal to the sum of (A) the Gross Redemption Yield at 11.00 a.m. (London time) on such date of the 4.250 per cent. Treasury Stock due December 2049 (or, where such financial adviser advises the Issuer and the Trustee that, for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other government stock with an appropriate average life of maturity, as applicable, as such financial adviser may recommend) and (B) 0.15 per cent.

For such purposes:

"**Business Day**" means a day on which banks are generally open for business in London;

"**Calculation Date**" means the date which is the second Business Day prior to the date on which the notice to redeem is dispatched; and

"Gross Redemption Yield" means a yield, expressed as a percentage, calculated by the financial adviser on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 5, Section One: Price/Yield Formulae (Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date) (published on 8 June, 1998 and updated on 15 January, 2002 and 16 March, 2005) (as updated, amended or supplemented from time to time) on a semi-annual compounding basis (converted on an annualised yield and rounded up (if necessary) to four decimal places) or, if such formula does not reflect generally accepted market practice at the time of redemption, a yield calculated in accordance with generally accepted market practice at such time, all as advised to the Issuer and the Trustee by such financial adviser.

Any notice given pursuant to this Condition 5(c) (*Redemption at the option of the Issuer*) shall be irrevocable and shall specify the Redemption Date and the Redemption Price. If any such notice has been given, references in these Conditions and the Trust Deed to "**principal**", "**principal moneys**" and "**principal amount**" shall, unless the context otherwise requires, be deemed to include references to the Redemption Price in relation to any redemption pursuant to such notice. Upon the expiry of any such notice, the Issuer shall be bound to redeem the Bonds so called for redemption at the applicable Redemption Price on the Redemption Date together with accrued interest as aforesaid unless previously purchased and cancelled or redeemed. The Trustee may rely absolutely on the advice of any financial adviser appointed as provided in this Condition 5(c) (*Redemption at the option of the Issuer*) and shall not be liable for so doing.

- (d) **Partial redemption:** If the Bonds are to be redeemed in part only on any date in accordance with Condition 5(c) (*Redemption at the option of the Issuer*), the Bonds to be redeemed shall be selected by the drawing of lots in such place as the Issuer approves and in such manner as shall be fair and reasonable in the circumstances, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Bonds have then been admitted to listing, trading and/or quotation, and the notice to Bondholders referred to in Condition 5(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Bonds so to be redeemed and the aggregate principal amount of the Bonds which will be outstanding after the partial redemption.
- (e) **Purchase:** The Issuer or any party acting on its behalf may at any time purchase Bonds in the open market or otherwise and at any price, **provided that** all unmatured Coupons and unexchanged Talons are purchased therewith.

Bonds purchased by or on behalf of the Issuer may, at the option of the Issuer or the relevant party, be cancelled (together with all unmatured Coupons purchased therewith) or may be held, re-issued or re-sold. Bonds held by or on behalf of the Issuer shall not entitle the holder to vote at any meetings of the Bondholders or otherwise to exercise any voting rights and such Bonds shall be deemed not to be outstanding for the purposes of calculating quorums at meetings of Bondholders or for voting on any Extraordinary Resolution or for the purposes of Condition 8 (*Events of Default*), Condition 12 (*Meetings of Bondholders; Modification and Waiver; Substitution*) and Condition 13 (*Enforcement*).

6. **Payments**

- (a) **Principal:** Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bonds at the Specified Office of any Paying Agent outside the United States by transfer to a sterling account maintained by the payee with a bank in London.
- (b) **Interest:** Payments of interest shall, subject to paragraph (f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.

- (c) **Payments subject to fiscal laws:** All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.
- (d) **Deduction for unmatured Coupons:** If a Bond is presented without all unmatured Coupons relating thereto, then:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) (*Principal*) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void coupons.

- (e) **Payments on business days:** If the due date for payment of any amount in respect of any Bond or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "**business day**" means, in respect of any place (including the place of presentation), a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and, in the case of payment by transfer to a sterling account as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation.
- (f) **Payments other than in respect of matured Coupons:** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bonds at the Specified Office of any Paying Agent outside the United States.

- (g) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Bond or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and the date of such payment.
- (h) **Exchange of Talons:** On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a coupon sheet relating to the Bonds (each, a "**Coupon Sheet**"), the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 9 (*Prescription*)). Upon the due date for redemption of any Bond, any unexchanged Talon relating to such Bond shall become void and no Coupon will be delivered in respect of such Talon.

7. **Taxation**

All payments of principal and interest in respect of the Bonds and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Bondholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond or Coupon presented for payment:

- (a) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond or Coupon by reason of its having some connection with the United Kingdom other than the mere holding of the Bond or Coupon; or
- (b) more than 30 days after the Relevant Date except to the extent that the holder of such Bond or Coupon would have been entitled to such additional amounts on presenting such Bond or Coupon for payment on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in London by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders in accordance with Condition 15 (*Notices*).

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the United Kingdom, references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

8. **Events of Default**

If any of the following events occurs and is continuing (each, an "**Event of Default**"), then the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution, shall (subject in each case to it being indemnified and/or secured and/or prefunded to its satisfaction) give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) **Non-payment:** the Issuer fails to pay any amount of principal in respect of the Bonds on the due date for payment thereof or fails to pay any amount of interest in respect of the Bonds within three days of the due date for payment thereof; or
- (b) **Breach of other obligations:** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Bonds or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or remediation or (ii) being a default which is, in the opinion of the Trustee, capable of remedy or remediation, remains, in the opinion of the Trustee, unremedied or unremediated for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice thereof to the Issuer; or
- (c) **Cross-default of Issuer:**
 - (i) any Indebtedness (as defined below) of the Issuer is not paid when due or (as the case may be) within any originally applicable grace period; or
 - (ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (provided no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or
 - (iii) the Issuer fails to pay when due any amount payable by it under any guarantee for, or indemnity in respect of, any Indebtedness,

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee or indemnity referred to in sub-paragraph (iii) above individually or in the aggregate exceeds £25,000,000 (or its equivalent in any other currency or currencies); or
- (d) **Unsatisfied judgment:** one or more judgment(s) or order(s) from which no further appeal or judicial review is permissible under applicable law for the payment of an amount in excess of £25,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered against the Issuer and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) **Security enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or substantially the whole of the undertaking, assets and revenues of the Issuer; or
- (f) **Insolvency, etc.:** (i) the Issuer is (or is deemed to be) insolvent or bankrupt under any applicable insolvency or other similar laws or is unable to pay its debts as they fall due; (ii) the Issuer stops or suspends payment of all or a material part of its debts being an amount not less than £25,000,000 (or its equivalent in any other currency or currencies), or makes a general assignment or composition with or for the benefit of the relevant creditors in respect of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or a material part of the debts of the Issuer being an amount not less than £25,000,000 (or its equivalent in any other currency or currencies), in each case in circumstances of the Issuer's financial distress; and/or (iii) an administrator or liquidator is appointed over the whole or substantially the whole of the undertaking, assets and revenues of the Issuer; or
- (g) **Winding up, etc.:** an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer save for a solvent winding-up solely for the purposes of a reconstruction or amalgamation of the Issuer, the terms of which have been previously approved in writing by the Trustee or by an Extraordinary Resolution; or
- (h) **Failure to take action, etc.:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and

comply with its payment obligations under and in respect of the Bonds or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Bonds, the Coupons and the Trust Deed admissible in evidence in the courts of the United Kingdom is not taken, fulfilled or done; or

- (i) **Unlawfulness:** it is or will become unlawful for the Issuer to perform or comply with any of its payment obligations under or in respect of the Bonds or the Trust Deed,

provided that, in the case of sub-paragraphs (b) and (e) above, the Trustee shall have certified in writing that the happening of the relevant event or events is in its opinion materially prejudicial to the interests of the Bondholders.

For the purpose of these Conditions, "**Indebtedness**" means indebtedness for money borrowed or raised, other than indebtedness created by the Bonds.

9. **Prescription**

Claims for principal shall become void unless the relevant Bonds are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. For this purpose, references to Bonds and Coupons shall not include Talons.

10. **Replacement of Bonds, Coupons and Talons**

If any Bond, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent and the Paying Agent having its Specified Office in London, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Bonds, Coupons or Talons must be surrendered before replacements will be issued.

11. **Trustee and Paying Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or prefunded before taking any steps or actions or initiating any proceedings and relieved from responsibility in certain circumstances and to be paid its costs, fees and expenses in priority to the claims of the Bondholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Bondholders as a class and will not be responsible for any consequence for individual holders of Bonds or Coupons as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

The Trustee may rely absolutely on the advice of any financial or other professional adviser appointed by it or the Issuer in connection with the exercise of the Trustee's powers, functions and/or discretions under the Trust Deed or the Bonds and shall not be liable to any person for so doing.

In acting under the Paying Agency Agreement and in connection with the Bonds and the Coupons, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee, not to be unreasonably withheld) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; **provided, however, that** the Issuer shall at all times maintain (a) a principal paying agent and (b) a paying agent in London.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Bondholders in accordance with Condition 15 (*Notices*).

12. **Meetings of Bondholders; Modification and Waiver; Substitution**

- (a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Bondholders holding not less than one-quarter of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing at least one-third of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, one or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; **provided, however, that** certain proposals as set out more fully in the Trust Deed (including any proposal to delay or extend any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which one or more persons holding or representing not less than one-half or, at any adjourned meeting, not less than one-quarter of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of all Bonds then outstanding will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

- (b) **Modification and waiver:** The Trustee may, without the consent of the Bondholders or Couponholders agree to any modification of these Conditions or the Trust Deed or the Paying Agency Agreement (other than in respect of a Reserved Matter) if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Bondholders and to any modification of the Bonds, the Trust Deed or the Paying Agency Agreement which is in the opinion of the Trustee of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Bondholders or Couponholders authorise or waive any proposed breach or breach of the Bonds or the Trust Deed or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Bondholders by the Issuer as soon as practicable thereafter in accordance with Condition 15 (*Notices*).

- (c) **Substitution:** The Trust Deed contains provisions under which the Trustee may agree, without the consent of the Bondholders or Couponholders, to the substitution of a successor in business of the Issuer or any other person, in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Bonds **provided that** certain conditions specified in the Trust Deed are fulfilled.

No Bondholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Bondholder or (as the case may be) Couponholder except to the extent provided for in

Condition 7 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

13. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such steps, actions or proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Bonds, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Bonds or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or secured and/or prefunded to its satisfaction.

No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14. **Further Issues**

The Issuer may from time to time, without the consent of the Bondholders or Couponholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Bonds. Any further bonds which are to form a single series with the Bonds shall be constituted by a deed supplemental to the Trust Deed.

15. **Notices**

Notices to the Bondholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or via a recognised information service under the Financial Services and Markets Act 2000 or equivalent. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Bondholders.

16. **Governing Law and Jurisdiction**

- (a) The Bonds, the Coupons and the Trust Deed and any non-contractual obligations arising out of or in connection with the Bonds, the Coupons and the Trust Deed are governed by English law.
- (b) The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Bonds, the Coupons or the Trust Deed including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Bonds, the Coupons or the Trust Deed (a "**Dispute**") and each of the Issuer, the Trustee and any Bondholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (c) For the purposes of this Condition, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Bonds will initially be in the form of the Temporary Global Bond which will be deposited on the Issue Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Bonds will be issued in new global note ("NGN") form. On 13 June 2006 the European Central Bank (the "**ECB**") announced that Bonds in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Bonds in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The Bonds are intended to be held in a manner which would allow Eurosystem eligibility and will therefore be deposited with one of the International Central Securities Depositories as common safekeeper. Accordingly, the Bonds are intended to be held in a manner which would allow the Bonds to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Bondholders should note that the European Central Bank has applied a temporary extension of Eurosystem eligibility to Sterling denominated securities, the effective commencement date for this temporary extension being 9 November 2012. However, should this extension cease at any time during the life of the Bonds, the Bonds will not be in a form which can be recognised as eligible collateral.

The Temporary Global Bond will be exchangeable in whole or in part for interests in the Permanent Global Bond not earlier than 40 days after the Issue Date upon certification as to non U.S. beneficial ownership. No payments will be made under the Temporary Global Bond unless exchange for interests in the Permanent Global Bond is improperly withheld or refused. In addition, interest payments in respect of the Bonds cannot be collected without such certification of non U.S. beneficial ownership.

The Permanent Global Bond will be exchanged in whole, but not in part, for Bonds in definitive form ("**Definitive Bonds**") in the denomination of £100,000 each and higher integral multiples of £1,000 up to and including £199,000 against presentation and surrender of the Permanent Global Bond to the Principal Paying Agent if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business (an "**Exchange Event**").

So long as the Bonds are represented by a Temporary Global Bond or a Permanent Global Bond and the relevant clearing system(s) so permit, the Bonds will be tradeable only in the minimum authorised denomination of £100,000 and higher integral multiples of £1,000, notwithstanding that no Definitive Bonds will be issued with a denomination above £199,000.

Whenever the Permanent Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Coupons and (if applicable) Talons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the Permanent Global Bond to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Bond and the Permanent Global Bond will contain provisions which modify the Terms and Conditions of the Bonds as they apply to the Temporary Global Bond and the Permanent Global Bond. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Bond and the Permanent Global Bond will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Bond or (as the case may be) the Permanent Global Bond to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bonds. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Bond or (as the case may be) the Permanent Global

Bond, the Issuer shall procure that the payment is entered in the records of Euroclear and Clearstream, Luxembourg.

Payments on business days: In the case of all payments made in respect of the Temporary Global Bond and the Permanent Global Bond, "**business day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 5(c) (*Redemption at the option of the Issuer*) in relation to some only of the Bonds, the Permanent Global Bond may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Bonds to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 15 (*Notices*), while all the Bonds are represented by the Permanent Global Bond (or by the Permanent Global Bond and/or the Temporary Global Bond) and the Permanent Global Bond is (or the Permanent Global Bond and/or the Temporary Global Bond are) deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg, notices to Bondholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Bondholders in accordance with Condition 15 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

Meetings: The holder of the Temporary Global Bond or (as the case may be) the Permanent Global Bond shall (unless the Permanent Global Bond represents only one Bond) be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Bondholders and, at any such meeting, as having one vote in respect of each £1,000 in principal amount of Bonds.

Purchase and Cancellation: Cancellation of any Bond required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the Temporary Global Bond or (as the case may be) the Permanent Global Bond.

Trustee's Powers: In considering the interests of Bondholders, while the Temporary Global Bond or (as the case may be) the Permanent Global Bond is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Temporary Global Bond or (as the case may be) the Permanent Global Bond and may consider such interests as if such accountholders were the holder of the Temporary Global Bond or (as the case may be) the Permanent Global Bond.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds will be used by the Issuer for general corporate purposes including, but not limited to, the investment in teaching and research facilities, student accommodation and supporting infrastructure.

DESCRIPTION OF THE ISSUER

Introduction

The Issuer's historic roots are in the Leeds School of Medicine, which was founded in 1831 and the Yorkshire College of Science, which was founded in 1874. King Edward VII then granted a Charter of Incorporation for The University of Leeds in 1904.

The Issuer is a founding member, and the third largest member (by student population), of the Russell Group, which is now made up of 24 leading institutions in the UK. The Issuer is ranked in the top 1 per cent. of higher education institutions worldwide, as listed in the International Handbook of Universities 2014. The Issuer recruits the largest number of ABB+ home undergraduate students in the UK.

Globally, the Issuer was placed 101-150th in the Academic Ranking of World Universities 2015, compiled by Shanghai Jiao Tong University (10-17th in the UK). It was placed 87th in the QS World Rankings 2015/6 (18th in the UK) and 133rd in the Times Higher World University Rankings 2015/6 (22nd in the UK). The Issuer's research power has been ranked 10th in the UK's REF 2014 and 9th for research impact, with 32 per cent. of the Issuer's subject areas in the top ten. Nearly 83 per cent. of the Issuer's research is ranked in the highest categories of 4* (world-leading) and 3* (internationally excellent). The Issuer derived £132.6 million from research income in 2014/15 (excluding exceptional research credit).

The Issuer's students pursue courses across a wide range of subjects. In the 2014/15 academic year the Issuer delivered 956 programmes of which 608 (64 per cent.) were to undergraduates and 348 (36 per cent.) were to postgraduate students. The Issuer organises its academic activities into nine Faculties, which include 32 Schools. The terms "**Faculty**" and "**School**" for this purpose indicate an academic, financial and administrative grouping of related staff and facilities for education and research purposes. The Faculties are: Arts; Biological Sciences; Business; Education, Social Sciences and Law; Engineering; Environment; Mathematics and Physical Sciences; Medicine and Health; and Performance, Visual Arts and Communications.

The Issuer has launched a joint school with Southwest Jiaotong University ("**SWJT**") to deliver world-class teaching and research in engineering. Based in Chengdu, China, the joint school is the first overseas school to be established by the Issuer and will offer a UK-Chinese engineering curriculum. The joint school is due to open in September 2016. It is anticipated that the joint school will recruit 1,200 of the highest achieving engineering students in China over four years and that the Issuer will receive approximately £5 million income per annum from the joint school.

The Issuer's objects and strategic vision

The Issuer's objects ("**Objects**") are set out in its Royal Charter ("**Charter**"). The Objects are to cultivate and promote arts, science and learning.

The Issuer has adopted the Strategic Plan 2015 – 2020 ("**Strategic Plan**") with the vision of Investing in Knowledge and Opportunity. Building on the excellence already delivered by the Issuer in student education and research innovation, the Strategic Plan describes the Issuer's key objectives in the following way:

- ***To provide an outstanding education that will attract, excite and retain high-quality students:***

The Issuer achieved 90 per cent. overall satisfaction in the NSS 2015, ranking it third within the Russell Group peer set and teaching quality was ranked second only to the University of Oxford. With seven applications approximately per place and 76 per cent. of the undergraduate intake achieving grades of ABB and above at A level performance, the Issuer recruits the largest number of ABB and above home undergraduate students in the UK. The Issuer intends to continue with its strategy to recruit significant numbers of high quality students. 85 per cent. of students now achieve either 1st Class or 2:1 degrees.

- ***To increase the Issuer's international reach:***

In line with its strategic aim, the Issuer has achieved a 15 per cent. increase in international students over the last 4 years and now has over 7,700 students from over 140 countries. In the last 3 years the numbers of international students at a post graduate taught level increased by 48

per cent. The Issuer is a founding member of the Worldwide Universities Network ("WUN"), comprising 18 leading international universities and the new joint school with SWJT is a ground breaking new form of international partnership for the Issuer.

- ***To be an outstanding research university, securely placed within the UK's top 10:***

The Issuer is ranked 10th in the UK for research power, 9th in the UK for impact and 83 per cent. of its research is rated "world leading" or "internationally excellent". Its research plans are supported by investment in people (including PhD studentships, mid career academic fellows and leading professors), infrastructure and positioning work with funders, industry and the public and third sector. This provides a strong base from which to achieve increased funding for research.

- ***To attract, retain and develop the very best people:***

As part of its Strategic Plan, the Issuer intends to recruit the very best talent at all stages of the academic career life cycle. Ranging from targeting the appointment of up to 40 top-performing professors to the Issuer's Great Minds investment which aims to recruit up to 250 University Academic Fellows ("UAFs") from world leading universities to be appointed over three years. The Issuer has also launched an anniversary research scholarship scheme, through which the Issuer aims to increase the number of high quality PhD student from 2,029 in 2012/13 to over 2,800 in 2019/20. The first cohort of 75 UAFs have been appointed and the Issuer has received 2,700 applications for the second cohort of 90 UAFs.

- ***To create and enhance strategic partnerships and collaborations:***

The Issuer works with many high-quality academic partnerships and collaborates with a broad range of international companies and organisations. For example, in addition to its membership of WUN and the new joint school with SWJT, the Vice Chancellor chairs the N8 partnership of the North of England's research intensive universities and the Issuer hosts the Business Confucius Institute, partnered with the University of International Business and Economics in Beijing. The Issuer has 233 collaborative research projects with a contract value of £77 million in total and 188 research contracts from business funders worth £55 million as at July 2015. For example, the Issuer has a strategic partnership with Marks and Spencer plc, which covers both joint research projects and education developments with the company's corporate archive based on the Issuer's campus. The partnership won the Employment Engagement Award, Educate North 2015. In addition, in October 2013 the Issuer entered into a strategic agreement with Procter & Gamble to harness academic research to develop new high-tech projects. The Issuer has established an Academic Health Partnership with the City Council, the NHS bodies in Leeds and the city's other universities. This partnership will focus on improving health and social care outcomes, reducing inequalities, preparing the future workforce and driving economic growth.

- ***To provide an integrated approach to enterprise:***

The Issuer has a stake in 30 active spin-outs (of which seven are market listed companies) employing close to 800 staff and has 90 technology licences. The Issuer has a sector-leading student enterprise offering, recognised with the 2015 Duke of York Award for University Entrepreneurship. As part of this, the Issuer's Spark business service offers practical support to enable students to set up their own business. Students launched 48 start-up companies last year, and 63 student start-up companies have been incubated in the last 4 years, with 37 student enterprises currently hosted in the Issuer's dedicated student business incubator. As part of the new masterplan developed by the Issuer under its strategic plan (the "**Masterplan**"), the Issuer will develop a new £40 million Innovation and Enterprise Centre which will provide a high-profile gateway to the Issuer's world-class research and innovation, driving innovation in existing companies and the public sector, and stimulating the startup of new high-growth companies.

- ***To ensure that the campus offers an exceptional student experience, providing leading-edge facilities:***

The Issuer has a wide range of existing facilities including five libraries, a sports centre with swimming pool and 50 hectares of playing fields, specialist laboratories, flexible learning spaces and high quality residential and conference provision. The Issuer intends to invest further in the

development of its campus over the next five years and the Masterplan incorporates several directly student facing developments and facilities which evidence that the enhancement of the student experience continues to be a key element of the Issuer's strategy.

History and constitution of the Issuer

The Issuer is a chartered corporation which came into existence in 1904 when King Edward VII granted a Charter of Incorporation for a University in the name of The University of Leeds.

The Issuer's principal constitutional document is its Charter, which sets out the powers and Objects of the Issuer and provides for the Council of the University ("**Council**") to be the Governing Body of the Issuer. The Council is the principal governance and policy-making body of the Issuer. Further information on the Council and the governance structure of the Issuer is set out in the section titled "Governance and Regulation of the Issuer" on page 44 of this document.

The Charter gives power to the Council to make statutes (subject to Privy Council approval), ordinances and regulations to carry into effect the Charter, to promote the Objects and to regulate and govern the affairs, business, work and interests of the Issuer. The Council has enacted, amended and repealed various statutes ("**Statutes**"), ordinances ("**Ordinances**") and regulations ("**Regulations**") over time for these purposes, and has enacted amended and repealed various statutes, regulations and ordinances to endure the Issuer is operating in line with modern standards of good governance. The Issuer is therefore governed by its Charter, the Statutes, Ordinances and Regulations, together with applicable national and EU legislation.

The Charter may be amended and the Statutes may be enacted, amended and repealed from time to time but any such action requires the approval of Her Majesty in Council (being the Queen acting through the Privy Council). Ordinances and Regulations may be enacted, amended or repealed from time to time by the Council (with approval from the Senate as the principal academic authority of the Issuer on academic matters) without needing to seek this approval.

The Issuer is an exempt charity under Section 4(1) of Schedule 3 of the Charities Act 2011 and is therefore not required to register with the Charity Commission. HEFCE is responsible for ensuring that the Issuer, as an exempt charity, fulfils its obligations under charity law. The members of the Council are the charity trustees. Further information on the charity status of the Issuer is set out in the section titled "Governance and Regulation of the Issuer" on page 44 of this document.

Student Numbers

The Issuer has undergraduate and postgraduate students from the UK, EU and overseas (outside the EU). Details of full and part-time student numbers for each of the last four academic years are set out below (expressed as headcount as at 1 December in each academic year):

| Academic Year | Undergraduate | | Postgraduate | | Total |
|---------------|---------------|-----------|--------------|-----------|--------|
| | Full-time | Part-time | Full-time | Part-time | |
| 2015/16 | 23,457 | 467 | 5,777 | 2,437 | 32,138 |
| 2014/15 | 23,140 | 545 | 5,612 | 2,608 | 31,905 |
| 2013/14 | 23,068 | 688 | 5,055 | 2,516 | 31,327 |
| 2012/13 | 23,115 | 687 | 4,359 | 2,650 | 30,811 |

These figures break down as follows (expressed as headcount):

| Academic Year | Undergraduate | | Postgraduate | | Total |
|---------------|---------------|----------|--------------|----------|--------|
| | UK/EU | Overseas | UK/EU | Overseas | |
| 2015/16 | 21,304 | 2,620 | 4,728 | 3,486 | 32,138 |
| 2014/15 | 21,049 | 2,636 | 5,020 | 3,200 | 31,905 |
| 2013/14 | 21,308 | 2,448 | 4,624 | 2,947 | 31,327 |
| 2012/13 | 21,518 | 2,284 | 4,557 | 2,452 | 30,811 |

Competition for student places at the Issuer is strong. For undergraduate entry in 2015, 52,281 applications for courses were received which equates to nearly 7 applications for every student enrolled.

Set out below are the numbers of home/EU and International undergraduate applications and undergraduate admissions for the last four academic years:

| Academic year of entry | Full-time undergraduate applications | Full-time undergraduate admissions |
|------------------------|--------------------------------------|------------------------------------|
| 2015/16 | 52,281 | 7,484 |
| 2014/15 | 53,986 | 7,387 |
| 2013/14 | 48,983 | 7,049 |
| 2012/13 | 49,785 | 6,460 |

Staff Numbers

The Issuer had an average of 6,743 full time equivalent staff in the year ended 31 July 2015 engaged in its activities, including 1,917 academic/teaching staff, 1,030 research staff, 1,219 management and professional staff and 2,577 support staff. This represents an increase in staff numbers of 162 compared to 31 July 2014, resulting from planned investments in new appointments to academic and support posts in order to support the increased levels of academic activity and improve the student experience.

Within the staff population the Issuer has over 900 international staff, from more than 90 countries.

Principal Activity of the Issuer

The principal activity of the Issuer is the creation, dissemination and application of knowledge and encompasses the following activities:

- Student education;
- Research and innovation; and
- Other activities, including the operation of residences, catering and conferencing facilities, libraries and collections and consultancy.

Sources of Income

The Issuer's income in each of the last four academic years is shown in the table, and described in more detail below.

| | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|--|------------------|---------|---------|---------|
| | <i>£ million</i> | | | |
| Funding Body Grants..... | 148.5 | 128.6 | 111.8 | 97.0 |
| Tuition Fees and education contracts | 166.7 | 192.0 | 236.1 | 267.8 |
| Research grants and contracts | 120.4 | 128.6 | 132.7 | 152.1* |
| Other operating income | 96.4 | 91.9 | 97.7 | 113.2 |
| Endowment and Investment Income | 5.6 | 6.5 | 9.3 | 9.6 |
| Total Income | 537.6 | 547.6 | 587.5 | 639.6* |

* Includes a one off exceptional tax credit for research and development expenditure (RDEC) of £19.5 million

Funding Body Grants

The Issuer receives recurrent grant funding from the Government through the HEFCE in the form of block grants for teaching, for research and for other activities. HEFCE was established by the Further and Higher Education Act 1992 and does not form part of any government department, but it is a public body whose annual priorities are set by the Secretary of State for Business, Innovation and Skills. The total amount of public funding the HEFCE receives is set by the government each year. The block grant received from HEFCE currently relates to both the Issuer's teaching and research grant and the terms on which it is to be made available to the Issuer are set out in a Memorandum of Assurance and Accountability with HEFCE.

- ***Research***

The Issuer receives a block grant from HEFCE to support its research infrastructure and enable its research activities.

HEFCE calculates the block grant primarily on the basis of research quality, taking into account the volume and relative cost of research in different areas. HEFCE calculates how much QR funding to provide for research in different subjects, and then allocates the total for each subject between institutions.

A new system for assessing the quality of research in UK higher education institutions was completed in 2014 to assess research which had taken place in the period 2008 to 2013 (inclusive). Known as the REF it replaced the Research Assured Exercise (the previous system) and included an additional requirement to demonstrate the impact of research in terms of its reach and significance in terms of public benefit beyond academia in addition to research quality. The Issuer's performance in the REF relative to the rest of the sector affects its recurrent HEFCE QR funding for the period after 2015.

The calculation of QR income takes into account the quality of research as measured in the 2014 REF, the volume of research using research active staff numbers and relative costs reflecting the fact that laboratory based research is more expensive than library based research. Funding is also allocated for other research related costs such as supervision of postgraduate research students and funds to support research that universities carry out with charities and with business and industry.

The Issuer has been allocated £29.8 million of QR funding, representing 2.9 per cent. of the overall UK grant award in the 2015/16 academic year. Nearly 83 per cent. of the Issuer's research activity was judged to be world leading (4*) or internationally excellent (3*) in the 2014 REF.

Applying data from the REF, the Issuer was placed tenth in the UK in terms of its research power. On research impact the Issuer was ranked ninth in the UK. On quality alone (measured by grade point average) the Issuer is ranked twenty-second overall in the UK. Research at the Issuer is undertaken across all the disciplines embraced by its nine Faculties.

- ***Teaching***

University teaching is supported by a combination of student fees and the HEFCE block grant.

The funding that the Issuer receives for teaching students from the UK and other EU Member States is directly linked to the number of students who choose to study on a course provided by the Issuer. The major part of funding for teaching is distributed by the Student Loans Company Limited (as higher tuition fees paid direct to institutions for newly admitted students underwritten by loans made to those students). The Issuer's income is therefore dependent upon the number of students deciding to enter higher education, choosing to apply to the Issuer and being successfully admitted.

In recognition that some courses cost more to provide than the current maximum fee of £9,000 per annum, HEFCE provides the Issuer with an element of teaching block grant to assist with the direct funding of some of those courses, although this position may change in the future due to political influence.

The amount of the teaching block grant is calculated by HEFCE according to the number of UK and EU undergraduate and postgraduate taught students enrolled on the Issuer's courses and the nature of the courses. HEFCE takes into account the fact that certain courses, such as laboratory subjects, cost more than classroom-based ones. There are also special allocations to assist Government priorities such as protecting strategically important subjects, widening participation and commercial collaborations.

Tuition Fees and Education Contracts

Students are charged tuition fees for courses undertaken at the Issuer. The tuition fees are regulated for full-time UK and EU undergraduate students and since the 2012/13 academic year are a maximum of £9,000 per annum.

Tuition fees for non-UK/EU students are not regulated and are variable according to cost of provision and issues such as market demand and availability of loans or other funding based at, or above, minimum fees set by the Issuer for internal purposes. Fees for non-UK/EU students in 2016/17 have been set at or above £15,000 per annum for Arts/Social sciences courses, at or above £19,000 per annum for Science/Engineering courses, and at £29,000 per annum for undergraduate Clinical Medicine and £31,500 per annum for undergraduate Clinical Dentistry.

Research Grants and Contracts

The Issuer is regarded as one of the leading research universities in the UK with broad disciplinary coverage which creates rich interdisciplinary opportunities.

The Issuer receives income in the form of grants for specific research projects and programmes, income from UK Research Councils, charities, government departments including the department of health. It also generates income from collaborations with the industry and from overseas sources.

A breakdown of research grants and contracts income by source is set out below:

| | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|---|------------------|---------|---------|---------|
| | <i>£ million</i> | | | |
| Research Councils | 37.3 | 38.1 | 37.5 | 42.9 |
| Charities | 21.0 | 22.8 | 20.9 | 18.6 |
| Industries and commerce | 7.3 | 8.6 | 9.6 | 8.5 |
| Governmental | 33.4 | 33.7 | 35.1 | 29.7 |
| European Commission..... | 12.0 | 14.8 | 17.7 | 17.8 |
| Other | 6.5 | 6.5 | 6.7 | 9.2 |
| Released from deferred capital grants | | | | |
| Buildings..... | 0.1 | 0.1 | 0.1 | 0.1 |
| Equipment..... | 2.8 | 4.0 | 5.0 | 5.8 |
| Research and Development Expenditure Credit | N/A | N/A | N/A | 19.5* |
| Total | 120.4 | 128.6 | 132.7 | 152.1 |

* A one off exceptional tax credit for research and development expenditure (RDEC)

Typically the Issuer will receive research awards up to one year in advance of the research activity commencing. The awards are recognised as research income in the Issuer's financial statements only once the research activity has commenced and usually over the duration of a number of years. Some awards are partially or wholly capital in nature (for example to fund specialist research facilities). These will not be included in research income but instead treated as deferred capital grants.

The Issuer has experienced an increase in the value of awards secured in the last two financial years with awards exceeding £130 million in each of the financial years to July 2014 and July 2015 being achieved across a range of research activities.

Other Income

- **Donations**

The Issuer receives benefactions and donations from a variety of different sources. These sources include trusts and foundations, corporations and individuals (both alumni of the Issuer and non-alumni). In 2014/15, the Issuer accounted for donations of £4.3 million.

- **Residences and catering**

Income generated from these activities is set out below:

| 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|------------------|---------|---------|---------|
| <i>£ million</i> | | | |
| 45.4 | 44.2 | 49.4 | 52.8 |

Endowment and Investment Income

The Issuer held £20.2 million of fixed asset investments as at 31st July 2015, which reflects the market value of listed and cost of non-listed investments in its spin out companies.

The Issuer held £66.7 million of endowment assets as at 31st July 2015. The Issuer's endowment assets include fixed interest stocks of £14.2 million, equities in the amount of £44.7 million, property in the amount of £2.6 million and cash balances of £5.3 million.

The endowment assets are managed by Sarasin & Partners and performance is monitored by the finance team on a monthly basis with quarterly reports provided to the Issuer's governing body. The Issuer and the investment manager agree a target investment allocation between asset categories and monitor performance against income and capital growth benchmarks.

The Issuer's Estate

The Issuer's estate is diverse and extensive with the Issuer having freehold and leasehold interests in a wide variety of property, including academic buildings, student residences and other associated properties.

The estate comprises 398 buildings in 103 hectares of land, with a further 50 hectares of playing fields three miles to the North of the Campus and 292 hectares of farming land within a 20-mile radius. Campus building styles range from Victorian, through Neo-classical to the Brutalist 1960s Chamberlin Powell and Bon Buildings, with a range of more modern buildings designed to complement the listed buildings and conservation zones that make up 46 per cent. of the portfolio. 95 per cent. of the non-residential estate is in the Issuer's freehold ownership. Fitness for purpose was recently assessed as having 97 per cent. of residential accommodation buildings in excellent or good condition, with 83 per cent. of non-residential buildings in this category. Capital investment in the Estate of £250 million has been made in the last five years and the Issuer has an estates masterplan for future improvements.

The main campus is sited on the north edge of Leeds City Centre on a single site. Medical teaching and research is undertaken on campus, but also has embedded accommodation on the Leeds General Infirmary and St James's Hospital sites, with biological research opportunities at Issuer farms. Student residences are increasingly located on and around the campus, with an impressive portfolio of high quality accommodation aimed at meeting student preferences for en-suite, self-catered accommodation which is on or close to the campus. The Issuer manages 8,250 beds, of which 66 per cent. are currently in freehold ownership.

The total reinstatement cost assessment as at 2014/2015, of all space occupied by the Issuer (including lease space) is £1.8 billion (exact amount £1,789,931,000). The insured value of the buildings is £1.4 billion.

Investment Programme

In 2014/2015 academic year, the Issuer invested £129 million capital in new academic, residential and infrastructure developments, refurbishments and equipment purchases. Recent investments include £26 million in the development of the Issuer's new Laidlaw Library, which completed in summer 2015. During 2014/2015 the Issuer also invested £67 million in acquiring the Central Village Student Residence which now forms part of the Issuer's residential portfolio.

The Issuer has established a track record of working with 5-year masterplans, with the previous 5-year plan commencing in 2007. In response to the Strategic Plan the Issuer has developed the new Masterplan which builds on and refreshes the 2007 plan and provides a framework for capital development for the next 10 years (2015 to 2025). The Masterplan outlines a total of 19 development sites within the campus,

with the potential of providing approximately 80,000 square metres of additional accommodation and alongside the new developments, the Issuer's ambition is to develop the campus infrastructure, gateways and public realm to create a 'sense of place'. The Issuer aims to invest £520 million by 2020. Examples of intended investments include £127 million to integrate and grow engineering and physical sciences by September 2019, £65 million investment in a major refurbishment of the Medical School to be completed by December 2016, £44 million investment in a new innovation and enterprise centre to be completed by September 2018 and £16 million investment to support growth in the Business School and School of Law by the summer of 2020.

Heritage Assets

The Issuer holds and maintains heritage assets, including Special collections and Art collections and the market value of these collections at 31 July 2015 was £26.1 million.

Special collections, valued at £19.9 million, consist primarily of books and manuscripts.

The Issuer's total collection of Heritage Assets is insured at £30 million. The Issuer conserves these assets as a resource for researchers, students and members of the public.

The Issuer also has a library which is one of the major academic research libraries in the UK. It attracts students and academics globally due to the vast print, online and manuscript collections it has gathered.

Commercialisation of Intellectual Property

Over the last 20 years the Issuer has spun out more than 100 new companies operating across a broad range of fields including engineering, information technology, life sciences and the professional services, employing close to 800 people. Currently, seven of the Issuer's spin-out companies are listed on the AIM.

It is estimated that the Issuer's spin-out portfolio has secured over £150 million of external investment in the past 5 years and has served to enhance the Issuer's reputation for research impact and contribution to the economy. As at July 2015, the Issuer holds a stake in 30 active spin-outs.

Since 2010/11 the Issuer has directly received £12 million in revenues arising from its shareholdings and license portfolio, and presently maintains 450 patents in its portfolio.

Widening Participation

The Issuer is committed to ensuring that it attracts and retains the brightest and best students from the most diverse backgrounds, providing affordable access for all who can benefit. The Issuer has made one of the largest investments in financial support in the higher education sector, producing an innovative package of financial support targeted at students from lower income families and as a consequence, the intake from lower socio-economic groups continues to rise and currently accounts for 24.5 per cent. of the student body.

The Issuer's Educational Engagement team works across the UK with schools and colleges to raise awareness of, and aspirations towards, higher education. The Issuer offers, amongst other initiatives:

- 1,400 widening participation undergraduate scholarships and 300 postgraduate scholarships.
- "Access to Leeds", a programme which provides an alternative admissions scheme for year 13 students or mature learners who meet certain academic criteria.
- "Realising Opportunities" programme, a two year programme which supports students during their post-16 studies to develop their academic skills and confidence to make informed decisions about their future.
- "Support Programme for UK Based International Applicants", offering bespoke advice and guidance to UK based international applicants and teachers/advisors supporting UK based international applicants to university.
- "11-16 Support" programme, offering a range of presentations and interactive workshops tailored to children aged 11 to 16, aimed at raising aspirations and knowledge of higher education.

Through the extensive outreach programme the Issuer has supported 153,000 learners in the past year alone, from primary school children to mature students and since 2003 the alternative admissions routes have supported over 3,500 students from disadvantaged backgrounds to achieve their potential.

Employability

The Issuer has a strong record of graduate employability, with 92 per cent. of its undergraduates being in either employment or further study within six months of graduation and is placed third in the QS Graduate Employability Rankings 2016.

The Issuer's Solvency

There have been no recent events particular to the Issuer that are relevant, to a material extent, to the evaluation of the Issuers' solvency.

The Issuer's Subsidiaries

The Issuer is part of a group as it has various subsidiary undertakings (together with the Issuer, the "**Group**") and interests in other entities in the UK. The Issuer is not dependent on any other entity within the Group.

The Issuer has six active wholly owned subsidiary undertakings. All of these subsidiaries are very small relative to the Issuer. Income of £9 million was generated by Weetwood Hall Ltd, Leeds Innovations Centre Ltd, University of Leeds IP Ltd, University of Leeds Farms Ltd and Bright Beginnings Childcare Centre Leeds in 2014/15.

The Issuer's Contact Details

The contact address for the Issuer is The University of Leeds, Woodhouse Lane, Leeds, LS2 9JT (Tel: 0113 243 1751).

GOVERNANCE AND REGULATION OF THE ISSUER

Introduction

An explanation of certain key governance aspects of the Issuer, together with a summary of each of the constituent bodies and offices referred to in the summary, is set out below.

- The Issuer is a university established by a Royal Charter and as such is a body corporate with all the powers of a natural person to do all lawful acts subject only to compliance with internal regulations.
- The Issuer has charitable status as an exempt charity.
- Under the Charter, the governing body of the Issuer is the Council.
- The Council exercises all the powers and authority of the Issuer, subject to the laws of the Issuer and save to the extent that such exercise is reserved to the Senate (in respect of academic issues) by the Charter, Statutes, Ordinances or Regulations of the Issuer.
- The Vice-Chancellor is the chief executive and senior academic officer of the Issuer and is responsible to the Council for the effective and efficient management of the Issuer, for the conduct of its business generally and for the achievement of its institutional objectives.
- The Senate is the principal academic authority of the Issuer and, subject to control by the Council as prescribed by the Statutes, oversees the teaching and research of the Issuer.
- As part of its arrangements for effective governance, management and financial control, the Council has appointed and constituted a number of governance committees. The key committees of the Council are:
 - a Strategy and Investment Committee;
 - an Audit and Risk Committee;
 - a Remuneration Committee; and
 - a Nominating and Governance Committee.

In addition to the above there is the University Executive Group (the "UEG") which acts an operational and strategic management group. The UEG formally reports to the Senate.

The Council

The Council is the Issuer's governing body. It meets formally at least six times in each academic year and in addition holds two away days. Its membership numbers 23, with a majority of members being lay (lay members being persons who are neither employed by nor students of the Issuer). The Council consists of the following members:

- The Chair of Council (normally styled the Pro-Chancellor), who is appointed by the Council.
- The Vice-Chancellor, also appointed by the Council.
- A representative of the Worshipful Company of Clothworkers' of the City of London, appointed by that organisation.
- Six members of staff - four elected from the faculties and two elected by support staff.
- Two student members, nominated by the Leeds University Union (the students' union).
- Twelve lay members (additional to the Pro-Chancellor and the representative of the Clothworkers' Company) appointed by the Council on the recommendation of the Nominating and Governance Committee.

The quorum for meetings of the Council is ten members.

The Council carries the ultimate responsibility for the Issuer's overall strategic direction and for the management of its revenue, property and the conduct of its affairs generally, including the employment arrangements for staff. It is responsible for the Issuer's system of internal control and for reviewing its effectiveness. It is a specific role of the Council to govern, manage and regulate the finances, accounts, investments, property, business and all the affairs of the Issuer so as to ensure solvency and sustainability.

The Council has the power to make proposals to add to, amend or alter the Charter and to make or amend the Statutes, subject to the provisions of the Charter, with the consent of the Privy Council. The Council (with approval from the Senate on academic matters) has the power to enact, amend and repeal Ordinances and Regulations for the Issuer.

The Senate

Subject to the oversight of the Council, the Senate is the principal academic authority of the Issuer and is responsible to the Council for the promotion of research, regulating learning and teaching and for maintaining the quality and standards of the Issuer's academic provision. It is the primary decision making body of the Issuer on purely academic matters. The Senate has some 140 members of the academic staff (of whom slightly over half are elected) and 19 student members; and is chaired by the Vice-Chancellor.

Committees of the Senate include the Taught Student Education Board, the Graduate Board and the Research and Innovation Board.

The Court

The University Court has about 90 members (the majority lay) and meets at least twice a year. It stands beyond the University's main decision-making machinery, and serves as a symbol of – and a mechanism for – the Issuer's accountability to the wider community and to different constituencies of stakeholder. It is empowered to ask questions about, and express an opinion on, any matter concerning the Issuer; and to convey such opinions to the Council.

The Court is chaired either by the Chancellor or, in his absence, the Pro-Chancellor.

The Strategy and Investment Committee

The Strategy and Investment Committee monitors the development and particularly the implementation of the Issuer's strategy and advises the Council both on strategy implementation and on major investment decisions.

The Audit and Risk Committee

The Audit and Risk Committee has a significant role in monitoring, reviewing and enhancing the effectiveness of the Issuer's systems of internal control, including financial procedures and risk management. It meets with external auditors to discuss their audit findings, and with the internal auditors to consider detailed internal audit reports and recommendations for the improvement of the Issuer's systems of internal control. It also receives and considers reports from HEFCE and the National Audit Office as they affect the Issuer's business and monitors adherence with the regulator requirements. The Audit and Risk Committee reviews the Issuer's annual financial statements together with the accounting policies. It advises the Council on the appointment of the internal and external auditors. The Committee is chaired by a lay member of the Council. The Audit Committee meets five times a year and holds meetings with the internal and external auditors at least once each term without any of the Issuer's officers being present.

The Remuneration Committee

The Remuneration Committee determines the salaries of the Vice-Chancellor and other members of the University Executive Group.

The Nominating and Governance Committee

The Nominating and Governance Committee brings forward to the Council nominations to fill vacancies for lay members of the Council; and considers annually the potential for improvements in governance. (There is also a more fundamental review of governance every four or five years.)

The Chancellor

The Chancellor is the ceremonial head of the Issuer, presiding over congregations of the Issuer for the conferment of degrees. The Chancellor has no executive authority and is not a member of the Council. The current Chancellor is Melvyn Bragg (Lord Bragg of Wigton).

The Pro-Chancellor

Whilst remaining outside the day-to-day executive management, the Pro-Chancellor plays a key role in the governance of the institution as the lay chair of the Council. The Pro-Chancellor is Mr David Gray.

The Vice-Chancellor

The Vice-Chancellor is the chief executive and senior academic officer of the Issuer. In fulfilling these functions, the Vice-Chancellor has overall responsibility for the executive management of the Issuer and for its day-to-day direction, being accountable to the Council for the exercise of these responsibilities. The Vice-Chancellor is the designated Accountable Officer under the terms of the Memorandum of Assurance and Accountability between HEFCE and the Issuer. As the chief executive officer of the Issuer, the Vice-Chancellor exercises considerable influence on the development of institutional policy and strategy, the identification and planning of new developments and in shaping its institutional ethos. The current Vice-Chancellor is Sir Alan Langlands.

Deputy Vice-Chancellor

The Deputy Vice-Chancellor is appointed by the Council and in addition to supporting the Vice-Chancellor on strategic and operational matters has executive oversight of the nine faculties: the deans report to the Council through him. The current Deputy Vice-Chancellor is Professor John Fisher CBE.

Secretary to the University

The Secretary to the University is appointed by the Council and, in addition to his executive responsibilities, is responsible to Council for the provision of operational and legal advice in compliance with governing instruments. The Secretary is responsible for ensuring that the information provided to Council is timely, appropriate and enables an informed discussion so that it may effectively discharge its responsibilities. The current Secretary is Mr Roger Gair.

Key Officers of the Issuer

The Vice-Chancellor is supported in his role by a Deputy Vice-Chancellor, two pro-vice-chancellors, nine faculty deans, the Finance Director, the Marketing Director, the Director of Human Resources, the Director of Facilities Management and the Secretary. These individuals comprise the University Executive Group. The current incumbents of these roles are:

- Sir Alan Langlands, Vice-Chancellor;
- Professor John Fisher, Deputy Vice-Chancellor;
- Francesca Fowler, Director of Human Resources;
- Roger Gair, University Secretary;
- Professor David Hogg, Pro-Vice-Chancellor for Research and Innovation;
- Martin Holmes, Marketing Director;
- Dennis Hopper, Director of Facilities Management;

- Professor Vivien Jones, Pro-Vice-Chancellor for Student Education;
- Jane Madeley, Finance Director;
- Professor David Cooper, Dean of the Faculty of Performance, Visual Arts and Communications;
- Professor Andy Dougill, Dean of the Faculty of Environment;
- Professor Frank Finlay, Dean of the Faculty of Arts;
- Professor Jeremy Higham, Dean of the Faculty of Education, Social Sciences and Law;
- Professor Peter Jimack, Dean of the Faculty of Engineering;
- Professor John Ladbury, Dean of the Faculty of Biological Sciences;
- Professor Peter Moizer, Dean of the Faculty of Business;
- Professor Stephen Scott, Dean of the Faculty of Mathematics and Physical Sciences; and
- Professor Paul Stewart, Dean of the Faculty of Medicine and Health.

Membership of the Council

The following individuals are the current members of the Council:

| <u>Name</u> | <u>Date of Appointment</u> | <u>Principal Activities outside the Issuer</u> |
|---|-----------------------------------|---|
| <i>Chair of the Council and Pro-Chancellor</i> | | |
| David Gray | 2013 | Non-executive director of DWF LLP |
| <i>Vice-Chancellor</i> | | |
| Sir Alan Langlands | 2013 | <p>Chair of N8 (until 31 January 2016)</p> <p>Non-Executive Director of Russell Group</p> <p>Non-Executive Director of Yorkshire Universities</p> <p>Non-Executive Director of White Rose Consortium</p> <p>Non-Executive Director of Worldwide Universities Network</p> <p>Governor of Royal Northern College of Music</p> <p>Trustee of Leeds International Piano Competition (Vice- President)</p> <p>Trustee and Chair of The Health Foundation</p> <p>Sir Alan also holds a number of fellowships and memberships, which are not listed here</p> |

| <u>Name</u> | <u>Date of Appointment</u> | <u>Principal Activities outside the Issuer</u> |
|---|----------------------------|---|
| <i>One representative of the Clothworkers' Company of London</i> | | |
| John Stoddart-Scott | 1978 | <p>J & C Stoddart-Scott (Partnership)</p> <p>Non-Executive Director of Weetwood Hall Ltd</p> <p>Non-Executive Director of the University of Leeds Farms Ltd (NE)</p> <p>Non-Executive Director of the Clothworkers' Company</p> <p>Trustee of Wades Charity</p> <p>Trustee of Wharfedale Agricultural Society</p> |
| <i>Members of staff (6)</i> | | |
| <u>Members of faculties</u> | | |
| Dr Helen Billington | 2008 | Vice-Chair of Governors of Selby High School |
| Professor Jeremy Higham | 2015 | Professor Higham holds a number of fellowships and memberships, which are not listed here |
| Professor Peter Moizer | 2013 | <p>Institute of Chartered Accountants in England and Wales</p> <p>Greater Manchester Pension Fund</p> <p>Non-Executive Director of Weetwood Hall Ltd</p> <p>Trustee of the University of Leeds Pension and Assurance Scheme</p> |
| Dr Mark Taylor-Batty | 2015 | President, UCU Leeds |
| <u>Members of support staff</u> | | |
| Nick Allen | 2012 | Chair of Local Branch, UNISON |
| Joanne Westerman | 2011 | <p>Chair of UNITE, Leeds</p> <p>Trustee of The Red Ladder Theatre Company</p> <p>Unite national negotiator on JNCHEs</p> <p>Chair of JNCHEs Training & Development Forum</p> |

| Name | Date of Appointment | Principal Activities outside the Issuer |
|---|----------------------------|---|
| <i>Students (2)</i> | | |
| Toke Dahler (Union Affairs Officer, Leeds University Union) | 2015 | Member of the student executive and Trustee, Leeds University Union |
| Melissa Owusu (Education Officer, Leeds University Union) | 2015 | Member of the student executive and Trustee, Leeds University Union |
| <i>Lay Members (12)</i> | | |
| Ed Anderson | 2007 | <p>Chairman and non-Executive Director of Airport Operations Association</p> <p>Non-Executive Director, Trustee and Board member of Opera North</p> <p>Non-Executive Director of The Tablet Publishing Company Ltd</p> <p>Friends of Opera North (Trustee)</p> <p>High Sheriff for West Yorkshire, 2015-16</p> <p>Member of Court of the University of Bradford</p> <p>Pro-Chancellor of Leeds Trinity University (ceremonial)</p> |
| Elizabeth Barber | 2013 | <p>Executive Director of Kelda Group Limited</p> <p>Executive Director of Yorkshire Water Services Limited</p> <p>Executive Director of Kcom plc</p> <p>Executive Director of Kelda Finance (No.1) Ltd</p> <p>Executive Director of Kelda Finance (No.2) Ltd</p> <p>Executive Director of Kelda Finance (No.3) Plc</p> <p>Executive Director of Keyland Developments Ltd</p> <p>Executive Director of Kelda PIK Co Ltd</p> <p>Executive Director of Kelda Buffer Ltd</p> <p>Executive Director of Saltaire Water Ltd</p> <p>Executive Director of Kelda Eurobond Co Ltd</p> |

| Name | Date of Appointment | Principal Activities outside the Issuer |
|--------------|----------------------------|--|
| | | Executive Director of Kelda Holdco Ltd |
| | | Executive Director of Kelda Holdings Ltd |
| | | Executive Director of Kelda Junior Holdco Ltd |
| | | Executive Director of Kelda Non-Reg Holdco Ltd |
| | | Executive Director of Kelda Water Services Ltd |
| | | Executive Director of Yorkshire Water Services Ltd |
| | | Executive Director of Yorkshire Water Services Bradford Finance Ltd |
| | | Executive Director of Yorkshire Water Services Holdings Ltd |
| | | Executive Director of Yorkshire Water Services Odsal Finance Holdings Ltd |
| | | Executive Director of Yorkshire Water Services Odsal Finance Ltd |
| | | Executive Director of Yorkshire Water Services Finance Ltd |
| Neil Clephan | 2008 | Headteacher, Roundhay School (Leeds City Council) |
| | | Red Kite Teaching School Alliance |
| | | Interserve Multi-Academy Trust (North) |
| Nigel Foster | 2008 | Executive Director of Fore Consulting Limited |
| | | Executive Director of Colbaran Ltd |
| | | Executive Director of Ahead Partnership |
| | | President & Director of West & North Yorkshire Chamber of Commerce and Industry |
| | | Executive Director of Leeds and Partners Ltd |
| | | Executive Director of Centre for Low Carbon Futures |
| | | Mr Foster also works with a number of Government departments, with Leeds City Council and other local councils |

| Name | Date of Appointment | Principal Activities outside the Issuer |
|--------------------|----------------------------|--|
| Paul Gittins | 2014 | Capgemini UK PLC |
| Caroline Johnstone | 2010 | Executive Director of CA Johnstone Ltd Non-Executive Director and Chair of Audit of Synthomer PLC Leeds Teaching Hospitals NHS Trust Ineos Group Trustee of BARCA, Leeds |
| Roger Marsh | 2013 | Leeds City Region LEP Trustee of Iraq & Afghanistan Memorial Project |
| Amanda Mellor | 2013 | Executive Director of Marks & Spencer Group PLC & Associated Subsidiaries Non-Executive Director of Kier Group PLC |
| Dr Yvette Oade | 2015 | Chief Medical Officer and Executive Director, Leeds Teaching Hospitals NHS Trust Trustee of Yorkshire Cancer Research |
| Geoffrey Potter | 2011 | Instinctif Partners Executive Director of Avebury PR Trustee of Ryedale Festival Trust Communications, Marketing and Brand Committee, Brunel University |
| Dr Susan Proctor | 2009 | Director, S R Proctor Consultancy Ltd Non-Executive Director of Harrogate District NHS Foundation Trust Leeds Teaching Hospital NHS Trust Department of Health Council Member, Ripon Cathedral LEAF Multi Academy Trust Dr Proctor also works with Leeds City Council and North Yorkshire County Council |
| Quentin Woodley | 2007 | Executive Director of Woodley Pension Trustees Ltd Woodley Pension Trustees Ltd |

The business address for each of the members of the Council is University of Leeds, Leeds, LS2 9JT.

The Issuer maintains an up-to-date register of any potential conflicts of interest between the duties to the Issuer of the persons listed above and their private interests and/or duties. The Issuer has a Code of Practice on Corporate Governance, under which members are required to declare any personal interest in the business to be discussed by the Council (or any committee) and the relevant member must, if necessary and as required, withdraw from the consideration of such business. On this basis, the Issuer is not aware of any potential conflicts of interest between the duties to the Issuer of the members of the Council listed above and their private interests and/ or other duties.

Regulation

HEFCE is responsible for ensuring that the Issuer acts in accordance with its governance obligations, that it manages itself and the funding it receives appropriately and that it complies with the requirements imposed on it by virtue of its exempt charitable status.

The Issuer must comply with certain requirements which are specified in HEFCE's Memorandum of Assurance and Accountability between HEFCE and Institutions and HEFCE's Audit Code of Practice. The Issuer is required to submit audited financial statements to HEFCE each year. The Issuer's Accountable Officer, the Chair of Council, or both, may be required to appear before the Public Accounts Committee on matters relating to grants to the Issuer.

The Issuer must provide HEFCE with certain information about the way it operates and its financial position, in order to demonstrate the effectiveness of its management systems and ability to make appropriate use of the funding it receives. HEFCE's annual accounts direction states HEFCE's financial reporting requirements such as copies of the annual audited financial statements, financial forecasts and independent audit reports, the Audit and Risk Committee's annual report, the internal auditors' annual report, the external auditors' report on accounting issues and control deficiencies following external audit, the management response and any other information HEFCE may reasonably require to understand the Issuer's risk status. The Issuer must also provide annual accountability returns to HEFCE and HEFCE, through reviewing these returns, is able to provide the Issuer with a confidential risk assessment. The Issuer is also under an obligation to provide HEFCE with any other information it might reasonably require to enable it to act as principal charity regulator. If there is any material adverse change in the Issuer's circumstances, the Accountable Officer is under a duty to inform HEFCE of that change, as well as the Chair of the Audit and Risk Committee, the Chair of Council and the internal and external auditors. The Accountable Officer must also inform HEFCE about major changes in strategy, plans for major restructuring or merger.

In addition, the Issuer is required to submit returns to other higher education bodies – notably annual data requested by the Higher Education Statistics Agency, an Annual Access Agreement to the Office for Fair Access (and associated monitoring returns) and returns to the Quality Assurance Agency, UK Research Councils and the NHS. The Issuer materially complies with the Committee of University Chairs' (CUC) Higher Education Code of Governance published in December 2014.

The Issuer must obtain prior written consent from HEFCE before it agrees to any new financial commitment meeting either of the following criteria:

- where the total financial commitments (long term and short term) exceed five times its average earnings before interest tax depreciation and amortisation; and/or
- where it is assessed by HEFCE as being at higher risk.

On these criteria the issue of the Bonds does require specific HEFCE consent which was granted on 27 January 2016.

The Issuer is an exempt charity to which HEFCE was appointed as principal regulator on 1 June 2010. Consequently, in relation to its charitable activities, the Issuer benefits from the status of a charity but it is not necessary for it to register with the Charity Commission. As principal regulator, HEFCE is responsible for ensuring that the Issuer, as an exempt charity, fulfils its obligations under charity law. HEFCE's objective as principal regulator is to promote compliance by the trustees of the Issuer (the trustees being members of the Council) with their legal charitable obligations in respect of the management of the Issuer, so far as reasonably possible. In doing so it is required to monitor the Issuer

regularly, and potentially to liaise with the Charity Commission if the issues involved are more complex and may result in the use of its power.

A Memorandum of Understanding exists between HEFCE and the Charity Commission. This sets out how HEFCE, as principal regulator of higher education institutions which are exempt charities, works in conjunction with the Charity Commission and, in particular, how the two bodies formulate regulatory policy frameworks and co-ordinate their approach to regulation. The members of the Council are charitable trustees and, as such, must exercise their duties as trustees prudently and in accordance with the Issuer's Charter, Statutes, Ordinances and Regulations. The Charity Commission has the power to take proceedings against the members of the Council if it believes that they have acted imprudently. The actions that the Council takes should always be in the public interest.

The Charities Act 2006 (now incorporated in the Charities Act 2011) extended most of the Charity Commission's powers in relation to exempt charities (including the Issuer). However, before exercising any of its powers in respect of the Issuer, the Charity Commission must first consult with HEFCE. HEFCE is also able to invite the Charity Commission to use its powers in relation to investigation and intervention. Legal decisions taken by the Charity Commission are subject to review of the Charity Tribunal.

TAXATION

The following is a summary of the United Kingdom withholding tax treatment at the date hereof in relation to payments of principal and interest in respect of the Bonds. It is based on current law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Bonds. The comments relate only to the position of persons who are absolute beneficial owners of the Bonds. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Bondholders who are in any doubt as to their tax position should consult their professional advisers. Bondholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Bonds. In particular, Bondholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

UK Taxation

UK Withholding Tax on UK Source Interest

Bonds listed on a recognised stock exchange

Under section 987 of the Income Tax Act 2007 ("**ITA**") securities issued by a company which carry a right to interest, such as the Bonds, will constitute "*quoted Eurobonds*" provided they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the ITA. Whilst the Bonds are and continue to be quoted Eurobonds, payments of interest on the Bonds may be made without withholding or deduction for or on account of United Kingdom income tax. The Issuer is a "**company**" for the purposes of section 987 of the ITA.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom Official List (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The London Stock Exchange is a recognised stock exchange, and accordingly the Bonds issued by the Issuer will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom Official List and admitted to trading on the London Stock Exchange.

All Bonds

In all cases falling outside the "**quoted Eurobond**" exemption described above (for example, if the Bonds cease to be listed), interest on the Bonds may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Where the Bonds are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above.

The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Bonds or any related documentation. Bondholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Bonds which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 12(c) of the Bonds or otherwise and does not consider the tax consequences of any such substitution.

UK Stamp Duty and Stamp Duty Reserve Tax

Provided that the Bonds do not carry and will not at any time carry (i) a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the capital, or (ii) a right on repayment to an amount which exceeds the nominal amount of the capital and is not reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official List of the United Kingdom Listing Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA, no United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Bonds or on a transfer of, or agreement to transfer any Bond.

Non-UK Taxation

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Barclays Bank PLC, HSBC Bank plc and Lloyds Bank plc (the "**Joint Lead Managers**") have, in a subscription agreement dated 17 February 2016 (the "**Subscription Agreement**") and made between the Issuer and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Bonds at their issue price of 99.105 per cent. of their principal amount plus any accrued interest in respect thereof and less total commissions and certain expenses incurred by the Joint Lead Managers in connection with the management of the issue of the Bonds. The Issuer has also agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the issue of the Bonds. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Bonds.

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and/or its affiliates in the ordinary course of business.

General

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses, distributes or publishes this Prospectus or any other offering material relating to the Bonds. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or possess, distribute or publish this Prospectus or any other offering material relating to the Bonds, in all cases at their own expense.

United Kingdom

Each Joint Lead Manager has further represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

United States of America

The Bonds have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds within the United States or to, or for the account or benefit of, U.S. Persons. In addition, until 40 days after commencement of the offering, an offer or sale of Bonds within the United States by a dealer whether or not participating in the offering may violate the registration requirements of the Securities Act.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Bonds has been authorised by a resolution of the Council dated 28 January 2016.

Listing and Admission to Trading

2. Application has been made to the FCA for the Bonds to be admitted to the Official List of the FCA, and to the London Stock Exchange for such Bonds to be admitted to trading on the Regulated Market of the London Stock Exchange. It is expected that such admission will become effective, and that dealings in the Bonds on the London Stock Exchange will commence, on or about 22 February 2016.

The Issuer estimates that the total expenses related to the admission to trading will be approximately £8,200.

Governmental, Legal and Arbitration Proceedings

3. There are no, and have not been any, governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer and its consolidated subsidiaries (taken as a whole).

Significant Change/Material Adverse Change

4. Since 31 July 2015 there has been no material adverse change in the prospects of the Issuer nor any significant change in the financial or trading position of the Issuer and its consolidated subsidiaries (taken as a whole).

Auditors

5. The consolidated financial statements of the Issuer for the two years ended 31 July 2014 and 31 July 2015 have been audited without qualification by Deloitte LLP, 1 City Square, Leeds, LS1 2AL, United Kingdom. Deloitte LLP is a member of the Institute of Chartered Accountants in England and Wales.

Documents on Display

6. Copies of the following documents may be inspected during normal business hours at the offices of the Issuer for 12 months from the date of this Prospectus:
 - (a) the Charter and Statutes of the Issuer;
 - (b) the Paying Agency Agreement and the Trust Deed; and
 - (c) the audited consolidated financial statements of the Issuer for the years ended 31 July 2014 and 31 July 2015 and historic financial information of the Issuer for the year ended 31 July 2015 restated in accordance with FRS102.

Yield

7. On the basis of the issue price of the Bonds of 99.105 per cent. of their principal amount, the gross yield of the Bonds is a semi-annual yield of 3.167 per cent. per annum.

Legend Concerning U.S. Persons

8. The Bonds and any Coupons and Talons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

ISIN and Common Code

9. The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS1366919535 and the Common Code is 136691953.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg.

FINANCIAL STATEMENTS AND ACCOUNTANTS' REPORTS

The Accountants' report and audited consolidated financial statements of the Issuer as at and for the year ended 31 July 2014 and as at and for the year ended 31 July 2015 are set out below.

The Historical Financial Information of the Issuer for the year ended 31 July 2015 set out below has been prepared for the purposes of the Prospectus and has also been restated to reflect the application of financial reporting standard 102 which the Issuer will adopt in its next published financial statements for the year ended 31 July 2016. The restated financial information, and the report thereon (together the "**Restated July 2015 Historical Financial Information**") are also set out below.

Following the publication of FRS 100, "Application of financial reporting requirements", by the Financial Reporting Council, the Issuer is required to change its accounting framework for its financial statements, which is currently UK GAAP, for its financial year commencing 1 August 2015.

The Issuer's next published financial statements for the year ended 31 July 2016 will therefore be in accordance with:

- Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("**FRS 102**"); and
- Accounting for further and higher education: Statement of Recommended Practice 2015 applicable to higher education institutions preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (the "**2015 SORP**").

The adoption of FRS 102 and the 2015 SORP has resulted in a reduction in net assets from £782.2 million to £711.2 million. The material changes driving the net movement of £71 million are:

- *Universities Superannuation Scheme deficit recovery plan* – the University is required to recognise a provision for the contracted deficit recovery payments due to USS under the new accounting rules. In July 2015, a revised deficit recovery plan was agreed which commits the University to deficit recovery payments until 2031. The discounted value of the estimated deficit recovery payments is recognised as a provision of £66.2 million at July 2015. The new deficit recovery plan is significantly larger than its predecessor, and this increased cost of £34 million (which forms part of the total impact of £66.2 million) is recognised in the 2014/15 financial result;
- *Holiday pay accrual* - an accrual must be made where the annual leave entitlement earned by employees at the balance sheet date is in excess of the leave taken. The net impact of this change is an adverse movement of £8.0 million at the end of July 2015. Future movements in this accrual will impact the in-year financial result; and
- *Grant and donation income* – the University has adopted the performance method in recognising income for revenue and capital grants and donations. This means that income is recognised when performance conditions are met. This has resulted in £2.5 million additional income being recognised at 31st July 2015.

In addition, the University has made an adjustment relating to service concessions that has an impact on assets and liabilities. Where a third party builds, operates and maintains an infrastructure asset on behalf of the University, a fixed asset and long-term liability of equal value must be recorded. At the end of 2013/14, the University has recorded an asset and liability of £38.4 million relating to a student residence.

A description of the adjustments made as a result of the application of FRS 102 is set out in the notes to the relevant financial information. There are no other material changes as a result of the move from Accounting for further and higher education: Statement of Recommended Practice 2007 to FRS 102 and the 2015 SORP.

Deloitte LLP has given and has not withdrawn its written consent to the inclusion in this Prospectus of its report on the Restated July 2015 Historical Financial Information set out in this section in the form and context in it appears and has authorised the contents of its report for the purposes of Prospectus Rule 5.5.4R(2)(f).



Deloitte LLP
1 City Square
Leeds
LS1 2AL

The Council
on behalf of The University of Leeds
Leeds
LS2 9JT

17 February 2016

Dear Sirs

The University of Leeds

We report on the restated financial information for the year ended 31 July 2015 set out in the "Financial Statements and Accountants' Reports" section of the prospectus dated 17 February 2016 of The University of Leeds (the "**University**" and, together with its subsidiaries, the "**Group**") (the "**Prospectus**"). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 1 of the Statement of Accounting Policies within the financial information. This report is required by Annex IX item 11.1 of Commission Regulation (EC) No 809/2004 (the "**Prospectus Directive Regulation**") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The members of the Council of the University are responsible for preparing the financial information on the basis of preparation set out in note 1 of the Statement of Accounting Policies within the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.4R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex IX item 13.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at 31 July 2015 and of its income and expenditure, cash flows and changes in reserves for the year ended 31 July 2015 in accordance with the basis of preparation set out in note 1 of the Statement of Accounting Policies within the financial information.

Declaration

For the purposes of Prospectus Rule 5.5.4R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex IX item 1.2 of the Prospectus Directive Regulation.

Yours faithfully



Deloitte LLP

Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private University limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.



UNIVERSITY OF LEEDS

University of Leeds
Restated Consolidated 2014/15 Accounts

Consolidated Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2015

| | | 2014/15 |
|---|--------|----------------|
| | Notes | £'000 |
| Income | | |
| Tuition fees and education contracts | 1 | 267,773 |
| Funding body grants | 2 | 93,937 |
| Research grants and contracts | 3 | 133,615 |
| Exceptional Research and Development Expenditure Credit (RDEC) | 3 | 19,543 |
| Total research grants and contracts | | 153,158 |
| Other income | 4 | 107,432 |
| Investment income | 5 | 3,072 |
| Donations and endowments | 6 | 1,017 |
| Total income | | 626,389 |
| Expenditure | | |
| Staff costs | 7 | 360,102 |
| Other operating expenses | 9 | 203,176 |
| Depreciation and amortisation | 11, 12 | 45,483 |
| Interest and other finance costs | 8 | 3,976 |
| Total expenditure | 9 | 612,737 |
| Surplus before other gains and losses and share of operating deficits of joint ventures and associates | | 13,652 |
| Loss on disposal of fixed assets | | (201) |
| Gain on investments | 15 | 3,997 |
| Share of operating deficits in joint ventures | | (247) |
| Share of operating deficits in associates | | (630) |
| Surplus before tax | | 16,571 |
| Taxation | 10 | (4,306) |
| Surplus for the year | | 12,265 |
| Actuarial loss in respect of pension schemes | 28 | (17,384) |
| Total comprehensive income for the year | | (5,119) |
| Represented by: | | |
| Endowment comprehensive income for the year | | 1,018 |
| Restricted comprehensive income for the year | | (762) |
| Unrestricted comprehensive income for the year | | (5,375) |
| | | (5,119) |

All items of income and expenditure relate to continuing activities.

Consolidated Statement of Changes in Reserves

Year ended 31 July 2015


| | Income & Expenditure account | | | Total |
|---|------------------------------|-------------------|---------------------|----------------|
| | <i>Endowment</i> | <i>Restricted</i> | <i>Unrestricted</i> | |
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2014 | 65,718 | 4,443 | 646,126 | 716,287 |
| Surplus/(deficit) from the income and expenditure statement | 1,018 | (762) | 12,009 | 12,265 |
| Other comprehensive income | - | - | (17,384) | (17,384) |
| Total comprehensive income for the year | 1,018 | (762) | (5,375) | (5,119) |
| Balance at 31 July 2015 | 66,736 | 3,681 | 640,751 | 711,168 |

Consolidated Balance Sheet

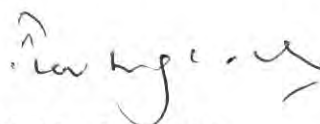
Year ended 31 July 2015

| | Notes | 2014/15 £'000 |
|---|-------|------------------|
| Non-current assets | | |
| Intangible assets | 11 | 2,805 |
| Tangible fixed assets | 12 | 703,291 |
| Heritage assets | 12/13 | 26,128 |
| Investments | 15 | 81,624 |
| Investment in joint venture | 16 | 321 |
| | | <u>814,169</u> |
| Current assets | | |
| Stock | | 514 |
| Trade and other receivables | 18 | 89,914 |
| Investments | 19 | 117,699 |
| Cash and cash equivalents | | <u>17,293</u> |
| | | 225,420 |
| Less: Creditors: amounts falling due within one year | 20 | (161,036) |
| Share of net liabilities in associates | 17 | <u>(443)</u> |
| Net current assets | | 63,941 |
| Total assets less current liabilities | | <u>878,110</u> |
| Creditors: amounts falling due after more than one year | 21 | (72,555) |
| Provisions | | |
| Pension provisions | 22 | (90,513) |
| Other provisions | 22 | <u>(3,874)</u> |
| Total net assets | | <u>711,168</u> |
| Restricted Reserves | | |
| Income and expenditure reserve - endowment reserve | 23 | 66,736 |
| Income and expenditure reserve - restricted reserve | 24 | 3,681 |
| Unrestricted Reserves | | |
| Income and expenditure reserve - unrestricted | | <u>640,751</u> |
| Total Reserves | | <u>711,168</u> |

The financial statements were approved by Council on 28 January 2016 and were signed on its behalf on _____ by:



Jane Madeley
Finance Director



Sir Alan Langlands
Vice-Chancellor



David Gray
Pro-Chancellor and
Chair of Council

Consolidated Statement of Cash Flows

Year ended 31 July 2015

| | 2014/15 |
|---|-----------------|
| | £'000 |
| Cash flow from operating activities | |
| Surplus before other gains and losses and share of operating deficits of JVs and associates | 13,652 |
| Adjustment for non-cash items | |
| Depreciation | 44,947 |
| Amortisation of intangibles | 536 |
| Pension adjustment | 884 |
| Decrease in stock | 54 |
| Increase in debtors | (32,180) |
| Decrease in creditors | (1,744) |
| Increase in pension provision | 33,072 |
| Decrease in other provisions | (1,200) |
| Adjustment for investing or financing activities | |
| Investment income | (3,072) |
| Interest payable | 3,976 |
| Net cash inflow from operating activities | 58,925 |
| Cash flows from investing activities | |
| Proceeds from sales of fixed assets | 8,894 |
| Net sale of endowment securities | 2,453 |
| Disposal of non-current asset investments | 2,469 |
| Withdrawal of deposits | 67,823 |
| Investment income | 3,226 |
| Payments made to acquire fixed assets | (130,059) |
| Payments made to acquire intangible assets | (1,922) |
| New non-current asset investments | (151) |
| Net cash outflow from investing activities | (47,267) |
| Cash flows from financing activities | |
| Interest paid | (1,576) |
| Interest element of finance lease and service concession payments | (1,228) |
| Repayments of amounts borrowed | (4,456) |
| Capital element of finance lease and service concession payments | (3,819) |
| Net cash outflow from financing activities | (11,079) |
| Tax paid | (72) |
| Increase in cash and cash equivalents in the year | 507 |
| Cash and cash equivalents at beginning of the year | 16,786 |
| Cash and cash equivalents at end of the year | 17,293 |

Statement of Accounting Policies

for the year ended 31 July 2015

1. University Information

The University is an independent corporation established by Royal Charter in 1904 'as a teaching and examining body... to cultivate and promote arts, science and learning'. These objects, and its powers and framework of governance, are set out in the Charter and its supporting Statutes, amendments to which must be approved by the Privy Council. It receives substantial public funding and, by virtue of the educational nature of its objectives, is an exempt charity under Schedule 2 of the Charities Act 1993.

Address: University of Leeds, Woodhouse Lane, Leeds, England LS2 9JT

Royal Charter Number: RC000658

2. Basis of preparation

These accounts have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS 102. The financial statements are prepared in accordance with the historical cost convention.

The financial information departs from FRS102 and the SORP in so far as comparative information is not presented, nor is any information on the University only Balance Sheet or results.

3. Basis of consolidation

The consolidated Accounts combine the Accounts of the University and its subsidiary undertakings, one with a 30 April year end and the remainder with 31 July year ends. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated Accounts do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

Associated companies and joint ventures are accounted for using the equity method.

4. Income recognition

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income and Expenditure over the period in which students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

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

The whole of the University's income and operating surplus relates to its principal activities and originated in the United Kingdom and, as a result, no segmental reporting is presented.

Grant funding

Grant funding including funding council block grant, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income. 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.

Statement of Accounting Policies

for the year ended 31 July 2015

Donations and endowments

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

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

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

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

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

Capital grants

Capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met. Where grant funded assets are in the course of construction, we consider on a case by case basis whether their construction constitutes a performance related condition. In the event that it does, income will be recognised as the expenditure to complete the asset is incurred.

5. Accounting for retirement benefits

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and, for support staff, there is a choice between the University of Leeds Defined Contribution Plan (DC Plan) or the University of Leeds Pension and Assurance Scheme (PAS). Under auto enrolment regulations the DC Plan is the default scheme for support staff.

USS and PAS are defined-benefit schemes which are externally funded and contracted out of the State Second Pension Scheme. The funds are valued every three years by actuaries using the Projected Unit Method, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to institutional members due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme. A provision is made for the estimated net present value of the payments required to fund the deficit recovery plan.

For the other defined benefit scheme, PAS, the cost of providing benefits is determined using the Projected Unit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in full in the period in which they occur.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The pension deficit recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and the pension asset represents the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refund and reductions in future contributions to the scheme.

Statement of Accounting Policies

for the year ended 31 July 2015

Defined Benefit Plan

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

Defined Contribution Plan

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

6. Employment benefits

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

7. Service Concession Arrangements

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

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

8. Operating leases

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

9. Foreign currency

Transactions in foreign currencies are translated to Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit.

10. Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Residential buildings have been revalued to fair value prior to the date of transition to the 2015 FE HE SORP, and are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets. Land is not depreciated as it is considered to have an indefinite useful life. Buildings under construction are not depreciated until they are completed.

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

Statement of Accounting Policies

for the year ended 31 July 2015

Buildings are depreciated in equal instalments over their expected useful lives as follows:

| | |
|-----------------------------------|----------|
| Academic buildings | 50 years |
| Residences | 30 years |
| Laboratories and lecture theatres | 30 years |
| Other building refurbishment | 10 years |

Equipment

In the accounts of the University, but not the subsidiary undertakings, individual items or groups of related items costing less than £25,000 are written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated in equal instalments over its expected useful life, as follows:

| | |
|---|--------------|
| Computing equipment | 4 years |
| Equipment acquired for specific research projects | project life |
| Other equipment | 10 years |
| Motor vehicles | 4 years |

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

11. Heritage assets

Works of art and other valuable artefacts valued at over £25,000 have been capitalised and recognised at their cost or value where reasonably obtainable.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

12. Intangible assets

Intangible assets are amortised over 4 years representing the remaining estimated economic life of the assets.

Intangible assets are subject to periodic impairment reviews as appropriate.

13. Investments

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment where the shares are unlisted and hence the fair value cannot be reliably determined. Listed investments are held at fair value with movements recognised as surplus or deficit.

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the surplus or deficit.

14. Stock

Except for farming stock which is professionally valued, stock is stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes all direct costs incurred. Net realisable value is based on estimated selling price allowing for all further costs.

Statement of Accounting Policies

for the year ended 31 July 2015

15. Cash and cash equivalents

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

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

16. Provisions

Provisions are recognised in the financial statements when:

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

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

17. Accounting for Joint Operations, Jointly Controlled Assets and Jointly Controlled Operations

The University accounts for its share of joint ventures using the equity method.

18. Taxation

The University is an exempt charity within the meaning of Chapter 1 Section 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of Section 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

The University's principal activities are exempt from VAT but certain ancillary supplies and services are liable to VAT at various rates. Expenditure includes irrecoverable VAT charged by suppliers to the University. The University does not have to pay Stamp Duty Land Tax when buying and leasing a property.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

Statement of Accounting Policies

for the year ended 31 July 2015

19. Reserves

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

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

20. Transition to 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 29.

Application of first time adoption grants certain exemption from the full requirements of the 2015 SORP in the transition period. The following exemptions have been taken into these financial statements:

Fair value or revaluation as deemed cost - at 31 July 2014, fair value has been used for deemed cost for properties measured at fair value.

21. Significant estimates and judgements

Significant estimates and judgements used in the preparation of the financial statements are as follows:

Tangible Fixed Assets

Freehold residential land and buildings were revalued prior to the adoption of FRS102. The revaluation was performed by qualified Chartered Surveyors on the basis of market value on 31st July 2014.

Recoverability of debtors

The provision for bad and doubtful debts is specific for non-student related debt based upon known circumstances. Student related provisions are based upon historic recovery rates by specific cohorts of students.

Retirement benefits obligations

The University operates its own defined benefit scheme, the University of Leeds Pension and Assurance Scheme (PAS), and participates in the Universities Superannuation Scheme (USS). Actuarial valuations are carried out as determined by the trustees at intervals of not more than three years.

PAS pension costs under FRS102 are calculated by the University's actuary based upon the latest actuarial valuation and assumptions agreed by management following actuarial advice. These assumptions are documented in note 28.

The USS scheme is accounted for as a defined contribution scheme as insufficient information is available to use defined benefit accounting. However, as the University is contractually bound to make deficit recovery payments, this liability is recognised on the balance sheet.

The USS deficit recovery plan defines the deficit payment required as a percentage of future salaries until 2031. These deficit contributions will be reassessed with each triennial valuation of the scheme. The provision is sensitive to the salary inflation and the size of University's membership, and these assumptions are established by management with reference to the University's agreed strategic plan

Notes to the Accounts

for the year ended 31 July 2015

| | 2014/15 |
|--|----------------|
| | £'000 |
| 1. Tuition fees and education contracts | |
| Full-time Home/EU students | 153,890 |
| Full-time Students from outside the European Union | 76,034 |
| Part-time Home/EU students | 4,324 |
| Part-time Students from outside the European Union | 774 |
| Research Training Support Grants | 12,028 |
| Short Course Fees | 9,241 |
| NHS Teaching Contract | 11,482 |
| | 267,773 |
| 2. Funding body grants | |
| Recurrent grants: | |
| HEFCE | 80,653 |
| HEFCE Capital | 6,397 |
| Specific grants: | |
| Higher Education Innovation Fund | 3,239 |
| Widening Participation | 2,370 |
| JISC funding | 431 |
| Postgraduate Support Scheme | 416 |
| Revolving Green Fund | 237 |
| Equipment and Furniture | 9 |
| Teaching & Learning Capital | 50 |
| Other (less than £0.5m each) | 135 |
| | 93,937 |
| 3. Research grants and contracts | |
| Research Councils (UK) | 49,008 |
| UK Based Charities | 19,260 |
| UK Government | 29,831 |
| UK Industry | 8,500 |
| European Commission | 17,795 |
| Other Grants & Contracts | 9,221 |
| | 133,615 |
| Research and Development Expenditure Credit (RDEC) | 19,543 |
| | 153,158 |

Notes to the Accounts

for the year ended 31 July 2015

The RDEC exceptional income has arisen due to changes in legislation which made Universities eligible to claim Research and Development Expenditure Credit for qualifying research expenditure incurred in the final 4 months of 2012/13, the full year of 2013/14 and the full year of 2014/15. In the Summer Finance Bill, Universities and other charitable organisations were made ineligible to claim RDEC for periods from 1 August 2015. The income recognised relates to the actual claim for the 4 months ended 31 July 2013, and the estimated claims for the University of Leeds between 1 August 2013 and 31 July 2015. No income was recognised in previous years due to uncertainty which existed at that time in respect of the eligibility of the University to RDEC claims.

| | 2014/15 |
|--------------------------------------|----------------|
| | £'000 |
| 4. Other income | |
| Residences, Catering and Conferences | 52,769 |
| Health Authorities | 13,163 |
| Subscriptions | 2,923 |
| Grants | 11,508 |
| Other Income | 27,069 |
| | 107,432 |
| 5. Investment income | |
| Income from expendable endowments | 29 |
| Income from permanent endowments | 2,246 |
| Income from short-term investments | 758 |
| Other investment income | 39 |
| | 3,072 |
| 6. Donations and endowments | |
| New endowments | 108 |
| Return of endowments to donor | (3,386) |
| Donations with restrictions | 3,052 |
| Unrestricted donations | 1,243 |
| | 1,017 |

Notes to the Accounts

for the year ended 31 July 2015

7. Staff costs

| | 2014/15 |
|---|--------------|
| Average staff numbers (full-time equivalents) by major category | Number |
| Academic/Teaching | 1,917 |
| Research | 1,030 |
| Management/Professional | 1,219 |
| Support | 2,577 |
| | <u>6,743</u> |

| Staff costs | £000 |
|-------------------------------------|----------------|
| Wages and salaries | 265,490 |
| Social security costs | 20,997 |
| Movement on USS provision (note 28) | 37,408 |
| Pension costs | 34,478 |
| Severance payments | 1,729 |
| | <u>360,102</u> |

Costs included within provisions (see Note 22) to the extent they have not been settled at 31 July:

| | |
|---|--------------|
| Restructuring - exceptional staff costs | 1,033 |
| Early retirement schemes | 575 |
| | <u>1,608</u> |

Senior post-holders' emoluments

Emoluments of the Vice-Chancellor (Sir Alan Langlands):

| | |
|--|------------|
| Salary | 278 |
| Employer contributions to defined benefit scheme | 7 |
| Total | <u>285</u> |

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff and represent in year earnings.

Notes to the Accounts

for the year ended 31 July 2015

| Remuneration of other higher paid staff, excluding employer's pension contributions | 2014/15 Number |
|---|-------------------|
| £100,000 - £109,999 | 29 |
| £110,000 - £119,999 | 18 |
| £120,000 - £129,999 | 16 |
| £130,000 - £139,999 | 10 |
| £140,000 - £149,999 | 7 |
| £150,000 - £159,999 | 8 |
| £160,000 - £169,999 | 12 |
| £170,000 - £179,999 | 6 |
| £180,000 - £189,999 | 5 |
| £190,000 - £199,999 | 4 |
| £200,000 - £209,999 | 4 |
| £210,000 - £219,999 | 2 |
| £220,000 - £229,999 | 3 |
| £230,000 - £239,999 | 3 |
| £240,000 - £249,999 | 1 |
| £260,000 - £269,999 | 1 |
| | 129 |

Higher paid staff comprised 73 clinical staff and 56 non-clinical staff.

The majority of clinical academic staff also work within the local NHS Trusts and their salaries are recharged proportionally to the time spent on clinical duties. The above figures reflect their gross remuneration before any recharge.

Compensation for loss of office paid (or payable) to employees earning in excess of £100,000 per annum is a maximum potential liability of £92,745.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University and are represented by the University's Executive Group (UEG). UEG consists of the Vice Chancellor, Deputy Vice Chancellor, Pro-Vice Chancellors, faculty deans, Finance Director, Marketing Director, Director of Human Resources, Director of Facilities Management and the Secretary.

Staff costs include compensation paid to key management personnel excluding any employer's pension contribution

| | 2014/15 £000 |
|--|-----------------|
| Key management personnel compensation | 2,808 |

Trustees

During the year, no Council members (trustees) received or waived any remuneration for serving as a trustee.

The total expenses paid to six trustees were £5k. This represents travel and subsistence expenses incurred in attending Council meetings, conferences and events in their official capacity as Council members.

Notes to the Accounts

for the year ended 31 July 2015

8. Interest and other finance costs

| | 2014/15 £'000 |
|------------------------------------|------------------|
| Interest payable on bank loans | 1,525 |
| Pension scheme charges | 1,223 |
| Service concessions finance charge | 1,228 |
| | <u>3,976</u> |

9. Analysis of total expenditure by activity

| | |
|------------------------------------|-----------------------|
| Academic Departments | 233,107 |
| Research Grants & Contracts | 134,286 |
| Total Teaching and Research | 367,393 |
| Admin & Corporate Services | 80,275 |
| Premises | 69,365 |
| Residences, catering & conferences | 60,597 |
| Other Expenses | 1,067 |
| Pensions provision movement | 34,040 |
| Total expenditure | <u>612,737</u> |

| | |
|--|-----------------------|
| Equipment purchases and maintenance | 23,394 |
| Estate repairs and maintenance | 6,799 |
| Consumables and laboratory expenditure | 23,671 |
| Printed materials, books and periodicals | 8,635 |
| Printing, stationary and office expenses | 4,862 |
| Travel and subsistence | 11,299 |
| Fellowships, Scholarships and prizes | 48,600 |
| Heat, light, water and power | 11,538 |
| Rent, rates and insurance | 10,237 |
| Grants to Student Union | 2,500 |
| Fees and expenses | 44,627 |
| Recruitment, training and welfare | 4,036 |
| Auditors remuneration in respect of audit | 103 |
| Auditors remuneration in respect of tax services | 217 |
| Auditors remuneration in respect of other services | 27 |
| Other expenses | 2,631 |
| Other operating expenditure | <u>203,176</u> |

Equipment purchases and maintenance includes payment under operating leases in respect of equipment of £471k.

Rent, rates and insurance includes payment under operating leases in respect of buildings of £12,948k.

Fees and expenses include contracted internal audit fees of £160k.

Notes to the Accounts

for the year ended 31 July 2015

10. Taxation

| | 2014/15 |
|---|---------------------|
| Recognised in the statement of comprehensive income | £'000 |
| Current Tax | |
| UK Corporation tax on profit for the year | 101 |
| Adjustment in respect of previous years | (31) |
| | <u>70</u> |
| Deferred Tax | |
| Origination and reversal of timing differences | (178) |
| | <u>(108)</u> |
| UK Corporation tax on Research and Development Expenditure Credit (RDEC) for the year | 1,915 |
| Adjustment in respect of previous years | 2,499 |
| Total Exceptional Research and Development Expenditure Credit (RDEC) tax charge | <u>4,414</u> |
| Total tax charge in the year | <u>4,306</u> |

11. Intangible assets

| | |
|----------------------------------|---------------------|
| Software | |
| Opening balance | 1,419 |
| Additions in the year | 1,922 |
| Amortisation charge for the year | (536) |
| Closing balance | <u>2,805</u> |

The addition in the year relates to client relationship management (CRM) software.
The amortisation period is 4 years.

Notes to the Accounts

for the year ended 31 July 2015

12. Fixed Assets

| | Freehold Land and Buildings | Equipment | Assets under construction | Service concession arrangement Land and Buildings (Note 14) | Heritage assets | Total |
|--------------------------|-----------------------------------|----------------|------------------------------|--|--------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | | | |
| At 1 August 2014 | 643,179 | 107,912 | 56,188 | 38,421 | 25,672 | 871,372 |
| Additions | 93,167 | 11,128 | 24,544 | 764 | 456 | 130,059 |
| Disposals | (350) | (6,393) | - | - | - | (6,743) |
| Transfers | 40,256 | 4,816 | (45,072) | - | - | - |
| At 31 July 2015 | 776,252 | 117,463 | 35,660 | 39,185 | 26,128 | 994,688 |
| Depreciation | | | | | | |
| At 1 August 2014 | 149,531 | 76,783 | - | - | - | 226,314 |
| Charge for the year | 28,568 | 11,262 | - | 5,117 | - | 44,947 |
| Disposals | - | (5,992) | - | - | - | (5,992) |
| At 31 July 2015 | 178,099 | 82,053 | - | 5,117 | - | 265,269 |
| Net book value | | | | | | |
| At 31 July 2015 | 598,153 | 35,410 | 35,660 | 34,068 | 26,128 | 729,419 |
| At 31 July 2014 | 493,648 | 31,129 | 56,188 | 38,421 | 25,672 | 645,058 |

Included in freehold land and buildings is land valued at £42.6m which is not depreciated (2014: £43.4m).

13. Heritage assets

The University has been fortunate to receive donations of a variety of cultural items and collections for over 100 years. Many items have also been purchased to augment existing collections and/or add to the variety of items within a special area of interest. Most of these purchases have been funded by benefaction.

Heritage Assets are held at market value established by specialist University personnel. Heritage Assets include many unique items (and collections), such as hand-written manuscripts and original art works, the current value of which can only be estimated, as they cannot be matched to identical items available on the market. Many other items are extremely rare, though not unique, and identical items may not appear on the market for decades.

Heritage Assets are classified into three main categories: Special collections, Art collections and University of Leeds International Textile Archive (ULITA).

Notes to the Accounts

for the year ended 31 July 2015

Special collections

The Special collections contain individual items and constituent collections consisting primarily of books and manuscripts. Constituent collections are characterised as such when their contents are acquired together from a single source or when they are generally used in association with each other, for example, the 'archive' of an organisation or person.

Art collections

The Art collections consist of individual paintings and drawings, collections of drawings, and sculptures.

ULITA

This category consists of tapestries, pattern books, stencils and fibre collections.

Preservation and management

The custodianship of these items has been given to specific areas and persons for their care and maintenance.

All the collections are valued for insurance purposes at £30m. In addition, collections are held for other organisations for custodial purposes, notably Ripon Cathedral's heraldry collection, and these are insured separately.

| | Special collections | Art | ULITA collections | 2014/15 Total |
|-------------|------------------------|-------|----------------------|------------------|
| | £000 | £000 | £000 | £000 |
| At 1 August | 19,625 | 5,522 | 525 | 25,672 |
| Additions | 298 | 158 | - | 456 |
| At 31 July | 19,923 | 5,680 | 525 | 26,128 |

14. Service Concession Arrangements

The University has one on Balance Sheet arrangement where service delivery is ongoing and one that finished during the year.

Movement in Service Concession arrangement assets

The asset value of the service concession included in the Balance Sheet as at 31 July 2015 is £34,068k (2014: £38,421k). The reduction of £4,353k is as a result of depreciation £5,117k less additions of £764k.

Movement in Service Concession arrangement liabilities

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2015 were £34,602k (2014: £38,421k). Further analysis of the movement is as follows:

| | 2014/15 £'000 |
|---------------------------------|------------------|
| Opening balance | 38,421 |
| Additions in the year | 764 |
| Interest charge for the year | 1,228 |
| Repayments made during the year | (5,811) |
| Closing balance | <u>34,602</u> |

Notes to the Accounts

for the year ended 31 July 2015

Future commitments

The following table analyses the University's future commitments in relation to service concession arrangements.

| £'000 | Payable in 1 year | Payable in 2-5 years | Payable in 6+ years | Total |
|----------------------|-------------------|----------------------|---------------------|---------------|
| Liability repayments | 1,320 | 4,163 | 29,119 | 34,602 |
| Finance Charge | 1,211 | 4,456 | 8,729 | 14,396 |
| | 2,531 | 8,619 | 37,848 | 48,998 |

The notes below give more information on the University's current service concession arrangements:

On 8 July 2002 the University entered into a 30 year contract with a third-party provider for the provision and maintenance of James Baillie Park, providing accommodation to 563 students.

The assets and liabilities relating to this scheme are recognised on the University's Balance Sheet.

Service commenced on 20 September 2003 and the contract will finish on 19 September 2033.

The University has an annual occupancy guarantee amounting to committed occupancy of 80% (100% occupancy has been agreed for 2015/16, resulting in a charge of £2,531k recorded within other operating expenses). The related rental income is included within other income.

15. Non-current Investments

2014/15

Other fixed asset investments

£000

| | |
|--|---------------|
| Cost or valuation at 1 August 2014 | 82,330 |
| Additions | 151 |
| Disposals | (4,928) |
| Revaluation of other investments | 74 |
| Revaluation of listed investments | 3,997 |
| Cost or valuation at 31 July 2015 | 81,624 |

Total investments

| | |
|------------------------|---------------|
| At 31 July 2015 | 81,624 |
| At 31 July 2014 | 82,330 |

Notes to the Accounts

for the year ended 31 July 2015

Total investments are classified as follows:

| At July 2015 | £000 |
|-----------------|---------------|
| Listed | 79,301 |
| Other (at cost) | 2,323 |
| | 81,624 |
| At July 2014 | |
| Listed | 80,253 |
| Other (at cost) | 2,077 |
| | 82,330 |

Listed investments

| Name of Company | Nature of business |
|--------------------------------------|---|
| Getech Group Plc | Oil services business specialising in the provision of exploration data and petroleum systems studies and evaluations |
| Evocutis Plc (formerly Syntopix Plc) | Investing in the natural resources sector |
| IP Group Plc | Commercial development of research generated intellectual property |
| Avacta Group Plc | Provides analytical and diagnostic technology, consumables and reagents, to the drug development and healthcare sectors |
| Green Chemicals Plc | Develops greener industrial processes in the manufacture of health and beauty/household consumer products |
| Tissue Regenix Plc | International medical technology company |
| Tracsis Plc | A technology provider to the rail industry |
| Xeros Plc | Laundry systems and cleaning technologies |

In addition to the above investments the University also has a mixed portfolio of listed investments which is managed to support the endowment funds of £61.4m

Subsidiary companies

Details of the trading companies, all registered in England, in which the University held directly or indirectly more than 50% of the nominal value of any class of share capital are as follows:

| Name of company | Percentage holding | Nature of business |
|--|--------------------|--|
| Subsidiary Undertakings | | |
| Leeds Innovation Centre Ltd | 100% | Business accommodation and facilities management |
| University of Leeds Farms Ltd | 100% | Farming |
| University of Leeds IP Ltd | 100% | Intellectual property management |
| Weetwood Hall Ltd | 100% | Hotel and conference centre |
| Leeds Ventures Ltd | 100% | Advisory services for the University's customers in China and Malaysia |
| Bright Beginnings Childcare Centre Leeds | 100% | Childcare facilities and services |

Notes to the Accounts

for the year ended 31 July 2015

16. Investment in joint ventures

The University holds shares of joint venture companies as follows:

| Name of company | Percentage holding | Nature of business |
|--------------------------------|--------------------|--|
| Myscience.co Ltd | 25% | Continuous professional development for science teachers and technicians |
| Leeds Boathouse Ltd | 25% | Rowing club partnership |
| N8 Ltd | 13% | Enabling northern businesses to access world-class knowledge to gain a significant competitive advantage |
| Worldwide Universities Network | 25% | Collaboration of Universities to achieve international objectives in research and graduate education |

| Joint ventures' financial summary - University share | 2014/15 £000 |
|---|-----------------|
| Income and Expenditure Account | |
| Income | 2,975 |
| Surplus before tax | 14 |
| Balance Sheet | |
| Fixed assets | 600 |
| Current assets | 744 |
| | 1,344 |
| Creditors: amounts falling due within one year | (674) |
| Creditors: amounts falling due after more than one year | (349) |
| | (1,023) |
| Share of net assets | 321 |

Notes to the Accounts

for the year ended 31 July 2015

17. Investment in associates

Details of the other trading companies, all registered in England, in which the University holds directly or indirectly 20% or more of the nominal value of any class of share capital are as follows:

| Name of company | Percentage holding | Nature of business |
|----------------------------------|--------------------|---|
| Keracol Ltd | 50% | Functional, natural, sustainable cosmetics |
| Instrumentel Ltd | 37% | Technology for remote telemetry in hostile environments |
| Workscreen Ltd | 36% | Sickness absence support and advisory service |
| Relitect Ltd | 34% | Multiplexed electrochemical biosensors |
| Free Running Buildings Ltd | 30% | Passive ventilation cooling systems |
| Ultramatis Ltd | 30% | Ultrafast lasers to functionalise glass |
| Quantum Imaging Ltd | 25% | Medical magnetometry |
| Glass Manufacturing Services Ltd | 24% | Specialist glass supplier for commercial and industrial use |
| C-Capture Ltd | 23% | CO2 green technology for coal-powered stations |
| Glucosense Diagnostics Ltd | 23% | Non-invasive glucose sensors |
| Resuspod Ltd | 21% | Solutions to medical emergency management in dental practice |
| Escubed Ltd | 20% | Particle characterisation services to pharmaceutical industries |

| Movement in year | 2014/15 £000 |
|--------------------------------|-----------------|
| Balance at 1 August | 112 |
| New associates | (269) |
| Dilution of shareholding | (16) |
| Share of (loss)/profit in year | (270) |
| Balance at 31 July | (443) |

18. Trade and other receivables

Amounts falling due within one year

| | |
|---|---------------|
| Research grant receivables | 25,464 |
| Other trade receivables | 26,887 |
| Prepayments and accrued income (including RDEC claim) | 37,459 |
| Deferred tax asset | 104 |
| | 89,914 |

Notes to the Accounts

for the year ended 31 July 2015

19. Current Investments

| | 2014/15 £'000 |
|---------------------|------------------|
| Short term deposits | <u>117,699</u> |

At 31 July 2015 the weighted average interest rate of these fixed rate deposits was 0.5% per annum and the remaining weighted average period for which the interest rate was fixed on these deposits was 43 days. The fair value of these deposits was not materially different to the book value.

20. Creditors : amounts falling due within one year

| | |
|--|-----------------------|
| Secured loans | 4,516 |
| Service concession arrangements (note 14) | 1,320 |
| Trade payables | 25,725 |
| Social security and other taxation payable | 6,766 |
| Corporation tax | 4,626 |
| Accruals and deferred income | 118,083 |
| | <u>161,036</u> |

Deferred income

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

| | |
|-------------------------------------|----------------------|
| Research grants received on account | 54,859 |
| Grant income & donations | 13,037 |
| | <u>67,896</u> |

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

| | |
|---|----------------------|
| Deferred income | 6,435 |
| Service concession liabilities due after one year (note 14) | 33,282 |
| Secured loans | 32,838 |
| | <u>72,555</u> |
| Analysis of secured loans: | |
| Due within one year or on demand (Note 20) | 4,516 |
| Due between one and two years | 4,582 |
| Due between two and five years | 13,141 |
| Due in five years or more | 15,115 |
| Due after more than one year | <u>32,838</u> |
| Total secured loans | <u>37,354</u> |

Bank loans at commercial rates are repayable by instalments falling due between 1 August 2015 and 10 February 2030 and are secured either on a portion of the freehold land and buildings of the Group or by a negative pledge over the University's assets.

Notes to the Accounts

for the year ended 31 July 2015

22. Provisions for liabilities

| | Obligation to fund deficit on USS Pension £'000 | Defined benefit obligations (note 28) £'000 | Total pensions provisions £'000 | Other provisions £'000 |
|------------------------|--|--|--|------------------------------|
| At 1 August 2015 | 32,200 | 5,748 | 37,948 | 5,074 |
| Utilised in year | (4,334) | - | (4,334) | (4,175) |
| Additions in 2014/15 | 38,374 | 18,525 | 56,899 | 2,975 |
| At 31 July 2015 | 66,240 | 24,273 | 90,513 | 3,874 |

USS deficit funding

The obligation to fund the past deficit on the University's' Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision which will be utilised by 2031. The additions in 2014/15 principally relate to the changes in the agreed deficit recovery plan which were agreed during the year.

Other provisions comprise restructuring, early retirement and other items expected to be utilised within the next three years.

23. Endowment Reserves

Restricted net assets relating to endowments are as follows:

| | Restricted permanent endowments £'000 | Unrestricted permanent endowments £'000 | Restricted expendable endowments £'000 | 2014/15 Total £'000 |
|---|--|--|---|---------------------------|
| Capital | 40,979 | 19,510 | 1,792 | 62,281 |
| Accumulated income | 3,402 | 0 | 36 | 3,438 |
| At 1 August 2014 | 44,381 | 19,510 | 1,828 | 65,719 |
| New endowments | 53 | 0 | 55 | 108 |
| Withdrawals | (3,386) | 0 | 0 | (3,386) |
| Investment income | 1,510 | 736 | 29 | 2,275 |
| Expenditure | (828) | (696) | (35) | (1,559) |
| Increase in market value of investments | 2,093 | 1,143 | 343 | 3,579 |
| At 31 July 2015 | 43,823 | 20,693 | 2,220 | 66,736 |

Notes to the Accounts

for the year ended 31 July 2015

| | Restricted permanent endowments £'000 | Unrestricted permanent endowments £'000 | Restricted expendable endowments £'000 | 2014/15 Total £'000 |
|------------------------|--|--|---|---------------------------|
| Represented by: | | | | |
| Capital | 39,940 | 20,693 | 2,173 | 62,806 |
| Accumulated income | 3,883 | 0 | 47 | 3,930 |
| | 43,823 | 20,693 | 2,220 | 66,736 |

Analysis by type of purpose:

| | | | | |
|----------------|---------------|---------------|--------------|---------------|
| Chairs | 7,763 | 0 | 27 | 7,790 |
| Lectureships | 3,267 | 981 | 0 | 4,248 |
| Fellowships | 9,557 | 158 | 0 | 9,715 |
| Scholarships | 11,825 | 1,621 | 485 | 13,931 |
| Prizes | 4,684 | 366 | 36 | 5,086 |
| Specific funds | 9 | 0 | 930 | 939 |
| General funds | 6,718 | 17,567 | 742 | 25,027 |
| | 43,823 | 20,693 | 2,220 | 66,736 |

Analysis by asset:

| | |
|---------------------------|---------------|
| Non current investments | 61,410 |
| Cash and cash equivalents | 5,326 |
| | 66,736 |

24. Restricted Reserves

| | |
|---------------------------|--------------|
| Balances at 1 August 2014 | 4,444 |
| New grants and donations | 5,492 |
| Expenditure | (6,255) |
| At 31 July 2015 | 3,681 |

25. Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2015:

| | |
|----------------------------|---------------|
| Commitments contracted for | 74,815 |
|----------------------------|---------------|

Notes to the Accounts

for the year ended 31 July 2015

26. Lease obligations

Total rentals payable under operating leases:

| | Buildings £'000 | 31 July 2015 Equipment £'000 | Total £'000 |
|--|--------------------|------------------------------------|----------------|
| Payable during the year | 10,468 | 471 | 10,939 |
| Future minimum lease payments due: | | | |
| Not later than 1 year | 10,703 | 434 | 11,137 |
| Later than 1 year and not later than 5 years | 37,780 | 631 | 38,411 |
| Later than 5 years | 40,947 | - | 40,947 |
| Total lease payments due | 89,430 | 1,065 | 90,495 |

27. Connected charitable Institutions

Bright Beginnings Childcare Centre Leeds is a connected charitable institution of the University. It is administered on behalf of the University for the advancement of education through the provision of nursery education and childcare facilities for the staff and students of the University of Leeds. As a result, under paragraph 28 of Schedule 3 to the Charities Act 2011, Bright Beginnings is exempt from registration with the Charity Commission. Bright Beginnings is included as a subsidiary in these consolidated accounts and the movements in the year on its total funds, as reported in its own accounts, were as follows:

| | 2014/15 £000 |
|--|-----------------|
| Bright Beginnings Childcare Centre Leeds: | |
| Member's funds at 1 August | 53 |
| Income | 1,543 |
| Expenditure | (1,421) |
| Member's funds at 31 July | 175 |

28. Pension Schemes

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and, for Support Staff, there is a choice between The University of Leeds Defined Contribution Plan (DC Plan) or the University of Leeds Pension and Assurance Scheme (PAS). The assets of the schemes are held in separate trustee-administered funds. USS and PAS are defined-benefit schemes which are externally funded and are valued every three years by actuaries, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

The DC Plan, which was introduced from 1 March 2013, is the main auto-enrolment vehicle for University support staff. The investment of scheme contributions for the DC Plan is managed by The People's Pension.

The University also contributes to the Teachers' Pension Scheme (TPS) which has 15 members, and the National Health Service (NHS) Pension Scheme which has 170 members, both multi-employer schemes.

Notes to the Accounts

for the year ended 31 July 2015

Total pension costs for the University and its subsidiary undertakings (excluding USS provision movement):

| | 2014/15 |
|---------------------------|---------------|
| | £000 |
| USS | 23,405 |
| PAS | 12,139 |
| DC Plan | 462 |
| Other pension schemes | 1,592 |
| Total pension cost | 37,598 |

This compares to £34.5m in note 7, the difference being salary sacrifice contributions.

The Universities Superannuation Scheme

USS is a defined benefit scheme which is contracted out of the State Second Pension (S2P) and the assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Limited. The scheme is in the main one for Academic, Academic-Related and Professional Staff of all pre-1992 UK Universities and some other employers. It is a multi-employer scheme for which it is not possible to identify assets and liabilities to institutional members due to the mutual nature of the scheme, and therefore has been accounted for as a defined contribution scheme.

As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period, except for payments under the agreed deficit recovery plan. The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees. In 2015 the percentage was 16%. A provision is held for the estimated present value of the amounts expected to be payable under the agreed deficit recovery plan (see note 22).

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

Triennial valuations are carried out by professionally qualified independent actuaries and the last valuation took place as at 31 March 2014. The valuation of 31 March 2014 was carried out using the projected unit method and was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out annual reviews of the funding levels but details at 31st March 2015 are not yet available.

The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date.

On account of historically high levels of inflation implied by government bonds, an "inflation risk premium" adjustment has been included which deducts 0.2% in year 1 (decreasing linearly to 0.1% over 20 years) from the market implied inflation rate.

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 5.2% p.a. in year 1 (decreasing linearly to 4.7% p.a. over 20 years), salary growth would be 2.6% per annum (CPI) in year 1, CPI+1% in year 2 and RPI+1% thereafter and pensions would increase by CPI.

Notes to the Accounts

for the year ended 31 July 2015

Standard mortality tables were used as follows:

| | |
|---------------------------|---|
| Male members' mortality | 98% SAPS S1NA "light" YOB |
| Female members' mortality | 99% SAPS S1NA "light" YOB with a -1 year adjustment |

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates.

The assumed life expectations on retirement at age 65 are:

| | |
|-----------------------------------|-------------------|
| Male (females) currently aged 65 | 24.2 (26.3) years |
| Males (females) currently aged 45 | 26.2 (28.6) years |

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

On a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 54% of the amount necessary to secure all the USS benefits with an insurance company.

On the FRS17 basis, using an AA bond discount rate of 3.3% (2014: 4.5%) per annum based on spot yields, the actuary estimates that the scheme assets as at 31 March 2015 were valued at £49.0 billion (2014: £41.6 billion) and the value of the schemes liabilities at that date was £67.6 billion (2014: £55.5 billion), indicating a shortfall of £18.6 billion (£13.9 billion). Based on these assumptions as at 31 March 2015 the assets were sufficient to cover 72% of the benefits that had accrued to members after allowing for their expected future increases in earnings. The other key assumptions on the FRS17 calculation were pensionable salary growth of 3.5% in the first year and 4.0% thereafter (2014: 4.4%) and price inflation (CPI) of 2.2% (2014: 2.6%).

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high.

Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liability of the scheme, a cautionary reserve has been included in addition, on account of the variability mentioned above.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. In addition, a pension increase cap is provided so that if official pensions increase by more than 5% then USS will match the first 5% of the increase but then only half of any higher increase up to a maximum of 10% in total.

Notes to the Accounts

for the year ended 31 July 2015

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

| Assumption | Change in Assumption | Impact on scheme | Change in total contribution rate % salaries over 17 year recovery period |
|-----------------------------------|----------------------|--------------------------|---|
| Investment return (discount rate) | Decrease by 0.25% | Increase by £0.8 billion | Increase by 0.5% |
| Discount rate in 20 years' time | decrease by 0.25% | increase by £1.1 billion | Increase by 2.1% |
| RPI inflation rate | Increased by 0.25% | Increase by £0.8 billion | Increase by 1.9% |
| Members live longer than assumed | 1 year longer | Increase by £0.5 billion | Increase by 0.8% |

As at the valuation date the scheme has provided a Career Revalued Benefits Section (CRB) for new entrants since 2011 and final salary benefits for members who joined prior to that date.

Following consultation with members the trustees agreed a revised benefit structure, which will be implemented with effect from 1 April 2016 and as part of the 31 March 2014 valuation, the trustees have determined, that this recovery plan will pay off the shortfall by 31 March 2031.

The final salary section of the scheme will close with effect from 31 March 2016 and all final salary section members will join the (CRB) from 1 April 2016. From this date the accrual rate in the CRB section will be 1/75th for pensions and 3/75th for lump sums and there will be a salary cap of £55,000 applied with effect from 1 October 2016. Any contributions paid on salaries above this cap will be invested in a new defined contributions (DC) section of the scheme. Based on the 2014 valuation, it is expected that employer contributions will increase to 18% from 1st April 2016.

USS contributions

| | Final salary | | CRB | |
|-------------------|--------------|----------|----------|----------|
| | Employee | Employer | Employee | Employer |
| Pre 1 April 2016 | 7.50% | 16.00% | 6.50% | 16.00% |
| Post 1 April 2016 | Closed | Closed | 8.00% | 18.00% |

The next formal triennial actuarial valuation will be 31 March 2017. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2017 is estimated to be £5 billion, equivalent to a funding level of 91%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

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

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

The trustee believes that, over the long-term, equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are

Notes to the Accounts

for the year ended 31 July 2015

designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the funds' liabilities.

Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers.

At 31 March 2014, USS had over 167,000 active members and the University had 4,200 active members participating in the scheme.

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

The USS pension cost for the University was £62m including the impact of changes to the deficit recovery agreement (£37m).

University of Leeds Pension and Assurance Scheme (PAS)

PAS is a defined benefit scheme for support and technical staff within the University.

Triennial valuations are carried out by professionally qualified independent actuaries. The last valuation took place as at 31 March 2014.

The results of the PAS Valuation showed a funding level of 111% and a surplus of £35.1m.

| PAS contributions | Final salary | | CRB | |
|-------------------|--------------|----------|----------|----------|
| | Employee | Employer | Employee | Employer |
| Pre 1 April 2016 | 7.50% | 18.15% | 6.50% | 18.15% |
| Post 1 April 2016 | 7.50% | 16.00% | 6.50% | 16.00% |

A contribution rate of 0.5% applies to provide death in service cover within PAS for members of the DC Plan.

The University will continue to pay the PPF levy, the cost of benefit augmentations and the cost of any ill health early retirements.

PAS final salary members who are promoted to a USS eligible grade are now permitted, under USS rules, and with the agreement of the University, to remain in PAS. Members are made aware of this choice.

Notes to the Accounts

for the year ended 31 July 2015

Assumptions

The financial assumptions used to calculate scheme liabilities under FRS102 are:

| | 2014/15 |
|---|---------|
| | %pa |
| Price Inflation (RPI) | 3.35 |
| Price Inflation (CPI) | 2.35 |
| Rate of increase in salaries | 4.65 |
| Rate of increase of pensions in payment | 2.35 |
| Discount rate | 3.5 |

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

| | | | |
|---------------|----------------------------|---------------|------|
| | | | 2015 |
| Pensioner | | <i>Male</i> | 21.7 |
| Non-pensioner | <i>(currently aged 45)</i> | <i>Male</i> | 23.9 |
| Pensioner | | <i>Female</i> | 24.2 |
| Non-pensioner | <i>(currently aged 45)</i> | <i>Female</i> | 26.5 |

Scheme assets

The assets in the scheme were:

| | Fair value as at 31 July 2015 £'000 |
|----------------|--|
| Equities | 274,495 |
| Property | 39,196 |
| Bonds and cash | 68,380 |
| Total | <u>382,071</u> |

| | |
|---|------|
| | % pa |
| The weighted average expected long-term rates of return were: | 6.0 |

Notes to the Accounts

for the year ended 31 July 2015

| | 2014/15 £'000 |
|---|------------------|
| Analysis of the amount shown in the balance sheet for PAS: | |
| Scheme assets | 382,071 |
| Scheme liabilities | (406,344) |
| Deficit in the scheme – net pension liability recorded within pension provisions (Note 22) | (24,273) |
| Current service cost | 12,139 |
| Total operating charge: | 12,139 |
| Analysis of the amount charged to interest payable/credited to other finance income: | |
| Interest on net deficit | 257 |
| Net charge to other finance income | 257 |
| Total profit and loss charge before deduction for tax | 12,396 |
| Analysis of other comprehensive income: | |
| Actuarial loss | 17,384 |
| Total other comprehensive income before deduction for tax | 29,780 |

History of experience gains and losses

| | 31-Jul 2015 | 31-Jul 2014 | Year to 31-Jul 2013 | 31-Jul 2012 | 31-Jul 2011 |
|--|----------------|----------------|---------------------------|----------------|----------------|
| Difference between actual and expected return on scheme assets: | | | | | |
| Amount (£m) | 4,284 | 3,734 | 33,920 | (11,298) | 10,606 |
| % of assets at end of year | 1% | 1% | 10% | (4.0%) | 4% |
| Experience (gains)/losses on scheme liabilities: | | | | | |
| Amount (£m) | 18,198 | - | - | - | 7,199 |
| % of liabilities at end of year | 4% | 0% | 0% | 0% | 3% |

| | 2014/15 £'000 |
|---|------------------|
| Cumulative actuarial loss recognised as other comprehensive income | |
| Cumulative actuarial losses recognised at the start of the year | 73,737 |
| Cumulative actuarial losses recognised at the end of the year | 91,121 |
| Analysis of movement in surplus/(deficit) | |
| Deficit at beginning of year | 5,748 |
| Contributions or benefits paid by the University | (11,255) |
| Current service cost | 12,139 |
| Other finance charge | 257 |
| Loss recognised in other comprehensive income | 17,384 |
| Deficit at end of year | 24,273 |

Notes to the Accounts

for the year ended 31 July 2015

| Analysis of movement in the present value of liabilities | 2014/15 £'000 |
|---|------------------|
| Present value of liabilities at the start of the year | 360,469 |
| Current service cost (net of member contributions) | 12,139 |
| Actual member contributions (including notional contributions) | 293 |
| Interest cost | 15,006 |
| Actuarial loss/(gain) | 28,599 |
| Actual benefit payments | (10,162) |
| Present value of UXPS and ex-gratia liabilities at the end of the year | 406,344 |

Analysis of movement in the fair value of scheme assets

| | |
|--|----------------|
| Fair value of assets at the start of the year | 354,721 |
| Interest income on assets | 14,749 |
| Actuarial gain on assets | 11,215 |
| Actual contributions paid by University | 11,255 |
| Actual member contributions (including notional contributions) | 293 |
| Actual benefit payments | (10,162) |
| Fair value of scheme assets at the end of the year | 382,071 |

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

Actual return on Scheme assets

| | |
|---------------------------|---------------|
| Interest income on assets | 14,749 |
| Asset gain/(loss) | 11,215 |
| | 25,964 |

University of Leeds Defined Contribution Pension Plan (DC Plan)

To comply with Pensions Automatic Enrolment legislation, from 1 March 2013 the University introduced a new defined contribution plan, the University of Leeds Defined Contribution Plan (DC Plan). This is the default scheme for all new eligible support staff employees, although they can still opt to join the CARE section of PAS within a limited period of joining the University.

The DC Plan had 525 contributing members at 31 July 2015. The default contribution rate is 3% member and 6% employer. Some members pay a higher contribution rate and this is matched by the University, up to a maximum 10% employer contribution.

29. Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the University's first consolidated accounts prepared in accordance with FRS 102 and the 2015 SORP. The accounting policies have been applied in preparing the 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 University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position and financial performance is set out in the following tables.

Notes to the Accounts

for the year ended 31 July 2015

| | 1 August 2014 | 31 July 2015 |
|--|-----------------|-----------------|
| Financial position | £'000 | £'000 |
| Total funds under 2007 SORP | 749,635 | 782,162 |
| USS pension provision (i) | (32,200) | (66,240) |
| Employee leave accrual (ii) | (7,611) | (7,990) |
| Grant and donation income (iii) | 5,044 | 2,484 |
| Intangible non-current assets | 1,419 | 1,287 |
| Service concessions | - | (535) |
| Total effect of transition to FRS 102 | (33,348) | (70,994) |
| Total funds under 2015 SORP | 716,287 | 711,168 |

| Financial performance | 2014/15 |
|--|-----------------|
| | £'000 |
| Surplus for the year under 2007 SORP | 56,478 |
| USS pension provision (i) | (34,040) |
| Employee leave accrual (ii) | (379) |
| Grant and donation income (iii) | (3,632) |
| Intangible non-current assets | (132) |
| Service concessions | (535) |
| <i>Included in the STRGL under the 2007 SORP</i> | |
| Movement in fair value of endowments and investments | 1,436 |
| Actuarial loss on pension assets | (24,315) |
| Total effect of transition to FRS 102 | (61,597) |
| Total comprehensive income for the year under 2015 SORP | (5,119) |

- (i) Under 2007 SORP USS was accounted for as a defined contribution scheme as permitted by FRS17 as it was not possible to identify the University's share of the underlying assets and liabilities. Under FRS102 the USS scheme is still accounted for as a defined contribution scheme, but the additional contracted contributions under the USS recovery plan to fund past deficits have been included as a provision.
- (ii) Under FRS102 an accrual must be made where the annual leave entitlement earned by employees at the Balance Sheet date is in excess of the leave taken.
- (iii) The performance method has been adopted in relation to grants and donations, regardless of their source.

Deferred capital grants

Note that on transition to FRS102, £201.3m of deferred capital grants were released to the unrestricted income and expenditure reserve. There was no effect on total funds.

Notes to the Accounts

for the year ended 31 July 2015

30. Related Parties

Due to the nature of the University's operations it is inevitable that transactions will take place with organisations, from the public and private sectors, in which a University member of staff may have an interest. Any such transactions are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

A number of senior staff and Council members exercised budgetary control during the year over research and teaching projects within the University as well as related expenditure within NHS Trusts, in their capacities as subsidiary undertaking directors, committee members and managers. Professor Paul Stewart, the Dean of the Faculty of Medicine and Health, was a non-executive director of Leeds Teaching Hospitals NHS Trust during the year; Jane Madeley, the Finance Director, is a non-executive director and Chair of the Audit Committee for Leeds Community Healthcare NHS Trust; Dr Sue Proctor, member of Council, is a non-executive director of Harrogate District NHS Foundation Trust; and Caroline Johnstone, member of Council, is a non-executive director and Chair of the Audit Committee of Leeds Teaching Hospitals NHS Trust.

Sir Alan Langlands, Vice-Chancellor, was a board member of a number of organisations which had transactions with the University during the year as follows:

| | Paid by the University | Paid to the University |
|------------------------------------|---------------------------|---------------------------|
| | 2014/15 | 2014/15 |
| | £000 | £000 |
| Yorkshire Universities | 139 | 272 |
| N8 Ltd | 40 | - |
| The Worldwide Universities Network | - | 34 |
| Myscience Ltd | 9 | 11 |
| Russell Group of Universities | 59 | - |
| Centre for Low Carbon Futures | 3 | 92 |

Professor David Hogg, a Pro-Vice-Chancellor, is a director of Medilink. In 2014/15 the University paid £1,000 (2013/14: £8,000) for services provided.

Professor John Fisher, Deputy Vice Chancellor, was a Council member at the Engineering and Physical Sciences Research Council (EPSRC) during the year, and Jane Madeley, the Finance Director, was an independent member of the EPSRC's Audit Risk and Assurance Committee. During 2014/15, the University received £26,367,000 (2013/14: £32,834,000) and paid £664,000 (2013/14: £212,000) to it.

Linda J Mortimer-Pine, Acting Director of Human Resources, is a non-executive director at ECC Ltd. During 2014/15 the University received £9,000 (2013/14: £9,000) from it for services provided.

Ed Anderson, member of Council and Chair of the Audit & Risk Committee is father of Sarah Anderson who worked at Deloitte LLP until October 2015. In 2014/15 the University paid £380,000 for services provided (2013/14: £158,000) and received £nil (2013/14: £4,000) from it for services rendered. He is a former Chair of Governors (and currently Pro-Chancellor) at Leeds Trinity University, and during 2014/15 the University received £67,000 (2013/14: £155,000) from it, and paid £68,000 to it for its services. He is also a board trustee at Opera North.

Liz Barber, member of Council, is a director of Yorkshire Water. In 2014/15 the University received £nil (2013/14: £212,000) from Yorkshire Water and paid £558,000 (2013/14: £466,000) for services provided. She is a Director at Kcom plc and in 2014/15 the University paid £88,000 (2013/14: £110,000) to it for its services.

Notes to the Accounts

for the year ended 31 July 2015

Nigel Foster, member of Council, is the owner and director of Colbaran Ltd. In 2014/15 the University paid £10,000 (2013/14: £6,000) to it for services provided. He is a director and owner of Fore Consulting Ltd; in 2014/15 the University paid the company £19,000 (2013/14: £Nil) for services, and received £26,000 (2013/14: £nil) for services rendered. He is the president and a director of West and North Yorkshire Chamber of Commerce. He was a non-executive director of the Centre for Low Carbon Futures (CLCF) during the year. In 2014/15 the University paid CLCF £3,000 (2013/14: £60,000) and received £28,000 (2013/14: £213,000) from it for goods and services. He is also a director of the Ahead Partnership to which the University paid £20,000 in 2014/15 (2013/14: £100,000) for services provided.

Robin Johnson, member of Council, was a partner at Eversheds LLP during the year. In 2014/15 the University paid £123,000 (2013/14: £52,000) to it for services provided.

The son of Caroline Johnstone, member of Council, works at PwC. In 2014/15 the University paid £567,000 for services provided (2013/14: £253,000).

Amanda Mellor, member of Council, is a director of Marks & Spencer Group plc. During 2014/15 the University paid £22,000 (2013/14: £46,000) for services provided and received £3,343,000 (2013/14: £145,000).

Sue Proctor, member of Council, is a director of SR Proctor Consulting Ltd. During 2014/15 the University paid £6,000 (2013/14: £nil) for its services.

Two Members of Council are officers of Leeds University Union (LUU): Bradley Escorcio, Union Affairs Officer, and Tom Dixon, Education Officer served until 30 June 2015; Toke Dahler and Melissa Owusu, served from 1 July 2015. During 2014/15 the University paid £2,500,000 (2013/14: £2,047,000) grant to LUU and £569,000 (2013/14: £832,000) for services provided. The University received £350,000 (2012/13: £587,000) for premises recharges from LUU.

Professor J R Barrett, professor in the School of Earth and Environment, is a director at the Centre for Sustainability Accounting Ltd. During 2014/15 the University received £8,000 (2013/14: £nil) from it for services provided.

Professor J Colyer, professor in the Faculty of Biological Sciences, is a director of Badrilla Ltd. During 2014/15 the University received £7,000 (2013/14: £2,000) from it and paid £nil (2013/14: £1,000) to it for services provided.

Professor J Hayes, emeritus professor in Leeds University Business School, is Managing Partner of John Hayes and Associates. During 2014/15 the University paid £25,000 (2013/14: £26,000) to it for services provided.

Dr N J Horan, reader in the School of Civil Engineering, is the Chair of Aqua Enviro Ltd. In 2014/15 the University paid £nil (2013/14: £2,000) to it and received £8,000 (2013/14: £8,000) from it for services provided.

Mr O A Johnson, Senior Teaching Fellow in the School of Computing, and Dr S E Clamp, Senior Lecturer in the School of Medicine, are directors of X-Lab Ltd. During 2014/15 the University received £nil (2013/14: £57,000) from it, and paid £38,000 (2013/14: £123,000) to it for services provided.

Dr J Kirby, Clinical Lecturer Primary Care Education, is a GP Partner at the Spa Surgery. During 2014/15 the University received £30,000 (2013/14: £nil) from it for services provided.

Professor S D Mobbs, professor in the School of Earth and Environment, is a director of the National Centre for Atmospheric Science (NCAS). During 2014/15, the University received £896,000 (2013/14: £nil) from it, and paid £259,000 (2013/14: £153,000) for services provided.

Professor P A Millner, professor in the Faculty of Biological Sciences, is a director of Elisha Systems Ltd. During 2014/15 the University paid £nil (2013/14: £8,000) to it for services provided.

Dr D M Ross, director of the Centre of Innovation in Health Management, is a director of Southwood Associates Ltd. During 2014/15 the University paid £108,000 (2013/14: £63,000) to it for services provided.

Notes to the Accounts

for the year ended 31 July 2015

31. Amounts disbursed as agent

| | 2014/15 |
|--|-------------|
| Access to learning (hardship) funds | £000 |
| At 1 August | 32 |
| HEFCE grant | 212 |
| Disbursed to students | (244) |
| At 31 July | - |

The above Funding Council grants are available solely for students; the University acts only as paying agent for which it receives an allowance in respect of administration costs. The grant related disbursements are therefore excluded from the Income and Expenditure Account.

The National College for Teaching and Leadership (NCTL) - formerly the Teaching Agency (TA)

| | |
|-----------------------|------------|
| At 1 August | 131 |
| Funding in the year | 1,961 |
| Disbursed to students | (1,899) |
| At 31 July | 193 |

The above training bursaries from the NCTL are available solely for students in Initial Teacher Training; the University acts only as a paying agent. The bursaries and related disbursements are therefore excluded from the Income and Expenditure Account.

We have audited the financial statements of the University of Leeds for the year ended 31 July 2015 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and Note of Historical Cost Surpluses, and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Council in accordance with the Memorandum of Assurance and Accountability effective August 2014. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governing body and auditor

As explained more fully in the Council’s Statement of Primary Responsibilities, the Council is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 University’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. 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the University’s affairs as at 31 July 2015 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion, in all material respects:

- income from the funding council, the Teaching Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2015 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2015 has been applied in accordance with the University’s statutes and, where appropriate, with the Memorandum of Assurance and Accountability, with the funding council, the funding agreement with the Teaching Agency; and
- the requirements of HEFCE’s accounts direction have been met.

Deloitte LLP

Chartered Accountants and Statutory Auditor
Leeds, England
26 November 2015

ANNUAL ACCOUNTS

Consolidated Income and Expenditure Account for the year ended 31 July 2015

| | Note | 2014/15 £000 | 2013/14 £000 |
|--|------|-----------------|-----------------|
| Income | | | |
| Funding Council grants | 1 | 97,001 | 111,773 |
| Tuition fees and education contracts | 2 | 267,770 | 236,083 |
| Research grants and contracts | 3 | 132,596 | 132,677 |
| Exceptional Research and Development Expenditure Credit (RDEC) | 3 | 19,544 | – |
| Total research grants and contracts | | 152,140 | 132,677 |
| Other operating income | 4 | 113,187 | 97,655 |
| Endowment income and interest receivable | 5 | 9,551 | 9,305 |
| Total Income (excludes share of joint ventures £3.0m [2013/14: £3.7m]) | | 639,649 | 587,493 |
| Expenditure | | | |
| Staff costs | 6 | 326,999 | 316,661 |
| Other operating expenses | 7 | 209,041 | 200,396 |
| Depreciation | 7 | 39,830 | 30,051 |
| Interest payable and similar charges | 8 | 1,526 | 1,757 |
| Total expenditure | 7 | 577,396 | 548,865 |
| Surplus after depreciation and before tax | | 62,253 | 38,628 |
| Share of joint ventures' operating (loss)/profit | | (248) | 194 |
| Share of associates' operating (loss)/profit | | (630) | 130 |
| Taxation | 9 | 108 | (89) |
| Exceptional Research and Development Expenditure Credit (RDEC) Taxation | 9 | (4,414) | – |
| Total taxation | | (4,306) | (89) |
| Surplus after depreciation and tax, before exceptional items | | 41,939 | 38,863 |
| Exceptional Research and Development Expenditure Credit (RDEC) (net of taxation) | | 15,130 | – |
| Surplus after depreciation, tax and exceptional items | | 57,069 | 38,863 |
| (Loss)/profit on disposal of fixed assets | 11 | (98) | 5,617 |
| Surplus on continuing operations after depreciation and tax | | 56,971 | 44,480 |
| Transfer to accumulated income within restricted endowments | | (493) | (557) |
| Surplus for the year transferred to reserves | 24 | 56,478 | 43,923 |

Balance Sheets
as at 31 July 2015

| | | Consolidated | | University | |
|---|------|-----------------|-----------------|-----------------|-----------------|
| | Note | 2014/15 £000 | 2013/14 £000 | 2014/15 £000 | 2013/14 £000 |
| Fixed assets | | | | | |
| Intangible assets | 10 | 1,518 | – | 1,518 | – |
| Tangible assets | 11 | 695,351 | 606,637 | 684,141 | 595,149 |
| Investments | 12 | 20,214 | 22,046 | 24,933 | 26,690 |
| Investments in associates | 13 | – | 112 | – | – |
| Investments in joint ventures | 14 | 321 | 569 | – | – |
| | | 717,404 | 629,364 | 710,592 | 621,839 |
| Endowment asset investments | 15 | 66,736 | 65,718 | 66,736 | 65,718 |
| Current assets | | | | | |
| Stock | | 514 | 568 | 303 | 318 |
| Debtors | 16 | 86,696 | 61,873 | 90,728 | 66,385 |
| Investments | 17 | 117,699 | 185,522 | 117,699 | 185,522 |
| Cash at bank and in hand | | 11,967 | 11,349 | 10,285 | 9,707 |
| | | 216,876 | 259,312 | 219,015 | 261,932 |
| Creditors: amounts falling due within one year | 18 | (150,991) | (149,616) | (148,898) | (147,718) |
| Net current assets | | 65,885 | 109,696 | 70,117 | 114,214 |
| Total assets less current liabilities | | 850,025 | 804,778 | 847,445 | 801,771 |
| Creditors: amounts falling due after more than one year | 19 | (39,273) | (44,321) | (38,719) | (43,360) |
| Provisions for liabilities | 21 | (3,874) | (5,074) | (3,875) | (4,974) |
| Share of associates' net liabilities | 13 | (443) | – | – | – |
| Total net assets excluding pension deficit | | 806,435 | 755,383 | 804,851 | 753,437 |
| Pension deficit | 31 | (24,273) | (5,748) | (24,273) | (5,748) |
| Total net assets including pension deficit | | 782,162 | 749,635 | 780,578 | 747,689 |

| | | Consolidated | | University | |
|--------------------------------|------|-----------------|-----------------|-----------------|-----------------|
| | Note | 2014/15 £000 | 2013/14 £000 | 2014/15 £000 | 2013/14 £000 |
| Deferred capital grants | 22 | 200,276 | 201,348 | 200,276 | 201,348 |
| Endowments | | | | | |
| Permanent | 23 | 64,516 | 63,890 | 64,516 | 63,890 |
| Expendable | 23 | 2,220 | 1,828 | 2,220 | 1,828 |
| | | 66,736 | 65,718 | 66,736 | 65,718 |
| Reserves | | | | | |
| Income and Expenditure Account | | 391,160 | 335,414 | 389,576 | 333,468 |
| Pension reserve | | (24,273) | (5,748) | (24,273) | (5,748) |
| Revaluation reserve | 25 | 123,619 | 128,284 | 123,619 | 128,284 |
| Heritage assets reserve | | 24,644 | 24,619 | 24,644 | 24,619 |
| | 24 | 515,150 | 482,569 | 513,566 | 480,623 |
| Total funds | | 782,162 | 749,635 | 780,578 | 747,689 |

The Annual Report and Accounts were approved by Council and authorised for issue on 26 November 2015 and signed on its behalf by:

Jane Madeley
Finance Director

Sir Alan Langlands
Vice-Chancellor

David Gray
Pro-Chancellor and Chair of Council

Consolidated Cash Flow Statement
for the year ended 31 July 2015

| | Note | 2014/15 £000 | 2013/14 £000 |
|---|------|-----------------|-----------------|
| Net cash inflow from operating activities | 26 | 35,816 | 51,798 |
| Returns on investments and servicing of finance | 27 | 1,677 | 1,317 |
| Tax paid | 9 | (72) | (72) |
| Capital expenditure and financial investment | 28 | (100,170) | (38,868) |
| Net cash (outflow)/inflow before use of liquid resources and short-term investments | | (62,749) | 14,175 |
| Management of liquid resources | | 67,823 | (9,793) |
| Financing | 29 | (4,456) | (4,401) |
| Increase/(decrease) in cash | 30 | 618 | (19) |

Reconciliation of net cash flow to movement in net funds

| | | | |
|---|----|----------|---------|
| Increase/(decrease) in cash in the period | | 618 | (19) |
| (Decrease)/increase in short term investments | | (67,823) | 9,793 |
| Net decrease in debt | 29 | 4,456 | 4,401 |
| Movement in net funds in the year | | (62,749) | 14,175 |
| Net funds at 1 August | | 155,061 | 140,886 |
| Net funds at 31 July | 30 | 92,312 | 155,061 |

Consolidated Statement of Total Recognised Gains and Losses
and Note of Historical Cost Surpluses for the year ended 31 July 2015

Statement of Total Recognised Gains and Losses

| | Note | 2014/15 £000 | 2013/14 £000 |
|--|------|-----------------|-----------------|
| Surplus for the financial year | | 56,478 | 43,923 |
| New endowments | 23 | 108 | 1,484 |
| Endowment withdrawals | 23 | (3,386) | – |
| Endowment income retained for the year | 23 | 717 | 385 |
| Appreciation of endowment asset investments | 23 | 3,579 | 1,512 |
| Unrealised surplus on revaluation of tangible fixed assets | 25 | – | 109,735 |
| Unrealised surplus on revaluation of fixed asset investments | 25 | 418 | 10,504 |
| Actuarial loss on pension assets | 31 | (24,315) | (8,926) |
| Total recognised gains relating to the year | | 33,599 | 158,617 |

Reconciliation

| | | | |
|-------------------------------------|--|---------|---------|
| Opening reserves and endowments | | 548,287 | 389,670 |
| Total recognised gains for the year | | 33,599 | 158,617 |
| Closing reserves and endowments | | 581,886 | 548,287 |

Note of Historical Cost Surpluses

| | | | |
|---|----|--------|--------|
| Surplus for the financial year | | 56,478 | 43,923 |
| Realisation of property revaluation gains | 25 | 4,733 | – |
| Historical cost surplus for the year | | 61,211 | 43,923 |

Statement of Principal Accounting Policies

1 Accounting Convention

The Accounts have been prepared under the historic cost convention as modified by the revaluation of endowment asset investments, listed fixed asset investments, heritage assets and certain other fixed assets and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (SORP) and applicable United Kingdom Accounting Standards. All accounting policies have been applied consistently with the prior year.

2 Going Concern

The consolidated Accounts are prepared on a going concern basis as per the Corporate Governance report.

3 Basis of Consolidation

The consolidated Accounts combine the Accounts of the University, its subsidiary undertakings with a 31 July year end, and one subsidiary undertaking, University of Leeds Farms Limited, with a 30 April year end. Further details of all the subsidiary undertakings are disclosed in the Notes to the Accounts.

Associated companies and joint ventures are accounted for on the net equity and gross equity methods respectively.

The consolidated Accounts do not include the income and expenditure of Leeds University Union as the University does not exert control or dominant influence over policy decisions. The expenditure included in the Income and Expenditure Account of the University relates to the University's contribution to Union activities.

4 Recognition of Income

The recurrent grant from the Higher Education Funding Council for England (HEFCE) represents the funding allocation attributable to the current year and is credited directly to the Income and Expenditure Account.

Tuition fees represent fees attributable to the current financial year and are recognised as services are provided.

Research grants, and other income which is designated by a donor for specific purposes, are included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits and endowments is credited to the Income and Expenditure Account on a receivable basis. Income from restricted endowments not expended in accordance with the terms of the endowment is transferred from the Income and Expenditure Account to restricted endowments.

Other income is recognised as goods/services are provided.

5 Pension Schemes

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and, for support staff, there is a choice between the University of Leeds Defined Contribution Plan (DC Plan) or the University of Leeds Pension and Assurance Scheme (PAS). Under auto enrolment regulations the DC Plan is the default scheme for support staff.

USS and PAS are defined-benefit schemes which are externally funded and contracted out of the State Second Pension Scheme. The funds are valued every three years by actuaries using the Projected Unit Method, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

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

For the other defined benefit scheme, PAS, the cost of providing benefits is determined using the Projected Unit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Income and Expenditure Account and presented in the Statement of Total Recognised Gains and Losses.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The pension deficit recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and the pension asset represents the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refund and reductions in future contributions to the scheme.

6 Foreign Currencies

Transactions denominated in 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 either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

7 Operating Leases

Costs in respect of operating leases are charged evenly over the lease term.

8 Finance Leases

Leasing agreements that transfer substantially all the risks and rewards of ownership of an asset to a third party are treated as if the asset had been disposed of. Any lease premiums receivable are spread over the life of the lease.

9 Intangible Assets

All development and licence costs for software over £25,000 are capitalised at cost and amortised over four years.

10 Land and Buildings

Residential Land and Buildings were revalued in 2013/14 and are stated at market value. All other land and buildings are stated at cost. Land is not depreciated as it is considered to have an indefinite useful life. Buildings under construction are not depreciated until they are completed. Buildings are depreciated in equal instalments over their expected useful lives as follows:

| | |
|-----------------------------------|----------|
| Academic buildings | 50 years |
| Residences | 30 years |
| Laboratories and lecture theatres | 30 years |
| Other building refurbishment | 10 years |

11 Equipment

In the accounts of the University, but not the subsidiary undertakings, individual items or groups of related items costing less than £25,000 are written off in the year of acquisition. All other equipment is capitalised.

In the accounts of the University, capitalised equipment is stated at cost and depreciated in equal instalments over its expected useful life, as follows:

| | |
|---|--------------|
| Computing equipment | 4 years |
| Equipment acquired for specific research projects | project life |
| Other equipment | 10 years |
| Motor vehicles | 4 years |

12 Deferred Capital Grants

Where tangible fixed assets are acquired with the aid of specific grants they are capitalised and depreciated over their expected useful lives. The related grants are treated as deferred capital grants and released to income in line with depreciation of the assets (the period of the grant in respect of specific research projects).

13 Heritage Assets

Works of art and other valuable artefacts valued at over £25,000 have been capitalised and recognised at their cost or value where reasonably obtainable.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

14 Investments

Endowment asset investments are included in the Balance Sheet at market value. Current asset investments are included at the lower of cost and net realisable value.

Investments in subsidiaries are shown at the lower of cost and net realisable value.

Listed fixed asset investments are stated at market value. Appreciation/depreciation is added to or subtracted from the revaluation reserve via the Statement of Total Recognised Gains and Losses.

15 Stock

Except for farming stock which is professionally valued, stock is stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes all direct costs incurred. Net realisable value is based on estimated selling price allowing for all further costs.

16 Cash Flows and Liquid Resources

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

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, sterling liquidity funds and other on-call deposit accounts. They exclude any such assets held as endowment asset investments.

17 Maintenance of Premises

The University has a rolling maintenance plan which is reviewed periodically. The cost of routine maintenance is charged to the Income and Expenditure Account as incurred.

18 Taxation Status

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) 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 Institution receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in the cost of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

1 Funding council grants

| | 2014/15 £000 | 2013/14 £000 |
|--|-----------------|-----------------|
| Recurrent grant | 80,653 | 93,849 |
| Specific grants | | |
| Higher Education Innovation Fund | 3,239 | 3,365 |
| Widening Participation | 2,370 | 4,293 |
| JISC funding | 431 | 650 |
| Postgraduate Support Scheme | 416 | – |
| Revolving Green Fund | 237 | – |
| Equipment and furniture | 9 | 78 |
| Teaching & Learning Capital | 50 | 2 |
| Matched funding scheme for voluntary giving | (9) | (152) |
| HEFCE Capital | – | 31 |
| Other (less than £0.5m each) | 145 | 81 |
| Released from deferred capital grants | | |
| Buildings | 7,908 | 7,532 |
| Equipment | 1,552 | 2,044 |
| | 97,001 | 111,773 |

The funding council is the Higher Education Funding Council for England (HEFCE).

2 Tuition fees and education contracts

| | | |
|----------------------------------|----------------|---------|
| Full-time home and EU students | 153,890 | 129,127 |
| Full-time international students | 76,034 | 68,837 |
| Part-time home and EU students | 4,324 | 4,112 |
| Part-time international students | 774 | 1,006 |
| Research training support grants | 12,028 | 10,946 |
| Short course fees | 9,238 | 9,490 |
| NHS teaching contract | 11,482 | 12,565 |
| | 267,770 | 236,083 |

3 Research grants and contracts

| | 2014/15 £000 | 2013/14 £000 |
|--|-----------------|-----------------|
| Research Councils | 42,901 | 37,531 |
| UK based charities | 18,553 | 20,904 |
| UK Government | 29,728 | 35,127 |
| UK industry | 8,510 | 9,634 |
| European Commission | 17,822 | 17,667 |
| Other grants and contracts | 9,167 | 6,735 |
| Released from deferred capital grants | | |
| Buildings | 88 | 88 |
| Equipment | 5,827 | 4,991 |
| | 132,596 | 132,677 |
| Research and Development Expenditure Credit (RDEC) | 19,544 | – |
| | 152,140 | 132,677 |

The RDEC exceptional income has arisen due to changes in legislation which made Universities eligible to claim Research and Development Expenditure Credit for qualifying research expenditure incurred in the final 4 months of 2012/13, the full year of 2013/14 and the full year of 2014/15. In the Summer Finance Bill, Universities and other charitable organisations were made ineligible to claim RDEC for periods from 1 August 2015. The income recognised relates to the actual claim for the 4 months ended 31 July 2013, and the estimated claims for the University of Leeds between 1 August 2013 and 31 July 2015. No income was recognised in previous years due to uncertainty which existed at that time in respect of the eligibility of the University to RDEC claims.

4 Other operating income

| | | |
|---------------------------------------|----------------|--------|
| Residences, catering and conferences | 52,769 | 49,415 |
| Health authorities | 13,163 | 12,661 |
| Donations | 4,295 | 2,549 |
| Subscriptions | 2,923 | 2,797 |
| Grants | 11,771 | 10,736 |
| Other income | 27,049 | 18,376 |
| Released from deferred capital grants | | |
| Buildings | 1,069 | 980 |
| Equipment | 148 | 141 |
| | 113,187 | 97,655 |

5 Endowment income and interest receivable

| | | |
|---|--------------|-------|
| Income from expendable endowments | 34 | 211 |
| Income from permanent endowments | 2,017 | 2,219 |
| Income from short-term investments | 758 | 935 |
| Other investment income | 42 | 45 |
| Other net finance income from pension scheme assets and liabilities | 6,674 | 5,869 |
| Released from deferred capital grants | | |
| Buildings | 7 | 7 |
| Equipment | 19 | 19 |
| | 9,551 | 9,305 |

6 Staff

| | 2014/15 Number | 2013/14 Number |
|---|-------------------|-------------------|
| Average staff numbers (full-time equivalents) by major category | | |
| Academic/Teaching | 1,917 | 1,862 |
| Research | 1,030 | 989 |
| Management/Professional | 1,219 | 1,219 |
| Support | 2,577 | 2,511 |
| | 6,743 | 6,581 |
| | £000 | £000 |
| Staff costs | | |
| Wages and salaries | 265,461 | 254,379 |
| Social security costs | 20,997 | 20,203 |
| Pension costs (including FRS 17) | 38,812 | 39,129 |
| Severance payments | 2,376 | 1,868 |
| Restructuring | (647) | 1,082 |
| | 326,999 | 316,661 |
| Costs included within provisions (see Note 21) to the extent they have not been settled at 31 July: | | |
| Restructuring – exceptional staff costs | 1,033 | 2,524 |
| Early retirement schemes | 575 | 903 |
| Other staff provisions | – | 26 |

Senior post-holders' emoluments

Emoluments of the Vice-Chancellor (Sir Alan Langlands) from October 2013

| | | |
|--|-----|-----|
| Salary | 278 | 232 |
| Benefits in kind as assessed for HMRC purposes | – | – |
| | 278 | 232 |
| Employer contributions to defined benefit scheme | 7 | 6 |
| Total | 285 | 238 |

Emoluments of the Vice-Chancellor (Professor Michael Arthur) to August 2013

| | | |
|--|---|----|
| Salary | – | 27 |
| Benefits in kind as assessed for HMRC purposes | – | – |
| | – | 27 |
| Employer contributions to defined benefit scheme | – | – |
| Total | – | 27 |

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff and represent in year earnings.

Sir Alan Langlands joined the University in October 2013 and therefore emoluments in 2013/14 represent 10 months' salary.

Professor Michael Arthur (Vice-Chancellor 2004-2013) left the University in August 2013 and emoluments in 2013/14 represent 1 month's salary.

6 Staff (continued)

| | 2014/15 Number | 2013/14 Number |
|---|-------------------|-------------------|
| Remuneration of other higher paid staff, excluding employer's pension contributions | | |
| £100,000 – £109,999 | 29 | 30 |
| £110,000 – £119,999 | 18 | 15 |
| £120,000 – £129,999 | 16 | 15 |
| £130,000 – £139,999 | 10 | 11 |
| £140,000 – £149,999 | 7 | 10 |
| £150,000 – £159,999 | 8 | 9 |
| £160,000 – £169,999 | 12 | 10 |
| £170,000 – £179,999 | 6 | 5 |
| £180,000 – £189,999 | 5 | 4 |
| £190,000 – £199,999 | 4 | 4 |
| £200,000 – £209,999 | 4 | 6 |
| £210,000 – £219,999 | 2 | 3 |
| £220,000 – £229,999 | 3 | 2 |
| £230,000 – £239,999 | 3 | 1 |
| £240,000 – £249,999 | 1 | 1 |
| £260,000 – £269,999 | 1 | – |
| £380,000 – £389,999 ⁽¹⁾ | – | 1 |
| | 129 | 127 |

Higher paid staff included 73 (2013/14: 72) clinical staff and 56 (2013/14: 55) non-clinical staff.

The majority of clinical academic staff also work within the local NHS Trusts and their salaries are recharged proportionally to the time spent on clinical duties. The above figures reflect their gross remuneration before any recharge.

Compensation for loss of office paid (or payable) to employees earning in excess of £100,000 per annum is a maximum potential liability of £92,745 (2014: £215,000).

⁽¹⁾ This level of salary has been driven by the employee's share of intellectual property commercialisation proceeds in line with University policy. A one-off payment of £105,000 in 2013/14 relates to commercial activity from 2007 to 2014.

7 Analysis of expenditure

| | Staff costs | Other operating expenses | Depreciation | Interest payable | 2014/15 Total | 2013/14 Total |
|---------------------------------------|-------------|--------------------------|--------------|------------------|---------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Academic departments | 185,290 | 43,244 | 4,572 | – | 233,106 | 208,784 |
| Research grants and contracts | 68,835 | 60,695 | 4,756 | – | 134,286 | 134,334 |
| Total teaching and research | 254,125 | 103,939 | 9,328 | – | 367,392 | 343,118 |
| Administration and Corporate Services | 49,956 | 28,284 | 1,520 | – | 79,760 | 84,211 |
| Premises | 11,673 | 40,068 | 17,622 | – | 69,363 | 64,021 |
| Residences, catering and conferences | 10,658 | 36,564 | 11,319 | 1,526 | 60,067 | 49,764 |
| Other expenses | 2,379 | 186 | 41 | – | 2,606 | 6,361 |
| Exceptional items | – | – | – | – | – | 1,082 |
| FRS 17 adjustment | (1,792) | – | – | – | (1,792) | 308 |
| Total | 326,999 | 209,041 | 39,830 | 1,526 | 577,396 | 548,865 |

Other operating expenses

| | | |
|---|---------|---------|
| Equipment purchases and maintenance | 23,394 | 15,867 |
| Estate repairs and maintenance | 6,799 | 11,261 |
| Consumables and laboratory expenditure | 23,671 | 22,353 |
| Printed materials, books and periodicals | 8,635 | 8,494 |
| Printing, stationery and office expenses | 4,863 | 5,336 |
| Travel and subsistence | 11,299 | 11,865 |
| Fellowships, scholarships and prizes | 48,600 | 43,642 |
| Heat, light, water and power | 11,538 | 16,533 |
| Rent, rates and insurance | 16,047 | 18,041 |
| Grants to student union | 2,500 | 2,047 |
| Fees and expenses | 44,682 | 38,771 |
| Recruitment, training and welfare | 4,037 | 4,017 |
| Auditor's remuneration in respect of audit services | 102 | 106 |
| Auditor's remuneration in respect of tax services | 217 | 26 |
| Auditor's remuneration in respect of other services | 27 | 62 |
| Other expenses | 2,630 | 1,975 |
| | 209,041 | 200,396 |
| Equipment purchases and maintenance includes payment under operating leases in respect of equipment | 471 | 402 |
| Rent, rates and insurance includes payment under operating leases in respect of buildings | 12,948 | 14,872 |
| Fees and expenses include contracted internal audit fees | 160 | 134 |

Trustees

During the year, no trustee received or waived any remuneration for serving as a trustee.

The total expenses paid to six trustees were £5k (2013/14: £4k to three trustees). This represents travel and subsistence expenses incurred in attending Council meetings, conferences and events in their official capacity as Council members.

8 Interest payable and similar charges

| | 2014/15 £000 | 2013/14 £000 |
|--------------------------------|--------------|--------------|
| Interest payable on bank loans | 1,526 | 1,757 |

9 Taxation

| | | |
|---|-------|----|
| Current Tax | | |
| UK Corporation tax on profit for the year | 101 | 68 |
| Adjustment in respect of previous years | (31) | 2 |
| | 70 | 70 |
| Deferred Tax | | |
| Origination and reversal of timing differences | (178) | 19 |
| | (108) | 89 |
| UK Corporation tax on Research and Development Expenditure Credit (RDEC) for the year | 1,915 | – |
| Adjustment in respect of previous years | 2,499 | – |
| Total Exceptional Research and Development Expenditure Credit (RDEC) tax charge | 4,414 | – |
| Total tax charge in the year | 4,306 | 89 |
| Tax paid in the year | 72 | 72 |

10 Intangible assets

| | Consolidated and University £000 |
|--------------------------------|----------------------------------|
| Cost | |
| At 1 August 2014 | – |
| Additions | 1,518 |
| At 31 July 2015 | 1,518 |
| Amortisation | |
| At 1 August 2014 | – |
| Charge for the year | – |
| At 31 July 2015 | – |
| Net book value at 31 July 2015 | 1,518 |
| Net book value at 31 July 2014 | – |

11 Tangible assets

| | Consolidated | | | Total £000 |
|---------------------------------------|--|-------------------|----------------------------|----------------|
| | Freehold Land and Buildings £000 | Equipment £000 | Heritage Assets £000 | |
| Cost or valuation | | | | |
| At 1 August 2014 | 694,481 | 112,798 | 25,672 | 832,951 |
| Additions | 111,587 | 17,252 | 456 | 129,295 |
| Disposals | (350) | (6,393) | – | (6,743) |
| At 31 July 2015 | 805,718 | 123,657 | 26,128 | 955,503 |
| Depreciation | | | | |
| At 1 August 2014 | 149,531 | 76,783 | – | 226,314 |
| Charge for the year | 28,568 | 11,262 | – | 39,830 |
| Eliminated on disposals | – | (5,992) | – | (5,992) |
| At 31 July 2015 | 178,099 | 82,053 | – | 260,152 |
| Net book value at 31 July 2015 | 627,619 | 41,604 | 26,128 | 695,351 |
| Net book value at 31 July 2014 | 544,950 | 36,015 | 25,672 | 606,637 |

| | University | | | Total £000 |
|---------------------------------------|--|-------------------|----------------------------|----------------|
| | Freehold Land and Buildings £000 | Equipment £000 | Heritage Assets £000 | |
| Cost or valuation | | | | |
| At 1 August 2014 | 680,812 | 108,335 | 25,672 | 814,819 |
| Additions | 111,572 | 16,905 | 456 | 128,933 |
| Disposals | (350) | (6,376) | – | (6,726) |
| At 31 July 2015 | 792,034 | 118,864 | 26,128 | 937,026 |
| Depreciation | | | | |
| At 1 August 2014 | 145,891 | 73,779 | – | 219,670 |
| Charge for the year | 28,288 | 10,901 | – | 39,189 |
| Eliminated on disposals | – | (5,974) | – | (5,974) |
| At 31 July 2015 | 174,179 | 78,706 | – | 252,885 |
| Net book value at 31 July 2015 | 617,855 | 40,158 | 26,128 | 684,141 |
| Net book value at 31 July 2014 | 534,921 | 34,556 | 25,672 | 595,149 |

At 31 July 2015, freehold land and buildings at cost included £29.5m (2014: £51.3m) and equipment at cost included £6.2m (2014: £4.9m), in respect of assets under construction.

Included in freehold land and buildings is land valued at £42.6m which is not depreciated (2014: £43.4m).

Freehold residential land and buildings were professionally valued by Hague Nicholls, Chartered Surveyors on the basis of market value on 31 July 2014. Prior to the revaluation they were held at a combined book value of £66.6m and subsequently as land £35.8m and buildings £140.5m. The revaluation was conducted as the majority of the University’s residential estate was significantly undervalued.

HERITAGE ASSETS

The University has been fortunate to receive donations of a variety of cultural items and collections for over 100 years. Many items have also been purchased to augment existing collections and/or add to the variety of items within a special area of interest. Most of these purchases have been funded by benefaction.

Heritage Assets are held at market value established by specialist University personnel. Heritage Assets include many unique items (and collections), such as hand-written manuscripts and original art works, the current value of which can only be estimated, as they cannot be matched to identical items available on the market. Many other items are extremely rare, though not unique, and identical items may not appear on the market for decades.

Heritage Assets are classified into three main categories: Special collections, Art collections and University of Leeds International Textile Archive (ULITA).

Special collections
The Special collections contain individual items and constituent collections consisting primarily of books and manuscripts. Constituent collections are characterised as such when their contents are acquired together from a single source or when they are generally used in association with each other, for example, the ‘archive’ of an organisation or person.

Art collections
The Art collections consist of individual paintings and drawings, collections of drawings, and sculptures.

ULITA
This category consists of tapestries, pattern books, stencils and fibre collections.

Preservation and management
The custodianship of these items has been given to specific areas and persons for their care and maintenance.

All the collections are valued for insurance purposes at £30m. In addition, collections are held for other organisations for custodial purposes, notably Ripon Cathedral’s heraldry collection, and these are insured separately.

| | Special collections £000 | Art collections £000 | ULITA £000 | 2014/15 Total £000 | 2013/14 Total £000 |
|------------------------|--------------------------------|----------------------------|-----------------|-----------------------------------|--------------------------|
| At 1 August | 19,625 | 5,522 | 525 | 25,672 | 25,607 |
| Additions | 298 | 158 | – | 456 | 65 |
| At 31 July | 19,923 | 5,680 | 525 | 26,128 | 25,672 |
| | 2014/15 £000 | 2013/14 £000 | 2012/13 £000 | 2011/12 £000 | 2010/11 £000 |
| Purchases | | | | | |
| Special collections | 298 | 65 | 115 | 121 | 176 |
| Art collections | 133 | – | – | – | – |
| Donations | | | | | |
| Art collections | 25 | – | – | – | – |
| Total Additions | 456 | 65 | 115 | 121 | 176 |

| | 2014/15 Total £000 | 2013/14 Total £000 |
|-----------------------------|-----------------------------------|--------------------------|
| Residential properties | – | 3,072 |
| Other tangible fixed assets | (166) | 1 |
| Fixed asset investments | 68 | 366 |
| Associates | – | 2,178 |
| | (98) | 5,617 |

12 Fixed asset investments

| | Consolidated | University |
|---|---------------|---------------|
| | £000 | £000 |
| Investments in subsidiary undertakings | | |
| Cost at 1 August 2014 and 31 July 2015 | – | 4,644 |
| Other fixed asset investments | | |
| Cost or valuation at 1 August 2014 | 22,046 | 22,046 |
| Additions | 151 | 226 |
| Disposals | (2,475) | (2,475) |
| SORP adjustment | 74 | 74 |
| Revaluation of listed investments | 418 | 418 |
| Cost or valuation at 31 July 2015 | 20,214 | 20,289 |
| Total investments | | |
| At 31 July 2015 | 20,214 | 24,933 |
| At 1 August 2014 | 22,046 | 26,690 |

Details of the trading companies, all registered in England, in which the University held directly or indirectly more than 50% of the nominal value of any class of share capital are as follows:

| Name of company | Percentage holding | Nature of business |
|--|--------------------|--|
| Subsidiary Undertakings | | |
| Leeds Innovation Centre Ltd | 100% | Business accommodation and facilities management |
| University of Leeds Farms Ltd | 100% | Farming |
| University of Leeds IP Ltd | 100% | Intellectual property management |
| Weetwood Hall Ltd | 100% | Hotel and conference centre |
| Leeds Ventures Ltd | 100% | Advisory services for the University’s customers in China and Malaysia |
| Bright Beginnings Childcare Centre Leeds | 100% | Childcare facilities and services |

13 Investments in associates

Details of the other trading companies, all registered in England, in which the University holds directly or indirectly 20% or more of the nominal value of any class of share capital are as follows:

| Name of company | Percentage holding | Nature of business |
|----------------------------------|--------------------|---|
| Associated Undertakings | | |
| Keracol Ltd | 50% | Functional, natural, sustainable cosmetics |
| Instrumentel Ltd | 37% | Technology for remote telemetry in hostile environments |
| Workscreen Ltd | 36% | Sickness absence support and advisory service |
| Relitect Ltd | 34% | Multiplexed electrochemical biosensors |
| Free Running Buildings Ltd | 30% | Passive ventilation cooling systems |
| Ultramatis Ltd | 30% | Ultrafast lasers to functionalise glass |
| Quantum Imaging Ltd | 25% | Medical magnetometry |
| Glass Manufacturing Services Ltd | 24% | Specialist glass supplier for commercial and industrial use |
| C-Capture Ltd | 23% | CO2 green technology for coal-powered stations |
| Glucosense Diagnostics Ltd | 23% | Non-invasive glucose sensors |
| Resuspod Ltd | 21% | Solutions to medical emergency management in dental practice |
| Escubed Ltd | 20% | Particle characterisation services to pharmaceutical industries |

| | Consolidated | |
|--------------------------------|-----------------|-----------------|
| | 2014/15 £000 | 2013/14 £000 |
| Movement in year | | |
| Balance at 1 August | 112 | 612 |
| Sale of shareholding | – | (630) |
| New associates | (269) | 109 |
| Dilution of shareholding | (16) | (31) |
| Share of (loss)/profit in year | (270) | 52 |
| Balance at 31 July | (443) | 112 |

14 Investments in joint ventures

The University holds shares of joint venture companies as follows:

| Name of company | Percentage holding | Nature of business |
|--------------------------------|--------------------|--|
| Joint Ventures | | |
| Myscience.co Ltd | 25% | Continuous professional development for science teachers and technicians |
| Leeds Boathouse Ltd | 25% | Rowing club partnership |
| N8 Ltd | 13% | Enabling northern businesses to access world-class knowledge to gain a significant competitive advantage |
| Worldwide Universities Network | 5% | Collaboration of Universities to achieve international objectives in research and graduate education |

| | Consolidated | |
|---|-----------------|-----------------|
| | 2014/15 £000 | 2013/14 £000 |
| Joint ventures' financial summary – University share | | |
| Income and Expenditure Account | | |
| Income | 2,975 | 3,704 |
| Surplus/(deficit) before tax | 14 | (53) |
| Balance Sheet | | |
| Fixed assets | 600 | 592 |
| Current assets | 744 | 1,116 |
| | 1,344 | 1,708 |
| Creditors: amounts falling due within one year | (674) | (728) |
| Creditors: amounts falling due after more than one year | (349) | (411) |
| | (1,023) | (1,139) |
| Share of net assets | 321 | 569 |

15 Endowment asset investments

| | Consolidated and University | |
|--------------------------------------|-----------------------------|-----------------|
| | 2014/15 £000 | 2013/14 £000 |
| At 1 August | 65,718 | 62,337 |
| Additions | 10,306 | 8,004 |
| Disposals | (12,759) | (8,101) |
| Appreciation on revaluation | 3,579 | 1,512 |
| (Decrease)/increase in cash balances | (108) | 1,966 |
| At 31 July | 66,736 | 65,718 |
| Represented by: | | |
| Fixed interest stocks | 14,169 | 14,413 |
| Equities | 44,667 | 43,509 |
| Property | 2,574 | 2,362 |
| Cash balances | 5,326 | 5,434 |
| | 66,736 | 65,718 |

Subsequent to the Balance Sheet date, stock market performance has declined. The market value of the endowments portfolio had reduced by £1.4m at 31 October 2015.

16 Debtors

| | Consolidated | | University | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2014/15 £000 | 2013/14 £000 | 2014/15 £000 | 2013/14 £000 |
| Amounts falling due within one year | | | | |
| Sponsored research in progress | 25,464 | 14,121 | 25,464 | 14,121 |
| Trade debtors | 26,887 | 28,922 | 25,825 | 28,357 |
| Amounts owing from subsidiary undertakings | – | – | 2,011 | 1,814 |
| Prepayments and accrued income | 34,241 | 15,758 | 34,142 | 15,523 |
| Deferred tax asset | 104 | – | – | – |
| Amounts falling due after more than one year | | | | |
| Amounts owing from subsidiary undertakings | – | – | 3,286 | 3,498 |
| Prepayments and accrued income | – | 3,072 | – | 3,072 |
| | 86,696 | 61,873 | 90,728 | 66,385 |

17 Investments

| | Consolidated and University | |
|---------------------|-----------------------------|-----------------|
| | 2014/15 £000 | 2013/14 £000 |
| Short-term deposits | 117,699 | 185,522 |

At 31 July 2015 the weighted average interest rate of these fixed rate deposits was 0.5% per annum and the remaining weighted average period for which the interest rate was fixed on these deposits was 43 days. The fair value of these deposits was not materially different to the book value.

18 Creditors: amounts falling due within one year

| | Consolidated | | University | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2014/15 £000 | 2013/14 £000 | 2014/15 £000 | 2013/14 £000 |
| Bank loans | 4,516 | 4,456 | 4,108 | 4,048 |
| Research grants received on account | 54,859 | 54,140 | 54,859 | 54,140 |
| Trade creditors | 25,725 | 31,473 | 25,204 | 31,013 |
| Social security and other taxation payable | 6,835 | 7,097 | 6,712 | 6,827 |
| Corporation tax | 4,557 | – | 4,626 | – |
| Accruals and deferred income | 54,499 | 52,450 | 53,344 | 51,600 |
| Amounts owing to subsidiary companies | – | – | 45 | 90 |
| | 150,991 | 149,616 | 148,898 | 147,718 |

19 Creditors: amounts falling due after more than one year

| | | | | |
|-----------------|--------|--------|--------|--------|
| Bank loans | 32,838 | 37,354 | 32,284 | 36,393 |
| Deferred income | 6,435 | 6,967 | 6,435 | 6,967 |
| | 39,273 | 44,321 | 38,719 | 43,360 |

20 Borrowings

| | Consolidated | | University | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2014/15 £000 | 2013/14 £000 | 2014/15 £000 | 2013/14 £000 |
| Bank loans are repayable as follows | | | | |
| In one year or less | 4,516 | 4,456 | 4,108 | 4,048 |
| Between one and two years | 4,582 | 4,516 | 4,173 | 4,108 |
| Between two and five years | 13,141 | 13,303 | 12,996 | 12,750 |
| In five years or more | 15,115 | 19,535 | 15,115 | 19,535 |
| | 37,354 | 41,810 | 36,392 | 40,441 |

Bank loans at commercial rates are repayable by instalments falling due between 1 August 2015 and 10 February 2030 and are secured either on a portion of the freehold land and buildings of the Group or by a negative pledge over the University's assets.

21 Provisions for liabilities

| | | | | |
|--|---------|---------|---------|---------|
| Total provisions for liabilities | | | | |
| At 1 August | 5,074 | 3,428 | 4,974 | 3,353 |
| Transferred from income and expenditure | 2,975 | 3,418 | 2,976 | 3,393 |
| Utilised in the year | (4,175) | (1,772) | (4,075) | (1,772) |
| At 31 July | 3,874 | 5,074 | 3,875 | 4,974 |
| Restructuring – exceptional staff costs | | | | |
| At 1 August | 2,524 | 1,773 | 2,524 | 1,773 |
| Transferred (to)/from income and expenditure | (647) | 1,082 | (647) | 1,082 |
| Utilised in the year | (844) | (331) | (844) | (331) |
| At 31 July | 1,033 | 2,524 | 1,033 | 2,524 |
| Early retirement of employees (Premature Retirement Terms) | | | | |
| At 1 August | 419 | 363 | 419 | 363 |
| Transferred from income and expenditure | 393 | 440 | 393 | 440 |
| Utilised in the year | (696) | (384) | (696) | (384) |
| At 31 July | 116 | 419 | 116 | 419 |
| Early retirement of employees (Mobility Incentive Scheme) | | | | |
| At 1 August | 484 | 397 | 484 | 397 |
| Transferred from income and expenditure | 1,488 | 1,144 | 1,488 | 1,144 |
| Utilised in the year | (1,513) | (1,057) | (1,513) | (1,057) |
| At 31 July | 459 | 484 | 459 | 484 |
| Other (including deferred taxation) | | | | |
| At 1 August | 1,647 | 895 | 1,547 | 820 |
| Transferred from income and expenditure | 1,741 | 752 | 1,742 | 727 |
| Utilised in the year | (1,122) | – | (1,022) | – |
| At 31 July | 2,266 | 1,647 | 2,267 | 1,547 |

The above provisions, subject to an annual review, are expected to be utilised within the next three years.

22 Deferred capital grants

| | Consolidated and University | | |
|--|-----------------------------|-------------------------|--------------------------|
| | Funding Council £000 | Other grants £000 | 2014/15 Total £000 |
| At 1 August 2014 | | | |
| Buildings | 144,387 | 41,940 | 186,327 |
| Equipment | 5,179 | 9,842 | 15,021 |
| | 149,566 | 51,782 | 201,348 |
| Grants received | | | |
| Buildings | 6,397 | 1,600 | 7,997 |
| Equipment | (57) | 7,606 | 7,549 |
| | 6,340 | 9,206 | 15,546 |
| Released to Income and Expenditure Account | | | |
| Buildings | (7,908) | (1,164) | (9,072) |
| Equipment | (1,552) | (5,994) | (7,546) |
| | (9,460) | (7,158) | (16,618) |
| At 31 July 2015 | | | |
| Buildings | 142,876 | 42,376 | 185,252 |
| Equipment | 3,570 | 11,454 | 15,024 |
| | 146,446 | 53,830 | 200,276 |

23 Endowments

| | Consolidated and University | | | | |
|--|-----------------------------------|---------------------------------|----------------------------|----------------------------------|--------------------------|
| | Unrestricted Permanent £000 | Restricted Permanent £000 | Total Permanent £000 | Restricted Expendable £000 | 2014/15 Total £000 |
| At 1 August | | | | | |
| Capital | 19,510 | 40,979 | 60,489 | 1,792 | 62,281 |
| Accumulated income | – | 3,401 | 3,401 | 36 | 3,437 |
| | 19,510 | 44,380 | 63,890 | 1,828 | 65,718 |
| New endowments | – | 53 | 53 | 55 | 108 |
| Withdrawals | – | (3,386) | (3,386) | – | (3,386) |
| Investment income | 736 | 1,510 | 2,246 | 29 | 2,275 |
| Expenditure | (696) | (827) | (1,523) | (35) | (1,558) |
| | 40 | 683 | 723 | (6) | 717 |
| Appreciation of endowment asset investments | 1,143 | 2,093 | 3,236 | 343 | 3,579 |
| At 31 July | 20,693 | 43,823 | 64,516 | 2,220 | 66,736 |
| Represented by: | | | | | |
| Capital | 20,693 | 39,940 | 60,633 | 2,173 | 62,806 |
| Accumulated income | – | 3,883 | 3,883 | 47 | 3,930 |
| | 20,693 | 43,823 | 64,516 | 2,220 | 66,736 |

24 Reserves

| | Consolidated | | University | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2014/15 £000 | 2013/14 £000 | 2014/15 £000 | 2013/14 £000 |
| At 1 August | 482,569 | 327,333 | 480,623 | 325,301 |
| Surplus for the year | 56,478 | 43,923 | 56,840 | 44,009 |
| Actuarial loss on pension scheme assets | (24,315) | (8,926) | (24,315) | (8,926) |
| Revaluation of fixed asset investments | 418 | 10,504 | 418 | 10,504 |
| Revaluation of tangible fixed assets | – | 109,735 | – | 109,735 |
| At 31 July | 515,150 | 482,569 | 513,566 | 480,623 |

25 Revaluation reserve

| | Consolidated and University | |
|--|-----------------------------|-----------------|
| | 2014/15 £000 | 2013/14 £000 |
| At 1 August | 128,284 | 9,264 |
| Revaluation in year on fixed asset investments | 418 | 10,504 |
| Revaluation in year on tangible fixed assets | – | 109,735 |
| Realised revaluation surplus | (4,733) | – |
| Disposals in year | (350) | (1,219) |
| At 31 July | 123,619 | 128,284 |

26 Reconciliation of consolidated operating surplus to net cash inflow from operating activities

| | Consolidated | |
|---|-----------------|-----------------|
| | 2014/15 £000 | 2013/14 £000 |
| Surplus on continuing operations after depreciation | 61,277 | 44,569 |
| Share of associates' and joint ventures' operating losses/(profits) | 803 | (324) |
| Depreciation | 39,830 | 30,051 |
| Loss/(profit) on disposal of fixed assets | 98 | (5,617) |
| Deferred capital grants released to income | (16,618) | (15,802) |
| Endowment income and interest receivable | (9,551) | (9,305) |
| Interest payable and similar charges | 1,526 | 1,757 |
| FRS 17 adjustment | 884 | 2,135 |
| Decrease/(increase) in stock | 54 | (73) |
| (Increase)/decrease in debtors | (37,641) | 6,136 |
| Decrease in creditors | (3,720) | (3,356) |
| (Decrease)/increase in provisions | (1,126) | 1,627 |
| Net cash inflow from operating activities | 35,816 | 51,798 |

27 Returns on investments and servicing of finance

| | Consolidated | |
|--|-----------------|-----------------|
| | 2014/15 £000 | 2013/14 £000 |
| Income from endowments | 2,275 | 2,258 |
| Income from short-term investments | 978 | 844 |
| Interest and similar charges paid | (1,576) | (1,785) |
| Net cash inflow from returns on investments and servicing of finance | 1,677 | 1,317 |

28 Capital expenditure and financial investment

| | | |
|--|-----------|----------|
| Payments to acquire fixed assets | (130,964) | (62,026) |
| Payments to acquire endowment securities | (10,306) | (8,004) |
| Decrease/(increase) in endowment cash balances | 108 | (1,966) |
| Receipts from sales of fixed assets | 11,363 | 7,844 |
| Receipts from sales of endowment securities | 12,759 | 8,101 |
| Deferred capital grants received | 20,148 | 15,699 |
| Withdrawal of endowments | (3,386) | – |
| New endowments received | 108 | 1,484 |
| Net cash outflow from capital expenditure and financial investment | (100,170) | (38,868) |

29 Analysis of changes in consolidated financing during the year

| | | | |
|---------------------|---------|---------|--|
| Mortgages and Loans | | | |
| At 1 August | 41,810 | 46,211 | |
| Capital repayments | (4,456) | (4,401) | |
| At 31 July | 37,354 | 41,810 | |

30 Analysis of changes in net funds

| | At 1 August 2014 £000 | Cash Flows £000 | Other Changes £000 | At 31 July 2015 £000 |
|---------------------------|-----------------------------|--------------------|--------------------------|----------------------------|
| Cash at bank and in hand | 11,349 | 618 | – | 11,967 |
| Debt due within one year | (4,456) | 4,456 | (4,516) | (4,516) |
| Debt due after one year | (37,354) | – | 4,516 | (32,838) |
| Current asset investments | 185,522 | (67,823) | – | 117,699 |
| | 155,061 | (62,749) | – | 92,312 |

31 Pension schemes

The principal pension schemes for the University’s staff are the Universities Superannuation Scheme (USS) and, for Support Staff, there is a choice between The University of Leeds Defined Contribution Plan (DC Plan) or the University of Leeds Pension and Assurance Scheme (PAS). The assets of the schemes are held in separate trustee-administered funds. USS and PAS are defined-benefit schemes which are externally funded and are valued every three years by actuaries, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

The DC Plan, which was introduced from 1 March 2013, is the main auto-enrolment vehicle for University support staff. The investment of scheme contributions for the DC Plan is managed by The People’s Pension.

The University also contributes to the Teachers’ Pension Scheme (TPS) which has 15 members, and the National Health Service (NHS) Pension Scheme which has 170 members, both multi-employer schemes.

| Total pension cost for the University and its subsidiary undertakings | | |
|---|-----------------|-----------------|
| | 2014/15 £000 | 2013/14 £000 |
| USS | 27,739 | 26,966 |
| PAS | 5,465 | 4,591 |
| DC Plan | 462 | 416 |
| Other pension schemes | 1,592 | 1,609 |
| Total pension cost | 35,258 | 33,582 |

Universities Superannuation Scheme (USS)

USS is a defined benefit scheme for Academic, Academic-Related and Professional Staff of all pre-1992 UK Universities and some other employers. It is a multi-employer scheme for which it is not possible to identify assets and liabilities to institutional members due to the mutual nature of the scheme, and therefore has been accounted for as a defined contribution scheme.

Triennial valuations are carried out by professionally qualified independent actuaries. The last valuation took place as at 31 March 2014 and identified a significant deficit. Following consultation with members the trustees agreed a revised benefit structure, which will be implemented with effect from 1 April 2016. The final salary section of the scheme will close with effect from 31 March 2016 and all final salary section members will join the Career Revalued Benefits Section (CRB) from 1 April 2016. From this date the accrual rate in the CRB section will be 1/75 for pensions and 3/75 for lump sums. There will be a salary cap of £55,000 applied with effect from 1 October 2016. Any contributions paid on salaries above this cap will be invested in a new defined contributions (DC) section of the scheme.

All scheme members will have the opportunity of contributing additional amounts to the DC section, with the first 1% of the employee DC contribution being matched by a 1% employer contribution.

Taking into account the revised benefit basis, the results of the valuation identified a funding level of 89% and a deficit of £5.3bn.

| USS contributions | Final salary | | CRB | |
|-------------------|--------------|----------|----------|----------|
| | Employee | Employer | Employee | Employer |
| Pre 1 April 2016 | 7.50% | 16.00% | 6.50% | 16.00% |
| Post 1 April 2016 | Closed | Closed | 8.00% | 18.00% |

University of Leeds Pension and Assurance Scheme (PAS)

PAS is a defined benefit scheme for support and technical staff within the University. Triennial valuations are carried out by professionally qualified independent actuaries. The last valuation took place as at 31 March 2014.

The results of the PAS Valuation showed a funding level of 111% and a surplus of £35.1m.

| PAS contributions | Final salary | | CRB | |
|-------------------|--------------|----------|----------|----------|
| | Employee | Employer | Employee | Employer |
| Pre 1 April 2016 | 7.50% | 18.15% | 6.50% | 18.15% |
| Post 1 April 2016 | 7.50% | 16.00% | 6.50% | 16.00% |

A contribution rate of 0.5% applies to provide death in service cover within PAS for members of the DC Plan. The University will continue to pay the PPF levy, the cost of benefit augmentations and the cost of any ill health early retirements.

PAS final salary members who are promoted to a USS eligible grade are now permitted, under USS rules, and with the agreement of the University, to remain in PAS. Members are made aware of this choice. The pension expense charged to the Income and Expenditure Account makes no allowance for actuarial gains and losses during the year. Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses (STRGL) in the year that they occur.

University of Leeds Defined Contribution Pension Plan (DC Plan)

To comply with Pensions Automatic Enrolment legislation, from 1 March 2013 the University introduced a new defined contribution plan, the University of Leeds Defined Contribution Plan (DC Plan). This is the default scheme for all new eligible support staff employees, although they can still opt to join the CARE section of PAS within a limited period of joining the University.

The DC Plan had 525 contributing members at 31 July 2015. The default contribution rate is 3% member and 6% employer. Some members pay a higher contribution rate and this is matched by the University, up to a maximum 10% employer contribution.

31 Pension schemes (continued)

| | 2014/15 £000 | 2013/14 £000 |
|--|-----------------|-----------------|
| Change in benefit obligation | | |
| Benefit obligation at 1 August | 360,469 | 327,082 |
| Current service cost | 12,139 | 13,487 |
| Interest cost | 15,006 | 14,819 |
| Plan participants' contributions | 293 | 1,693 |
| Actuarial losses | 28,599 | 12,683 |
| Benefits paid | (10,162) | (9,295) |
| Benefit obligation at 31 July | 406,344 | 360,469 |
| Analysis of defined benefit obligation | | |
| Plans that are wholly or partly funded | 406,344 | 360,469 |
| Change in plan assets | | |
| Fair value of plan assets at 1 August | 354,721 | 326,526 |
| Expected return on plan assets | 21,680 | 20,688 |
| Actuarial gains | 4,284 | 3,757 |
| Employer contribution | 11,255 | 11,352 |
| Plan participants' contributions | 293 | 1,693 |
| Benefits paid | (10,162) | (9,295) |
| Fair value of plan assets at 31 July | 382,071 | 354,721 |
| Funded status | | |
| Net amount recognised | (24,273) | (5,748) |
| Amounts in the balance sheet | | |
| Liabilities | (406,344) | (360,469) |
| Assets | 382,071 | 354,721 |
| Net liabilities | (24,273) | (5,748) |
| Components of pension cost | | |
| Current service cost | 12,139 | 13,487 |
| Interest cost | 15,006 | 14,819 |
| Expected return on plan assets | (21,680) | (20,688) |
| | 5,465 | 7,618 |
| Actuarial losses immediately recognised | 24,315 | 8,926 |
| Total actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses | | |
| Cumulative actuarial losses immediately recognised | 99,451 | 73,737 |

| | 31 July 2015 | 31 July 2014 |
|-----------------------------------|-----------------|-----------------|
| Plan assets | | |
| Weighted-average asset allocation | | |
| Equities | 72.0% | 72.0% |
| Property | 10.0% | 11.0% |
| Bonds and other | 18.0% | 17.0% |
| | 100.0% | 100.0% |

| | 31 July 2015 | | 31 July 2014 | | 31 July 2013 | |
|--|--------------|-----------|--------------|-----------|--------------|-----------|
| | % | £000 | % | £000 | % | £000 |
| Assets in PAS and expected rate of return | | | | | | |
| Equities | 7.25% | 274,495 | 7.20% | 254,228 | 7.30% | 238,195 |
| Property | 7.25% | 39,196 | 7.20% | 38,042 | 7.30% | 33,877 |
| Bonds and cash | 3.00% | 68,380 | 3.60% | 62,451 | 3.80% | 54,454 |
| Total market value of assets | | 382,071 | | 354,721 | | 326,526 |
| Actuarial value of liability | | (406,344) | | (360,469) | | (327,082) |
| Net pension liability | | (24,273) | | (5,748) | | (556) |

To develop the expected long-term rate of return on assets assumption, the University considered the current level of expected returns on corporate bonds and equities. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 6.1% p.a. assumption for the expected long-term return on scheme assets as at 31 July 2014 and 6.0% p.a. as at 31 July 2015.

| | 2014/15 £000 | 2013/14 £000 |
|-------------------------------------|-----------------|-----------------|
| Actual return on plan assets | 25,964 | 24,421 |

31 Pension schemes (continued)

| | 31 July 2015 | 31 July 2014 | 31 July 2013 |
|--|-----------------|-----------------|-----------------|
| Weighted average assumptions used to determine benefit obligations | | | |
| Discount rate | 3.50% | 4.15% | 4.50% |
| Rate of compensation increase | 4.65% | 4.70% | 5.00% |
| Rate of inflation | 2.35% | 2.40% | 2.50% |
| Rate of pension increase | 2.35% | 2.40% | 2.50% |
| Weighted average assumptions used to determine net pension cost | | | |
| Discount rate | 4.15% | 4.50% | 4.10% |
| Expected long-term return on plan assets | 6.10% | 6.30% | 5.90% |
| Rate of compensation increase | 4.70% | 5.00% | 4.30% |
| Rate of inflation | 2.40% | 2.50% | 1.80% |
| Rate of pension increase | 2.40% | 2.50% | 1.80% |
| | | Male | Female |
| Weighted average life expectancy for mortality tables used to determine benefit obligations at 31 July 2015 | | | |
| Member age 60 (current life expectancy) | | 26.5 | 29.1 |
| Member age 40 (life expectancy at age 60) | | 28.9 | 31.6 |

| | 2014/15 £000 | 2013/14 £000 | 2012/13 £000 | 2011/12 £000 | 2010/11 £000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Five year history | | | | | |
| Benefit obligation at 31 July | (406,344) | (360,469) | (327,082) | (302,676) | (270,739) |
| Fair value of plan assets at 31 July | 382,071 | 354,721 | 326,526 | 272,182 | 264,077 |
| Deficit | (24,273) | (5,748) | (556) | (30,494) | (6,662) |
| Difference between expected and actual return on scheme assets | 4,284 | 3,734 | 33,920 | (11,298) | 10,606 |
| Percentage of scheme assets | 1% | 1% | 10% | (4%) | 4% |
| Experience gains on scheme liabilities | 18,198 | – | – | – | 7,199 |
| Percentage of scheme liabilities | 4% | 0% | 0% | 0% | 3% |
| Total amount recognised in Statement of Total Recognised Gains and Losses | (24,315) | (8,926) | 28,039 | (26,241) | 24,416 |
| Percentage of scheme liabilities | (6%) | 3% | 9% | (9%) | 9% |

Contributions
The University expects to contribute £11.0m to the Scheme in 2015/16. This compares with £11.3m in 2014/15.

32 Capital commitments

| | | |
|--|-----------------------------|-----------------|
| | Consolidated and University | |
| | 2014/15 £000 | 2013/14 £000 |
| Provision has not been made for the following capital commitments | | |
| Commitments contracted at 31 July | 74,815 | 78,015 |

33 Financial commitments

| | | |
|---|-----------------------------|-----------------|
| | Consolidated and University | |
| | 2014/15 £000 | 2013/14 £000 |
| Annual commitments under operating leases at 31 July | | |
| Buildings | | |
| Expiring within one year | 4,534 | 2,817 |
| Expiring between one and five years inclusive | 3,829 | 3,771 |
| Expiring in more than five years | 4,872 | 4,752 |
| Equipment | | |
| Expiring within one year | 40 | 138 |
| Expiring between one and five years inclusive | 394 | 331 |
| | 13,669 | 11,809 |

34 Contingent liabilities

The University has guaranteed a bank loan of £1.0m (2013/14: £1.4m) from Barclays Bank, to Weetwood Hall Ltd, a wholly owned subsidiary.

35 Related party transactions

Due to the nature of the University's operations it is inevitable that transactions will take place with organisations, from the public and private sectors, in which a University member of staff may have an interest. Any such transactions are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

A number of senior staff and Council members exercised budgetary control during the year over research and teaching projects within the University as well as related expenditure within NHS Trusts, in their capacities as subsidiary undertaking directors, committee members and managers. Professor Paul Stewart, the Dean of the Faculty of Medicine and Health, was a non-executive director of Leeds Teaching Hospitals NHS Trust during the year; Jane Madeley, the Finance Director, is a non-executive director and Chair of the Audit Committee for Leeds Community Healthcare NHS Trust; Dr Sue Proctor, member of Council, is a non-executive director of Harrogate District NHS Foundation Trust; and Caroline Johnstone, member of Council, is a non-executive director and Chair of the Audit Committee of Leeds Teaching Hospitals NHS Trust.

Sir Alan Langlands, Vice-Chancellor, was a board member of a number of organisations which had transactions with the University during the year as follows:

| | | | | |
|------------------------------------|------------------------|-----------------|------------------------|-----------------|
| | Paid by the University | | Paid to the University | |
| | 2014/15 £000 | 2013/14 £000 | 2014/15 £000 | 2013/14 £000 |
| Yorkshire Universities | 139 | 129 | 272 | 150 |
| N8 Ltd | 40 | 40 | – | – |
| The Worldwide Universities Network | – | – | 34 | 33 |
| Myscience Ltd | 9 | 5 | 11 | – |
| Russell Group of Universities | 59 | 59 | – | – |
| Centre for Low Carbon Futures | 3 | 60 | 92 | – |

35 Related party transactions (continued)

Professor David Hogg, a Pro-Vice-Chancellor, is a director of Medilink. In 2014/15 the University paid £1,000 (2013/14: £8,000) for services provided.

Professor John Fisher, Deputy Vice Chancellor, was a Council member at the Engineering and Physical Sciences Research Council (EPSRC) during the year, and Jane Madeley, the Finance Director, was an independent member of the EPSRC’s Audit Risk and Assurance Committee. During 2014/15, the University received £26,367,000 (2013/14: £32,834,000) and paid £664,000 (2013/14: £212,000) to it.

Linda J Mortimer-Pine, Acting Director of Human Resources, is a non-executive director at ECC Ltd. During 2014/15 the University received £9,000 (2013/14: £9,000) from it for services provided.

Ed Anderson, member of Council and Chair of the Audit & Risk Committee is father of Sarah Anderson who worked at Deloitte LLP until October 2015. In 2014/15 the University paid £380,000 for services provided (2013/14: £158,000) and received £nil (2013/14: £4,000) from it for services rendered. He is a former Chair of Governors and currently Pro-Chancellor at Leeds Trinity University, and during 2014/15 the University received £67,000 (2013/14: £155,000) from it, and paid £68,000 to it for its services. He is also a board trustee at Opera North.

Liz Barber, member of Council, is a director of Yorkshire Water. In 2014/15 the University received £nil (2013/14: £212,000) from Yorkshire Water and paid £558,000 (2013/14: £466,000) for services provided. She is a Director at Kcom plc and in 2014/15 the University paid £88,000 (2013/14: £110,000) to it for its services.

Nigel Foster, member of Council, is the owner and director of Colbaran Ltd. In 2014/15 the University paid £10,000 (2013/14: £6,000) to it for services provided. He is a director and owner of Fore Consulting Ltd: in 2014/15 the University paid the company £19,000 (2013/14: £Nil) for services, and received £26,000 (2013/14: £nil) for services rendered. He is the president and a director of West and North Yorkshire Chamber of Commerce. He was a non-executive director of the Centre for Low Carbon Futures (CLCF) during the year. In 2014/15 the University paid CLCF £3,000 (2013/14: £60,000) and received £28,000 (2013/14: £213,000) from it for goods and services. He is also a director of the Ahead Partnership to which the University paid £20,000 in 2014/15 (2013/14: £100,000) for services provided.

Robin Johnson, member of Council, was a partner at Eversheds LLP during the year. In 2014/15 the University paid £123,000 (2013/14: £52,000) to it for services provided.

The son of Caroline Johnstone, member of Council, works at PwC. In 2014/15 the University paid £567,000 for services provided (2013/14: £253,000).

Amanda Mellor, member of Council, is a director of Marks & Spencer Group plc. During 2014/15 the University paid £22,000 (2013/14: £46,000) for services provided and received £3,343,000 (2013/14: £145,000).

Sue Proctor, member of Council, is a director of SR Proctor Consulting Ltd. During 2014/15 the University paid £6,000 (2013/14: £nil) for its services.

36 Connected charitable institution

Bright Beginnings Childcare Centre Leeds is a connected charitable institution of the University. Its charitable objects are the advancement of education through the provision of nursery education and childcare facilities for the staff and students of the University of Leeds.

| | 2014/15 £000 | 2013/14 £000 |
|--|-----------------|-----------------|
| Bright Beginnings Childcare Centre Leeds: | | |
| Member’s funds at 1 August | 53 | (26) |
| Income | 1,543 | 1,450 |
| Expenditure | (1,421) | (1,371) |
| Members’ funds at 31 July | 175 | 53 |

37 Amounts disbursed as agent

| | | |
|--|--------------|-------|
| Access to learning (hardship) funds | | |
| At 1 August | 32 | – |
| HEFCE grant | 212 | 374 |
| Disbursed to students | (244) | (331) |
| Administration costs | – | (11) |
| At 31 July | – | 32 |

The above Funding Council grants are available solely for students; the University acts only as paying agent for which it receives an allowance in respect of administration costs. The grant related disbursements are therefore excluded from the Income and Expenditure Account.

| | | |
|--|----------------|---------|
| The National College for Teaching and Leadership (NCTL) – formerly the Teaching Agency (TA) | | |
| At 1 August | 131 | 165 |
| Funding in the year | 1,961 | 1,639 |
| Disbursed to students | (1,899) | (1,673) |
| At 31 July | 193 | 131 |

The above training bursaries from the NCTL are available solely for students in Initial Teacher Training; the University acts only as a paying agent. The bursaries and related disbursements are therefore excluded from the Income and Expenditure Account.

University only Income and Expenditure Account

for the year ended 31 July 2015

| | 2014/15 £000 | 2013/14 £000 |
|--|-----------------|-----------------|
| Income | | |
| Funding Council grants | 97,001 | 111,773 |
| Tuition fees and education contracts | 267,559 | 235,919 |
| Research grants and contracts | 132,596 | 132,677 |
| Exceptional Research and Development Expenditure Credit (RDEC) | 19,544 | – |
| Total Research Grants and contracts | 152,140 | 132,677 |
| Other operating income | 105,569 | 90,731 |
| Endowment income and interest receivable | 9,564 | 9,319 |
| Total income | 631,833 | 580,419 |
| Expenditure | | |
| Staff costs | 323,535 | 313,240 |
| Other operating expenses | 205,747 | 197,653 |
| Depreciation | 39,189 | 29,452 |
| Interest payable and similar charges | 1,517 | 1,755 |
| Total expenditure | 569,988 | 542,100 |
| Surplus after depreciation and before tax | 61,845 | 38,319 |
| Exceptional Research and Development Expenditure (RDEC) Taxation | (4,414) | – |
| Surplus after depreciation and tax, before exceptional items | 42,301 | 38,319 |
| Exceptional Research and Development Expenditure Credit (RDEC) (net of taxation) | 15,130 | – |
| Surplus after depreciation, tax and exceptional items | 57,431 | 38,319 |
| (Loss)/profit on disposal of fixed assets | (98) | 6,247 |
| Surplus on continuing operations after depreciation and tax | 57,333 | 44,566 |
| Transfer to accumulated income within restricted endowments | (493) | (557) |
| Surplus for the year transferred to reserves | 56,840 | 44,009 |

Consolidated Five Year Results

for the year ended 31 July 2015

| | 2014/15 £000 | 2013/14 £000 | 2012/13 £000 | 2011/12 £000 | 2010/11 £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Income and Expenditure Account | | | | | |
| Income | | | | | |
| Funding Council grants | 97,001 | 111,773 | 128,642 | 148,466 | 160,821 |
| Tuition fees and education contracts | 267,770 | 236,083 | 192,033 | 166,700 | 156,513 |
| Research grants and contracts | 132,596 | 132,677 | 128,554 | 120,431 | 123,975 |
| Exceptional Research and Development Expenditure Credit (RDEC) | 19,544 | – | – | – | – |
| Other operating income | 113,187 | 97,655 | 91,893 | 96,384 | 98,564 |
| Endowment income and interest receivable | 9,551 | 9,305 | 6,479 | 5,574 | 3,129 |
| | 639,649 | 587,493 | 547,601 | 537,555 | 543,002 |
| Expenditure | | | | | |
| Staff costs | 326,999 | 316,661 | 301,773 | 284,950 | 292,538 |
| Other operating expenses | 209,041 | 200,396 | 196,207 | 171,718 | 189,077 |
| Depreciation | 39,830 | 30,051 | 26,365 | 24,992 | 21,149 |
| Interest payable and similar charges | 1,526 | 1,757 | 1,811 | 2,166 | 2,291 |
| | 577,396 | 548,865 | 526,156 | 483,826 | 505,055 |
| Surplus after depreciation and before tax | 62,253 | 38,628 | 21,445 | 53,729 | 37,947 |
| Balance Sheet | | | | | |
| Assets | | | | | |
| Fixed assets | 717,404 | 629,364 | 478,807 | 451,999 | 451,673 |
| Endowment asset investments | 66,736 | 65,718 | 62,337 | 53,599 | 52,167 |
| Current assets | 216,876 | 259,312 | 251,329 | 230,264 | 183,426 |
| Liabilities | | | | | |
| Current liabilities | (150,991) | (149,616) | (152,415) | (140,640) | (139,976) |
| Long-term liabilities and provisions | (43,147) | (49,395) | (52,737) | (60,124) | (79,417) |
| Share of associates' net liabilities | (443) | – | – | – | – |
| Pension deficit | (24,273) | (5,748) | (556) | (30,494) | (6,662) |
| Net assets | 782,162 | 749,635 | 586,765 | 504,604 | 461,211 |
| | Number | Number | Number | Number | Number |
| Average number of staff (FTE) | 6,743 | 6,581 | 6,454 | 6,333 | 6,175 |
| Number of students (FTE) | 31,719 | 31,750 | 30,911 | 33,167 | 32,838 |

Key performance indicators (KPIs)

| | | | | | |
|--|-------|-------|-------|-------|-------|
| Student satisfaction (National Student Survey) | 90% | 88% | 87% | 87% | 86% |
| Graduates in graduate employment or study | * | 78.4% | 74.8% | 69.2% | 71.9% |
| Total research grant income (£m) | 132.6 | 132.7 | 128.6 | 120.4 | 124.0 |
| Research grant income per academic FTE (£k) | 91.5 | 92.9 | 91.4 | 91.1 | 92.7 |
| Postgraduate student FTE | 2,275 | 2,090 | 2,029 | 2,104 | 2,036 |
| Postgraduate students per academic FTE | 1.57 | 1.46 | 1.44 | 1.59 | 1.52 |
| Income per square metre (£) | 1,473 | 1,293 | 1,207 | 1,167 | 1,201 |

* 2014–15 figures not available at time of publication.

We have audited the financial statements of the University of Leeds for the year ended 31 July 2014 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Council in accordance with the financial memorandum effective August 2010. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governing body and auditor

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

Scope of the audit of the financial statements

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 University'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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2014 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion:

- in all material respects, income from the funding council and the National College for Teaching and Leadership, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2014 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2014 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum, with the funding council and the funding agreement with the Teaching Agency.

Matter on which we are required to report by exception

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

- the Statement of Internal Control is inconsistent with our knowledge of the University.

Deloitte LLP

Chartered Accountants and Statutory Auditor
Leeds, England
27 November 2014

Annual Accounts

Consolidated Income and Expenditure Account

for the year ended 31 July 2014

| | Note | 2013/14 £000 | 2012/13 £000 |
|--|------|-----------------|-----------------|
| Income | | | |
| Funding Council grants | 1 | 111,773 | 128,642 |
| Tuition fees and education contracts | 2 | 236,083 | 192,033 |
| Research grants and contracts | 3 | 132,677 | 128,554 |
| Other operating income | 4 | 97,655 | 91,893 |
| Endowment income and interest receivable | 5 | 9,305 | 6,479 |
| Total Income (excludes share of joint ventures £3.7m [2012/13: £4.7m]) | | 587,493 | 547,601 |
| Expenditure | | | |
| Staff costs (excluding exceptionals) | | 315,579 | 303,587 |
| Staff costs - exceptionals | 6 | 1,082 | (1,814) |
| Total staff costs | 6 | 316,661 | 301,773 |
| Other operating expenses | 7 | 200,396 | 196,207 |
| Depreciation | 7 | 30,051 | 26,365 |
| Interest payable and similar charges | 8 | 1,757 | 1,811 |
| Total expenditure | 7 | 548,865 | 526,156 |
| Surplus after depreciation and before tax | | 38,628 | 21,445 |
| Share of joint ventures' operating profit/(loss) | | 194 | (20) |
| Share of associates' operating profit | | 130 | 298 |
| Taxation | 9 | (89) | (59) |
| Surplus after depreciation, tax and exceptional items | | 38,863 | 21,664 |
| Profit on disposal of fixed assets | 10 | 5,617 | 18,926 |
| Surplus on continuing operations after depreciation and tax | | 44,480 | 40,590 |
| Transfer to accumulated income within restricted endowments | | (557) | (22) |
| Surplus for the year transferred to reserves | 23 | 43,923 | 40,568 |

There is no material difference between the surplus for the year as disclosed above and the surplus on an unmodified historical cost basis.

Balance Sheets

as at 31 July 2014

| | Note | Consolidated | | University | |
|---|------|-----------------|-----------------|-----------------|-----------------|
| | | 2013/14 £000 | 2012/13 £000 | 2013/14 £000 | 2012/13 £000 |
| Fixed assets | | | | | |
| Tangible assets | 10 | 606,637 | 465,088 | 595,149 | 453,923 |
| Investments | 11 | 22,046 | 12,732 | 26,690 | 17,396 |
| Investments in associates | 12 | 112 | 612 | – | – |
| Investments in joint ventures | 13 | 569 | 375 | – | – |
| | | 629,364 | 478,807 | 621,839 | 471,319 |
| Endowment asset investments | 14 | 65,718 | 62,337 | 65,718 | 62,337 |
| Current assets | | | | | |
| Stock | | 568 | 495 | 318 | 275 |
| Debtors | 15 | 61,873 | 63,737 | 66,385 | 67,810 |
| Investments | 16 | 185,522 | 175,729 | 185,522 | 175,729 |
| Cash at bank and in hand | | 11,349 | 11,368 | 9,707 | 9,212 |
| | | 259,312 | 251,329 | 261,932 | 253,026 |
| Creditors: amounts falling due within one year | 17 | (149,616) | (152,415) | (147,718) | (150,100) |
| Net current assets | | 109,696 | 98,914 | 114,214 | 102,926 |
| Total assets less current liabilities | | 804,778 | 640,058 | 801,771 | 636,582 |
| Creditors: amounts falling due after more than one year | 18 | (44,321) | (49,309) | (43,360) | (47,940) |
| Provisions for liabilities | 20 | (5,074) | (3,428) | (4,974) | (3,353) |
| Total net assets excluding pension deficit | | 755,383 | 587,321 | 753,437 | 585,289 |
| Pension deficit | 30 | (5,748) | (556) | (5,748) | (556) |
| Total net assets including pension deficit | | 749,635 | 586,765 | 747,689 | 584,733 |

| | Note | Consolidated | | University | |
|--------------------------------|------|-----------------|-----------------|-----------------|-----------------|
| | | 2013/14 £000 | 2012/13 £000 | 2013/14 £000 | 2012/13 £000 |
| Deferred capital grants | 21 | 201,348 | 197,095 | 201,348 | 197,095 |
| Endowments | | | | | |
| Permanent | 22 | 63,890 | 61,426 | 63,890 | 61,426 |
| Expendable | 22 | 1,828 | 911 | 1,828 | 911 |
| | | 65,718 | 62,337 | 65,718 | 62,337 |
| Reserves | | | | | |
| Income and Expenditure Account | | 335,414 | 294,006 | 333,468 | 291,974 |
| Pension reserve | | (5,748) | (556) | (5,748) | (556) |
| Revaluation reserve | 24 | 128,284 | 9,264 | 128,284 | 9,264 |
| Heritage assets reserve | | 24,619 | 24,619 | 24,619 | 24,619 |
| | 23 | 482,569 | 327,333 | 480,623 | 325,301 |
| Total funds | | 749,635 | 586,765 | 747,689 | 584,733 |

The Annual Report and Accounts were approved by Council on 27 November 2014 and signed on its behalf by:

Jane Madeley
Finance Director

Alan Langlands
Vice-Chancellor

David Gray
Pro-Chancellor and Chair of Council

Consolidated Cash Flow Statement

for the year ended 31 July 2014

| | Note | 2013/14 £000 | 2012/13 £000 |
|---|------|-----------------|-----------------|
| Net cash inflow from operating activities | 25 | 51,798 | 37,223 |
| Returns on investments and servicing of finance | 26 | 1,317 | 1,229 |
| Tax paid | 9 | (72) | (38) |
| Capital expenditure and financial investment | 27 | (38,868) | (26,823) |
| Net cash inflow before use of liquid resources and short-term investments | | 14,175 | 11,591 |
| Management of liquid resources | | (9,793) | (3,369) |
| Financing | 28 | (4,401) | (4,350) |
| (Decrease)/increase in cash | 29 | (19) | 3,872 |

Reconciliation of net cash flow to movement in net funds

| | | | |
|---|----|----------------|---------|
| (Decrease)/increase in cash in the period | | (19) | 3,872 |
| Increase in short-term investments | | 9,793 | 3,369 |
| Net decrease in debt | 28 | 4,401 | 4,350 |
| Movement in net funds in the year | | 14,175 | 11,591 |
| Net funds at 1 August | | 140,886 | 129,295 |
| Net funds at 31 July | 29 | 155,061 | 140,886 |

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 July 2014

| | Note | 2013/14 £000 | 2012/13 £000 |
|--|------|-----------------|-----------------|
| Surplus for the financial year | | 43,923 | 40,568 |
| New endowments | 22 | 1,484 | 2,659 |
| Endowment income retained for the year | 22 | 385 | 118 |
| Appreciation of endowment asset investments | 22 | 1,512 | 5,961 |
| Unrealised surplus on revaluation of tangible fixed assets | 24 | 109,735 | – |
| Unrealised surplus on revaluation of fixed asset investments | 24 | 10,504 | 9,264 |
| Actuarial (loss)/gain on pension assets | 30 | (8,926) | 28,039 |
| Total recognised gains relating to the year | | 158,617 | 86,609 |
| Reconciliation | | | |
| Opening reserves and endowments | | 389,670 | 303,061 |
| Total recognised gains for the year | | 158,617 | 86,609 |
| Closing reserves and endowments | | 548,287 | 389,670 |

Statement of Principal Accounting Policies

1 Accounting Convention

The Accounts have been prepared under the historic cost convention as modified by the revaluation of endowment asset investments, listed fixed asset investments, heritage assets and certain other Fixed Assets and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (SORP) and applicable United Kingdom Accounting Standards. All accounting policies have been applied consistently with the prior period.

2 Going Concern

The consolidated Accounts are prepared on a going concern basis as per the Corporate Governance report.

3 Basis of Consolidation

The consolidated Accounts combine the Accounts of the University, its subsidiary undertakings with a 31 July year end, and one subsidiary undertaking, University of Leeds Farms Limited, with a 30 April year end. Further details of all the subsidiary undertakings are disclosed in the Notes to the Accounts.

Associated companies and joint ventures are accounted for on the net equity and gross equity methods respectively.

The consolidated Accounts do not include the income and expenditure of Leeds University Union as the University does not exert control or dominant influence over policy decisions. The expenditure included in the Income and Expenditure Account of the University relates to the University's contribution to Union activities.

4 Recognition of Income

The recurrent grant from the Higher Education Funding Council for England (HEFCE) represents the funding allocation attributable to the current year and is credited directly to the Income and Expenditure Account.

Tuition fees represent fees attributable to the current financial year and are recognised as services are provided.

Research grants, and other income which is designated by a donor for specific purposes, are included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits and endowments is credited to the Income and Expenditure Account on a receivable basis. Income from restricted endowments not expended in accordance with the terms of the endowment is transferred from the Income and Expenditure Account to restricted endowments.

Other income is recognised as goods/services are provided.

5 Pension Schemes

A defined contribution plan, the University of Leeds Defined Contribution Plan (DC Plan), was introduced from 1 March 2013 as the main auto-enrolment vehicle for University support staff. The investment of scheme contributions for the DC Plan is managed by The People's Pension.

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Leeds Pension and Assurance Scheme (PAS). The schemes are defined-benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by actuaries using the Projected Unit Method, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

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

For the other defined benefit scheme, PAS, the cost of providing benefits is determined using the Projected Unit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Income and Expenditure Account and presented in the Statement of Total Recognised Gains and Losses.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The pension deficit recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and the pension asset represents the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refund and reductions in future contributions to the scheme.

6 Foreign Currencies

Transactions denominated in 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 either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

7 Operating Leases

Costs in respect of operating leases are charged evenly over the lease term.

8 Finance Leases

Leasing agreements that transfer substantially all the risks and rewards of ownership of an asset to a third party are treated as if the asset had been disposed of. Any lease premiums receivable are spread over the life of the lease.

9 Land and Buildings

Residential Land & Buildings have been revalued during the year and are stated at market value but all other land & buildings are stated at cost. Land is not depreciated as it is considered to have an indefinite useful life. Buildings under construction are not depreciated until they are completed. Buildings are depreciated in equal instalments over their expected useful lives as follows:

| | |
|-----------------------------------|----------|
| Academic buildings | 50 years |
| Residences | 30 years |
| Laboratories and lecture theatres | 30 years |
| Other building refurbishment | 10 years |

10 Equipment

In the accounts of the University, but not the subsidiary undertakings, individual items or groups of related items costing less than £25,000 are written off in the year of acquisition. All other equipment is capitalised.

In the accounts of the University, capitalised equipment is stated at cost and depreciated in equal instalments over its expected useful life, as follows:

| | |
|---|--------------|
| Computing equipment | 4 years |
| Equipment acquired for specific research projects | project life |
| Other equipment | 10 years |
| Motor vehicles | 4 years |

11 Deferred Capital Grants

Where tangible fixed assets are acquired with the aid of specific grants they are capitalised and depreciated over their expected useful lives. The related grants are treated as deferred capital grants and released to income in line with depreciation of the assets (the period of the grant in respect of specific research projects).

12 Heritage Assets

Works of art and other valuable artefacts valued at over £25,000 have been capitalised and recognised at their cost or value where reasonably obtainable.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

13 Investments

Endowment asset investments are included in the Balance Sheet at market value. Current asset investments are included at the lower of cost and net realisable value.

Investments in subsidiaries are shown at the lower of cost and net realisable value.

Listed fixed asset investments are stated at market value. Appreciation/depreciation is added to or subtracted from the revaluation reserve via the Statement of Total Recognised Gains and Losses.

14 Stock

Except for farming stock which is professionally valued, stock is stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes all direct costs incurred. Net realisable value is based on estimated selling price allowing for all further costs.

15 Cash Flows and Liquid Resources

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

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, sterling liquidity funds and other on-call deposit accounts. They exclude any such assets held as endowment asset investments.

16 Maintenance of Premises

The University has a rolling maintenance plan which is reviewed periodically. The cost of routine maintenance is charged to the Income and Expenditure Account as incurred.

17 Taxation Status

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) 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 Institution receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in the cost of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

1 Funding council grants

| | 2013/14 £000 | 2012/13 £000 |
|--|-----------------|-----------------|
| Recurrent grant | 93,849 | 112,900 |
| Specific grants | | |
| National College for Teaching and Leadership | – | 28 |
| Equipment and furniture | 78 | 59 |
| Teaching & Learning Capital | 2 | 9 |
| Widening Participation | 4,293 | 2,121 |
| Higher Education Innovation Fund | 3,365 | 3,270 |
| Matched funding scheme for voluntary giving | (152) | 6 |
| HEFCE Capital | 31 | 103 |
| JISC funding | 650 | 622 |
| Other (less than £0.5m each) | 81 | 188 |
| Released from deferred capital grants | | |
| Buildings | 7,532 | 6,948 |
| Equipment | 2,044 | 2,388 |
| | 111,773 | 128,642 |

The funding council is the Higher Education Funding Council for England (HEFCE).

2 Tuition fees and education contracts

| | | |
|----------------------------------|----------------|---------|
| Full-time home and EU students | 129,127 | 100,314 |
| Full-time international students | 68,837 | 57,810 |
| Part-time home and EU students | 4,112 | 4,055 |
| Part-time international students | 1,006 | 842 |
| Research training support grants | 10,946 | 8,337 |
| Short course fees | 9,490 | 7,852 |
| NHS teaching contract | 12,565 | 12,823 |
| | 236,083 | 192,033 |

3 Research grants and contracts

| | | |
|---------------------------------------|----------------|---------|
| Research Councils | 37,531 | 38,105 |
| UK based charities | 20,904 | 22,774 |
| UK Government | 35,127 | 33,689 |
| UK industry | 9,634 | 8,576 |
| European Commission | 17,667 | 14,817 |
| Other grants and contracts | 6,735 | 6,509 |
| Released from deferred capital grants | | |
| Buildings | 88 | 88 |
| Equipment | 4,991 | 3,996 |
| | 132,677 | 128,554 |

4 Other operating income

| | 2013/14 £000 | 2012/13 £000 |
|---------------------------------------|-----------------|-----------------|
| Residences, catering and conferences | 49,415 | 44,151 |
| Health authorities | 12,661 | 12,120 |
| Donations | 2,549 | 3,112 |
| Subscriptions | 2,797 | 2,798 |
| Grants | 10,736 | 7,890 |
| Other income | 18,376 | 20,651 |
| Released from deferred capital grants | | |
| Buildings | 980 | 978 |
| Equipment | 141 | 193 |
| | 97,655 | 91,893 |

5 Endowment income and interest receivable

| | | |
|---|--------------|--------------|
| Income from expendable endowments | 211 | 59 |
| Income from permanent endowments | 2,219 | 1,853 |
| Income from short-term investments | 935 | 853 |
| Other investment income | 45 | 49 |
| Other net finance income from pension scheme assets and liabilities | 5,869 | 3,651 |
| Released from deferred capital grants | | |
| Buildings | 7 | 7 |
| Equipment | 19 | 7 |
| | 9,305 | 6,479 |

6 Staff

| | 2013/14 Number | 2012/13 Number |
|--|-------------------|-------------------|
| Average staff numbers (full-time equivalents) by major category | | |
| Academic/Teaching | 1,862 | 1,796 |
| Research | 989 | 973 |
| Management/Professional | 1,219 | 1,223 |
| Support | 2,511 | 2,462 |
| | 6,581 | 6,454 |

| | £000 | £000 |
|---|----------------|----------------|
| Staff costs | | |
| Wages and salaries | 254,379 | 244,689 |
| Social security costs | 20,203 | 19,463 |
| Pension costs (including FRS 17) | 39,129 | 36,894 |
| Severance payments | 1,868 | 2,541 |
| Exceptionals | 1,082 | (1,814) |
| | 316,661 | 301,773 |
| Costs included within provisions (see Note 20) to the extent they have not been settled at 31 July: | | |
| Restructuring – exceptional staff costs | 2,524 | 1,773 |
| Early retirement schemes | 903 | 760 |
| Other staff provisions | 26 | 20 |

Senior post-holder's emoluments

Emoluments of the Vice-Chancellor (Sir Alan Langlands) October 2013 to July 2014

| | | |
|--|------------|----------|
| Salary | 232 | – |
| Benefits in kind as assessed for HMRC purposes | – | – |
| | 232 | – |
| Employer contributions to defined benefit scheme | 6 | – |
| Total | 238 | – |

Emoluments of the Vice-Chancellor (Professor Michael Arthur) August 2013

| | | |
|--|-----------|------------|
| Salary | 27 | 318 |
| Benefits in kind as assessed for HMRC purposes | – | 7 |
| | 27 | 325 |
| Employer contributions to defined benefit scheme | – | – |
| Total | 27 | 325 |

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff and represent in year earnings.

Sir Alan Langlands joined the University in October 2013 and therefore emoluments represent 10 months salary.

Professor Michael Arthur (Vice-Chancellor 2004-2013) left August 2013 and emoluments represent 1 month salary.

| | 2013/14 Number | 2012/13 Number |
|--|-------------------|-------------------|
| Remuneration of other higher paid staff, excluding employer's pension contributions | | |
| £100,000 - £109,999 | 30 | 22 |
| £110,000 - £119,999 | 15 | 17 |
| £120,000 - £129,999 | 15 | 14 |
| £130,000 - £139,999 | 11 | 12 |
| £140,000 - £149,999 | 10 | 8 |
| £150,000 - £159,999 | 9 | 8 |
| £160,000 - £169,999 | 10 | 7 |
| £170,000 - £179,999 | 5 | 7 |
| £180,000 - £189,999 | 4 | 4 |
| £190,000 - £199,999 | 4 | 3 |
| £200,000 - £209,999 | 6 | 5 |
| £210,000 - £219,999 | 3 | 3 |
| £220,000 - £229,999 | 2 | 3 |
| £230,000 - £239,999 | 1 | 1 |
| £240,000 - £249,999 | 1 | – |
| £250,000 - £259,999 | – | 1 |
| £260,000 - £269,999 | – | 1 |
| £380,000 - £389,999 ⁽¹⁾ | 1 | – |
| | 127 | 116 |

Higher paid staff included 72 (2012/13: 67) clinical staff and 55 (2012/13: 49) non-clinical staff.

The majority of clinical academic staff also work within the local NHS Trusts and their salaries are recharged proportionally to the time spent on clinical duties. The above figures reflect their gross remuneration before any recharge.

Compensation for loss of office paid (or payable) to employees earning in excess of £100,000 per annum is a maximum potential liability of £215,000 (2013: £Nil).

⁽¹⁾ This level of salary has been driven by the employee's share of intellectual property commercialisation proceeds in line with University policy. A one-off payment of £105,000 relates to commercial activity from 2007 to 2014.

7 Analysis of expenditure

| | Staff costs £000 | Other operating expenses £000 | Depreciation £000 | Interest payable £000 | 2013/14 Total £000 | 2012/13 Total £000 |
|---------------------------------------|---------------------|--|----------------------|-----------------------------|--------------------------|--------------------------|
| Academic departments | 172,528 | 32,158 | 4,098 | – | 208,784 | 206,176 |
| Research grants and contracts | 70,745 | 58,534 | 5,055 | – | 134,334 | 129,078 |
| Total teaching and research | 243,273 | 90,692 | 9,153 | – | 343,118 | 335,254 |
| Administration and Corporate Services | 46,034 | 37,699 | 450 | 28 | 84,211 | 80,298 |
| Premises | 11,304 | 36,976 | 15,741 | – | 64,021 | 61,153 |
| Residences, catering and conferences | 11,404 | 31,924 | 4,707 | 1,729 | 49,764 | 45,810 |
| Other expenses | 3,256 | 3,105 | – | – | 6,361 | 4,436 |
| Exceptional items | 1,082 | – | – | – | 1,082 | (1,814) |
| FRS 17 adjustment | 308 | – | – | – | 308 | 1,019 |
| Total | 316,661 | 200,396 | 30,051 | 1,757 | 548,865 | 526,156 |

The net credit balances in respect of exceptional items in 2012/13 reflect the reduction in the level of restructuring provision required.

Other operating expenses

| | | |
|---|----------------|---------|
| Equipment purchases and maintenance | 15,867 | 21,801 |
| Estate repairs and maintenance | 11,261 | 12,874 |
| Consumables and laboratory expenditure | 22,353 | 21,409 |
| Printed materials, books and periodicals | 8,494 | 8,432 |
| Printing, stationery and office expenses | 5,336 | 4,808 |
| Travel and subsistence | 11,865 | 11,543 |
| Fellowships, scholarships and prizes | 43,642 | 38,707 |
| Heat, light, water and power | 16,533 | 16,543 |
| Rent, rates and insurance | 18,041 | 16,094 |
| Grants to student union | 2,047 | 2,216 |
| Fees and expenses | 38,771 | 35,288 |
| Recruitment, training and welfare | 4,017 | 4,355 |
| Auditor's remuneration in respect of audit services | 106 | 107 |
| Auditor's remuneration in respect of other services | 88 | 126 |
| Other expenses | 1,975 | 1,904 |
| | 200,396 | 196,207 |
| Equipment purchases and maintenance includes payment under operating leases in respect of equipment | 402 | 421 |
| Rent, rates and insurance includes payment under operating leases in respect of buildings | 14,872 | 13,377 |
| Fees and expenses include contracted internal audit fees | 134 | 128 |

Trustees

During the year, no trustee received or waived any remuneration for serving as a trustee.

The total expenses paid to trustees were £4k (2012/13: £3k). This represents travel and subsistence expenses incurred in attending Council meetings, conferences and events in their official capacity as Council members.

8 Interest payable and similar charges

| | 2013/14 £000 | 2012/13 £000 |
|--|-----------------|-----------------|
| On loans repayable wholly or partly in more than 5 years | 1,757 | 1,811 |

9 Taxation

Current Tax

UK Corporation tax on profit for the year
Adjustment in respect of previous years

68
2

70
(3)

70

67

Deferred Tax

Origination and reversal of timing differences

19

(8)

Total Tax charge

89

59

Tax paid in the year

72

38

10 Fixed assets

| Tangible Assets | Consolidated | | | Total £000 |
|---------------------------------------|--------------------------------------|-------------------|----------------------------|-----------------|
| | Freehold Land & Buildings £000 | Equipment £000 | Heritage Assets £000 | |
| Cost or valuation | | | | |
| At 1 August 2013 | 565,304 | 101,913 | 25,607 | 692,824 |
| Additions | 48,055 | 13,906 | 65 | 62,026 |
| Disposals | – | (3,021) | – | (3,021) |
| Revaluation | 81,122 | – | – | 81,122 |
| At 31 July 2014 | 694,481 | 112,798 | 25,672 | 832,951 |
| Depreciation | | | | |
| At 1 August 2013 | 158,110 | 69,626 | – | 227,736 |
| Charge for the year | 20,034 | 10,017 | – | 30,051 |
| Eliminated on disposals | – | (2,860) | – | (2,860) |
| Eliminated on revaluation | (28,613) | – | – | (28,613) |
| At 31 July 2014 | 149,531 | 76,783 | – | 226,314 |
| Net book value at 31 July 2014 | 544,950 | 36,015 | 25,672 | 606,637 |
| Net book value at 1 August 2013 | 407,194 | 32,287 | 25,607 | 465,088 |

| Tangible Assets | University | | | Total £000 |
|---------------------------------------|--------------------------------------|-------------------|----------------------------|-----------------|
| | Freehold Land & Buildings £000 | Equipment £000 | Heritage Assets £000 | |
| Cost or valuation | | | | |
| At 1 August 2013 | 552,156 | 97,834 | 25,607 | 675,597 |
| Additions | 47,534 | 13,503 | 65 | 61,102 |
| Disposals | – | (3,002) | – | (3,002) |
| Revaluation | 81,122 | – | – | 81,122 |
| At 31 July 2014 | 680,812 | 108,335 | 25,672 | 814,819 |
| Depreciation | | | | |
| At 1 August 2013 | 154,735 | 66,939 | – | 221,674 |
| Charge for the year | 19,769 | 9,683 | – | 29,452 |
| Eliminated on disposals | – | (2,843) | – | (2,843) |
| Eliminated on revaluation | (28,613) | – | – | (28,613) |
| At 31 July 2014 | 145,891 | 73,779 | – | 219,670 |
| Net book value at 31 July 2014 | 534,921 | 34,556 | 25,672 | 595,149 |
| Net book value at 1 August 2013 | 397,421 | 30,895 | 25,607 | 453,923 |

At 31 July 2014, freehold land & buildings at cost included £51.3m (2013: £46.8m) and equipment at cost included £4.9m (2013: £1.5m), in respect of assets under construction.

Included in freehold land & buildings is land valued at £43.4m which is not depreciated (2013: cost of £7.6m).

Freehold residential land & buildings were professionally valued by Hague Nicholls, Chartered Surveyors on the basis of market value on 31 July 2014. Prior to the revaluation they were held at a combined book value of £66.6m and subsequently as land £35.8m and buildings £140.5m. The revaluation was conducted as the majority of the University's residential estate was significantly undervalued.

HERITAGE ASSETS

The University has been fortunate to receive donations of a variety of cultural items and collections for over 100 years. Many items have also been purchased to augment existing collections and/or add to the variety of items within a special area of interest. Most of these purchases have been funded by benefaction.

Heritage Assets are held at market value established by specialist University personnel. Heritage Assets include many unique items (and collections), such as hand-written manuscripts and original art works, the current value of which can only be estimated, as they cannot be matched to identical items available on the market. Many other items are extremely rare, though not unique, and identical items may not appear on the market for decades.

Heritage Assets are classified into three main categories: Special collections, Art collections and University of Leeds International Textile Archive (ULITA).

Special collections

The Special collections contain individual items and constituent collections consisting primarily of books and manuscripts. Constituent collections are characterised as such when their contents are acquired together from a single source or when they are generally used in association with each other, for example, the 'archive' of an organisation or person.

Art collections

The Art collections consist of individual paintings and drawings, collections of drawings, and sculptures.

ULITA

This category consists of tapestries, pattern books, stencils and fibre collections.

Preservation and management

The custodianship of these items has been given to specific areas and persons for their care and maintenance.

All the collections are valued for insurance purposes at £30m. In addition, collections are held for other organisations for custodial purposes, notably Ripon Cathedral's heraldry collection, and these are insured separately.

HERITAGE ASSETS

| | Special collections £000 | Art collections £000 | ULITA £000 | 2013/14 Total £000 | 2012/13 Total £000 |
|-------------------|--------------------------------|----------------------------|---------------|--------------------------|--------------------------|
| At 1 August | 19,560 | 5,522 | 525 | 25,607 | 25,492 |
| Additions | 65 | – | – | 65 | 115 |
| At 31 July | 19,625 | 5,522 | 525 | 25,672 | 25,607 |

| | 2013/14 £000 | 2012/13 £000 | 2011/12 £000 | 2010/11 £000 | 2009/10 £000 |
|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Purchases | | | | | |
| Special collections | 65 | 115 | 121 | 176 | 122 |
| Art collections | – | – | – | – | 79 |
| Donations | | | | | |
| Special collections | – | – | – | – | 100 |
| Art collections | – | – | – | – | 40 |
| Total Additions | 65 | 115 | 121 | 176 | 341 |

| PROFIT ON DISPOSAL OF FIXED ASSETS | 2013/14 Total £000 | 2012/13 Total £000 |
|------------------------------------|--------------------------|--------------------------|
| Residential properties | 3,072 | 15,832 |
| Other Tangible Fixed Assets | 1 | 3,094 |
| Fixed Asset Investments | 366 | – |
| Associates | 2,178 | – |
| Total | 5,617 | 18,926 |

11 Fixed asset investments

| | Consolidated | University |
|---|---------------|---------------|
| | £000 | £000 |
| Investments in subsidiary undertakings | | |
| Cost at 1 August 2013 and 31 July 2014 | – | 4,644 |
| Other fixed asset investments | | |
| Cost or valuation at 1 August 2013 | 12,732 | 12,752 |
| Disposals | (1,219) | (1,239) |
| SORP adjustment | 29 | 29 |
| Revaluation of listed investments | 10,504 | 10,504 |
| Cost or valuation at 31 July 2014 | 22,046 | 22,046 |
| Total investments | | |
| At 31 July 2014 | 22,046 | 26,690 |
| At 1 August 2013 | 12,732 | 17,396 |

Details of the trading companies, all registered in England, in which the University held directly or indirectly more than 50% of the nominal value of any class of share capital are as follows:

| Name of company | Percentage holding | Nature of business |
|--|--------------------|---|
| Subsidiary Undertakings | | |
| Leeds Innovation Centre Ltd | 100% | Business accommodation and facilities management |
| University of Leeds Farms Ltd | 100% | Farming |
| University of Leeds IP Ltd | 100% | Intellectual property management |
| Weetwood Hall Ltd | 100% | Hotel and conference centre |
| Leeds Ventures Ltd | 100% | Advisory services for the University's customers in China |
| Bright Beginnings Childcare Centre Leeds | 100% | Childcare facilities and services |

12 Investments in associates

Details of the other trading companies, all registered in England, in which the University holds directly or indirectly 20% or more of the nominal value of any class of share capital are as follows:

| Name of company | Percentage holding | Nature of business |
|----------------------------------|--------------------|---|
| Associated Undertakings | | |
| Keracol Ltd | 50% | Functional, natural, sustainable cosmetics |
| Instrumentel | 37% | Technology for remote telemetry in hostile environments |
| Workscreen Ltd | 36% | Sickness absence support and advisory service |
| Ionix Advanced Technologies Ltd | 27% | Piezoelectrics for high temperature applications |
| Quantum Imaging | 25% | Medical magnetometry |
| Glass Manufacturing Services Ltd | 24% | Specialist glass supplier for commercial and industrial use |
| C-Capture Ltd | 23% | CO ₂ green technology for coal-powered stations |
| Chamelic Ltd | 22% | High performance polymer coatings |
| Resuspod Ltd | 21% | Solutions to medical emergency management in dental practice |
| Escubed Ltd | 20% | Particle characterisation services to pharmaceutical industries |

| Movement in year | 2013/14 £000 | 2012/13 £000 |
|---------------------------|-------------------------|-------------------------|
| Balance at 1 August | 612 | 314 |
| Sale of shareholding | (630) | – |
| New associates | 109 | – |
| Dilution of shareholding | (31) | 61 |
| Dissolution of companies | – | (34) |
| Share of profit in year | 52 | 271 |
| Balance at 31 July | 112 | 612 |

13 Investments in joint ventures

The University holds shares of joint venture companies as follows:

| Name of company | Percentage holding | Nature of business |
|--------------------------------|--------------------|--|
| Joint Ventures | | |
| Myscience.co Ltd | 25% | Continuous professional development for science teachers and technicians |
| YHMAN Ltd | 13% | Management and maintenance of a communications network between HE establishments |
| N8 Ltd | 13% | Enabling northern businesses to access world-class knowledge to gain a significant competitive advantage |
| Worldwide Universities Network | 5% | Collaboration of Universities to achieve international objectives in research and graduate education |

| Joint ventures' financial summary – University share | 2013/14 £000 | 2012/13 £000 |
|---|-----------------|-----------------|
| Income and Expenditure Account | | |
| Income | 3,704 | 4,702 |
| (Deficit)/surplus before tax | (53) | 7 |
| Balance Sheet | | |
| Fixed assets | 592 | 544 |
| Current assets | 1,116 | 1,369 |
| | 1,708 | 1,913 |
| Creditors: amounts falling due within one year | (728) | (1,025) |
| Creditors: amounts falling due after more than one year | (411) | (513) |
| | (1,139) | (1,538) |
| Share of net assets | 569 | 375 |

14 Endowment asset investments

| | Consolidated and University | |
|--------------------------------------|-----------------------------|-----------------|
| | 2013/14 £000 | 2012/13 £000 |
| At 1 August | 62,337 | 53,599 |
| Additions | 8,004 | 10,620 |
| Disposals | (8,101) | (7,824) |
| Appreciation on revaluation | 1,512 | 5,961 |
| Increase/(decrease) in cash balances | 1,966 | (19) |
| At 31 July | 65,718 | 62,337 |
| Represented by: | | |
| Fixed interest stocks | 14,413 | 14,481 |
| Equities | 43,509 | 42,223 |
| Property | 2,362 | 2,165 |
| Cash balances | 5,434 | 3,468 |
| | 65,718 | 62,337 |

15 Debtors

| | Consolidated | | University | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2013/14 £000 | 2012/13 £000 | 2013/14 £000 | 2012/13 £000 |
| Amounts falling due within one year | | | | |
| Sponsored research in progress | 14,121 | 22,596 | 14,121 | 22,596 |
| Trade debtors | 28,922 | 22,839 | 28,357 | 21,876 |
| Amounts owing from subsidiary undertakings | – | – | 1,814 | 1,509 |
| Prepayments and accrued income | 15,758 | 9,806 | 15,523 | 9,801 |
| Amounts falling due after more than one year | | | | |
| Amounts owing from subsidiary undertakings | – | – | 3,498 | 3,532 |
| Prepayments and accrued income | 3,072 | 8,496 | 3,072 | 8,496 |
| | 61,873 | 63,737 | 66,385 | 67,810 |

16 Investments

| | Consolidated and University | |
|---------------------|-----------------------------|-----------------|
| | 2013/14 £000 | 2012/13 £000 |
| Short-term deposits | 185,522 | 175,729 |

At 31 July 2014 the weighted average interest rate of these fixed rate deposits was 0.4% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 28 days. The fair value of these deposits was not materially different to the book value.

17 Creditors: amounts falling due within one year

| | Consolidated | | University | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2013/14 £000 | 2012/13 £000 | 2013/14 £000 | 2012/13 £000 |
| Bank loans | 4,456 | 4,401 | 4,048 | 3,993 |
| Research grants received on account | 54,140 | 58,473 | 54,140 | 58,473 |
| Trade creditors | 31,473 | 27,384 | 31,013 | 26,984 |
| Social security and other taxation payable | 7,097 | 6,650 | 6,827 | 6,398 |
| Accruals and deferred income | 52,450 | 55,507 | 51,600 | 54,143 |
| Amounts owing to subsidiary companies | – | – | 90 | 109 |
| | 149,616 | 152,415 | 147,718 | 150,100 |

18 Creditors: amounts falling due after more than one year

| | | | | |
|-----------------|---------------|--------|---------------|--------|
| Bank loans | 37,354 | 41,810 | 36,393 | 40,441 |
| Deferred income | 6,967 | 7,499 | 6,967 | 7,499 |
| | 44,321 | 49,309 | 43,360 | 47,940 |

19 Borrowings

| | Consolidated | | University | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2013/14 £000 | 2012/13 £000 | 2013/14 £000 | 2012/13 £000 |
| Bank loans are repayable as follows | | | | |
| In one year or less | 4,456 | 4,401 | 4,048 | 3,993 |
| Between one and two years | 4,516 | 4,455 | 4,108 | 4,048 |
| Between two and five years | 13,303 | 13,490 | 12,750 | 12,528 |
| In five years or more | 19,535 | 23,865 | 19,535 | 23,865 |
| | 41,810 | 46,211 | 40,441 | 44,434 |

Bank loans at commercial rates are repayable by instalments falling due between 1 August 2014 and 10 February 2030 and are secured either on a portion of the freehold land and buildings of the Group or by a negative pledge over the University's assets.

20 Provisions for liabilities

| | | | | |
|---|--------------|---------|--------------|---------|
| At 1 August | 3,428 | 6,049 | 3,353 | 5,947 |
| Transferred from income and expenditure | 3,418 | 362 | 3,394 | 351 |
| Utilised in the year | (1,772) | (2,983) | (1,773) | (2,945) |
| At 31 July | 5,074 | 3,428 | 4,974 | 3,353 |
| Restructuring - exceptional staff costs | | | | |
| At 1 August | 1,773 | 4,933 | 1,773 | 4,933 |
| Transferred from/(to) income and expenditure | 1,082 | (1,814) | 1,082 | (1,814) |
| Utilised in the year | (331) | (1,346) | (331) | (1,346) |
| At 31 July | 2,524 | 1,773 | 2,524 | 1,773 |
| Early retirement of employees (Premature Retirement Terms) | | | | |
| At 1 August | 363 | 356 | 363 | 356 |
| Transferred from income and expenditure | 440 | 519 | 440 | 519 |
| Utilised in the year | (384) | (512) | (384) | (512) |
| At 31 July | 419 | 363 | 419 | 363 |
| Early retirement of employees (Mobility Incentive Scheme) | | | | |
| At 1 August | 397 | 119 | 397 | 119 |
| Transferred from income and expenditure | 1,144 | 1,334 | 1,144 | 1,334 |
| Utilised in the year | (1,057) | (1,056) | (1,057) | (1,056) |
| At 31 July | 484 | 397 | 484 | 397 |
| Other (including deferred taxation) | | | | |
| At 1 August | 895 | 641 | 820 | 539 |
| Transferred from income and expenditure | 752 | 323 | 727 | 312 |
| Utilised in the year | – | (69) | – | (31) |
| At 31 July | 1,647 | 895 | 1,547 | 820 |

The above provisions, subject to an annual review, are expected to be utilised within the next three years.

21 Deferred capital grants

| | Consolidated and University | | |
|---|-----------------------------|----------------------|--------------------------|
| | Funding Council £000 | Other grants £000 | 2013/14 Total £000 |
| At 1 August 2013 | | | |
| Buildings | 147,283 | 33,169 | 180,452 |
| Equipment | 7,366 | 9,277 | 16,643 |
| | 154,649 | 42,446 | 197,095 |
| Grants received | | | |
| Buildings | 4,636 | 9,846 | 14,482 |
| Equipment | (143) | 5,716 | 5,573 |
| | 4,493 | 15,562 | 20,055 |
| Released to Income and Expenditure Account | | | |
| Buildings | (7,532) | (1,075) | (8,607) |
| Equipment | (2,044) | (5,151) | (7,195) |
| | (9,576) | (6,226) | (15,802) |
| At 31 July 2014 | | | |
| Buildings | 144,387 | 41,940 | 186,327 |
| Equipment | 5,179 | 9,842 | 15,021 |
| | 149,566 | 51,782 | 201,348 |

22 Endowments

| | Consolidated and University | | | | 2013/14 Total £000 | 2012/13 Total £000 |
|--|-----------------------------------|---------------------------------|----------------------------|----------------------------------|--------------------------|--------------------------|
| | Unrestricted Permanent £000 | Restricted Permanent £000 | Total Permanent £000 | Restricted Expendable £000 | | |
| At 1 August | | | | | | |
| Capital | 19,045 | 39,528 | 58,573 | 884 | 59,457 | 50,741 |
| Accumulated income | – | 2,853 | 2,853 | 27 | 2,880 | 2,858 |
| | 19,045 | 42,381 | 61,426 | 911 | 62,337 | 53,599 |
| New endowments | – | 398 | 398 | 1,086 | 1,484 | 2,659 |
| Investment income | 691 | 1,551 | 2,242 | 16 | 2,258 | 2,009 |
| Expenditure | (691) | (971) | (1,662) | (211) | (1,873) | (1,891) |
| | – | 580 | 580 | (195) | 385 | 118 |
| Appreciation of endowment asset investments | 465 | 1,021 | 1,486 | 26 | 1,512 | 5,961 |
| At 31 July | 19,510 | 44,380 | 63,890 | 1,828 | 65,718 | 62,337 |
| Represented by: | | | | | | |
| Capital | 19,510 | 40,979 | 60,489 | 1,792 | 62,281 | 59,457 |
| Accumulated income | – | 3,401 | 3,401 | 36 | 3,437 | 2,880 |
| | 19,510 | 44,380 | 63,890 | 1,828 | 65,718 | 62,337 |

23 Reserves

| | Consolidated | | University | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2013/14 £000 | 2012/13 £000 | 2013/14 £000 | 2012/13 £000 |
| At 1 August | 327,333 | 249,462 | 325,301 | 247,745 |
| Surplus for the year | 43,923 | 40,568 | 44,009 | 40,253 |
| Actuarial (loss)/gain on pension scheme assets | (8,926) | 28,039 | (8,926) | 28,039 |
| Revaluation of fixed asset investments | 10,504 | 9,264 | 10,504 | 9,264 |
| Revaluation of tangible fixed assets | 109,735 | – | 109,735 | – |
| At 31 July | 482,569 | 327,333 | 480,623 | 325,301 |

24 Revaluation reserve

| | Consolidated and University | |
|--|-----------------------------|-----------------|
| | 2013/14 £000 | 2012/13 £000 |
| At 1 August | 9,264 | – |
| Revaluation in year on fixed asset investments | 10,504 | 9,264 |
| Revaluation in year on tangible fixed assets | 109,735 | – |
| Disposals in year | (1,219) | – |
| At 31 July | 128,284 | 9,264 |

25 Reconciliation of consolidated operating surplus to net cash inflow from operating activities

| | Consolidated | |
|--|-----------------|-----------------|
| | 2013/14 £000 | 2012/13 £000 |
| Surplus on continuing operations after depreciation | 44,569 | 40,649 |
| Share of associates' and joint ventures' operating profits | (324) | (278) |
| Depreciation | 30,051 | 26,365 |
| Fixed asset investment appreciation | – | (124) |
| Profit on disposal of fixed assets | (5,617) | (18,926) |
| Deferred capital grants released to income | (15,802) | (14,605) |
| Endowment income and interest receivable | (9,305) | (6,479) |
| Interest payable and similar charges | 1,757 | 1,811 |
| FRS 17 adjustment | 2,135 | 1,752 |
| Increase in stock | (73) | (81) |
| Decrease/(increase) in debtors | 6,136 | (1,600) |
| (Decrease)/increase in creditors | (3,356) | 11,352 |
| Increase/(decrease) in provisions | 1,627 | (2,613) |
| Net cash inflow from operating activities | 51,798 | 37,223 |

26 Returns on investments and servicing of finance

| | Consolidated | |
|---|-----------------|-----------------|
| | 2013/14 £000 | 2012/13 £000 |
| Income from endowments | 2,258 | 2,008 |
| Income from short-term investments | 844 | 1,054 |
| Interest and similar charges paid | (1,785) | (1,833) |
| Net cash inflow from returns on investments and servicing of finance | 1,317 | 1,229 |

27 Capital expenditure and financial investment

| | | |
|---|-----------------|-----------------|
| Payments to acquire tangible fixed assets and investments | (62,026) | (46,752) |
| Payments to acquire endowment securities | (8,004) | (10,620) |
| (Increase)/decrease in endowment cash balances | (1,966) | 19 |
| Receipts from sales of tangible fixed assets and investments | 7,844 | 9,211 |
| Receipts from sales of endowment securities | 8,101 | 7,824 |
| Deferred capital grants received | 15,699 | 10,836 |
| New endowments received | 1,484 | 2,659 |
| Net cash outflow from capital expenditure and financial investment | (38,868) | (26,823) |

28 Analysis of changes in consolidated financing during the year

Mortgages and Loans

| | | |
|--------------------|---------------|---------------|
| At 1 August | 46,211 | 50,561 |
| Capital repayments | (4,401) | (4,350) |
| At 31 July | 41,810 | 46,211 |

29 Analysis of changes in net funds

| | At 1 August 2013 £000 | Cash Flows £000 | Other Changes £000 | At 31 July 2014 £000 |
|---------------------------|-----------------------------|--------------------|--------------------------|----------------------------|
| Cash at bank and in hand | 11,368 | (19) | – | 11,349 |
| Debt due within one year | (4,401) | 4,401 | (4,456) | (4,456) |
| Debt due after one year | (41,810) | – | 4,456 | (37,354) |
| Current asset investments | 175,729 | 9,793 | – | 185,522 |
| | 140,886 | 14,175 | – | 155,061 |

30 Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Leeds Pension and Assurance Scheme (PAS). The assets of the schemes are held in separate trustee-administered funds. The schemes are defined-benefit schemes which are externally funded and are valued every three years by actuaries, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

A defined contribution plan, the University of Leeds Defined Contribution Plan (DC Plan), was introduced from 1 March 2013 as the main auto-enrolment vehicle for University support staff. The investment of scheme contributions for the DC Plan is managed by The People's Pension.

The University also contributes to the Teachers' Pension Scheme (TPS) which has 17 members, and the National Health Service (NHS) Pension Scheme which has 158 members, both multi-employer schemes.

Total pension cost for the University and its subsidiary undertakings

| | 2013/14 £000 | 2012/13 £000 |
|---------------------------|-----------------|-----------------|
| USS | 26,966 | 25,126 |
| PAS | 4,591 | 5,931 |
| DC Plan | 416 | 42 |
| Other pension schemes | 1,609 | 1,603 |
| Total pension cost | 33,582 | 32,702 |

Universities Superannuation Scheme (USS)

USS is a defined benefit scheme for Academic, Academic-Related and Professional Staff of all pre-1992 UK Universities and some other employers. It is a multi-employer scheme for which it is not possible to identify assets and liabilities to institutional members due to the mutual nature of the scheme, and therefore has been accounted for as a defined contribution scheme.

Triennial valuations are carried out by professionally qualified independent actuaries. The last valuation took place as at 31 March 2011. The March 2014 valuation is in progress.

In line with the agreed scheme changes, from 1 October 2011, new entrants have joined the Career Revalued Benefits (CRB) section of the scheme with an employee contribution rate of 6.5%. The final salary section member contribution is 7.5%. The employer contribution rate is 16% for both sections of the scheme.

University of Leeds Pension and Assurance Scheme (PAS)

PAS is a defined benefit scheme for support and technical staff within the University.

Triennial valuations are carried out by professionally qualified independent actuaries. The last valuation took place as at 31 March 2011. The March 2014 valuation is in progress.

Following a review of the scheme benefits including consultation with members, trade unions and PAS trustees, the following scheme changes were implemented with effect from 1 April 2013: a new Career Average Revalued Earnings (CARE) section of the scheme which new employees will have to opt to join rather than joining automatically; a normal pension age of 65 increasing in the future in line with increases to state pension age; member contributions of 7.1% for the final salary section (increasing to 7.5% from 1 April 2015) and 6.5% for the new CARE section; cost sharing if there are future contribution increases; a cap on pension increases and a restriction around beneficial early retirement terms. The employer contribution remains at 18% for both sections of the scheme.

The pension expense charged to the Income and Expenditure Account makes no allowance for actuarial gains and losses during the year. Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses (STRGL) in the year that they occur.

University of Leeds Defined Contribution Pension Plan (DC Plan)

To comply with Pensions Automatic Enrolment legislation, from 1 March 2013 the University introduced a new defined contribution plan, the University of Leeds Defined Contribution Plan (DC Plan). This is the default scheme for all new eligible support staff employees, although they can still opt to join the CARE section of PAS within a limited period of joining the University.

| | 2013/14 £000 | 2012/13 £000 |
|--|-----------------|-----------------|
| Change in benefit obligation | | |
| Benefit obligation at 1 August | 327,082 | 302,676 |
| Current service cost | 13,487 | 12,628 |
| Interest cost | 14,819 | 12,531 |
| Plan participants' contributions | 1,693 | 298 |
| Actuarial losses | 12,683 | 5,881 |
| Benefits paid | (9,295) | (6,932) |
| Benefit obligation at 31 July | 360,469 | 327,082 |
| Analysis of defined benefit obligation | | |
| Plans that are wholly or partly funded | 360,469 | 327,082 |
| Change in plan assets | | |
| Fair value of plan assets at 1 August | 326,526 | 272,182 |
| Expected return on plan assets | 20,688 | 16,182 |
| Actuarial gains | 3,757 | 33,920 |
| Employer contribution | 11,352 | 10,876 |
| Plan participants' contributions | 1,693 | 298 |
| Benefits paid | (9,295) | (6,932) |
| Fair value of plan assets at 31 July | 354,721 | 326,526 |
| Funded status | | |
| Net amount recognised | (5,748) | (556) |
| Amounts in the balance sheet | | |
| Liabilities | (360,469) | (327,082) |
| Assets | 354,721 | 326,526 |
| Net liabilities | (5,748) | (556) |
| Components of pension cost | | |
| Current service cost | 13,487 | 12,628 |
| Interest cost | 14,819 | 12,531 |
| Expected return on plan assets | (20,688) | (16,182) |
| | 7,618 | 8,977 |
| Actuarial losses/(gains) immediately recognised | 8,926 | (28,039) |
| Total actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses | | |
| Cumulative actuarial losses immediately recognised | 73,737 | 64,811 |

30 Pension schemes (continued)

| | 31 July 2014 | 31 July 2013 |
|-----------------------------------|-----------------|-----------------|
| Plan assets | | |
| Weighted-average asset allocation | | |
| Equities | 72.0% | 73.0% |
| Property | 11.0% | 10.0% |
| Bonds and other | 17.0% | 17.0% |
| | 100.0% | 100.0% |

| | 31 July 2014 | | 31 July 2013 | | 31 July 2012 | |
|--|--------------|----------------|--------------|-----------|--------------|-----------|
| | % | £000 | % | £000 | % | £000 |
| Assets in PAS and expected rate of return | | | | | | |
| Equities | 7.2% | 254,228 | 7.3% | 238,195 | 7.0% | 187,303 |
| Property | 7.2% | 38,042 | 7.3% | 33,877 | 7.0% | 33,089 |
| Bonds and cash | 3.6% | 62,451 | 3.8% | 54,454 | 3.4% | 51,790 |
| Total market value of assets | | 354,721 | | 326,526 | | 272,182 |
| Actuarial value of liability | | (360,469) | | (327,082) | | (302,676) |
| Net pension liability | | (5,748) | | (556) | | (30,494) |

To develop the expected long-term rate of return on assets assumption, the University considered the current level of expected returns on corporate bonds and equities. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 6.3% p.a. assumption for the expected long-term return on scheme assets over the year to 31 July 2014 and 6.1% p.a. over the year to 31 July 2015.

| | 2013/14 £000 | 2012/13 £000 |
|-------------------------------------|-----------------|-----------------|
| Actual return on plan assets | 24,421 | 50,102 |

| | 31 July 2014 | 31 July 2013 | 31 July 2012 |
|---|-----------------|-----------------|-----------------|
| Weighted average assumptions used to determine benefit obligations | | | |
| Discount rate | 4.15% | 4.50% | 4.10% |
| Rate of compensation increase | 4.70% | 5.00% | 4.30% |
| Rate of inflation | 2.40% | 2.50% | 1.80% |
| Rate of pension increase | 2.40% | 2.50% | 1.80% |

| | | | |
|--|--------------|-------|-------|
| Weighted average assumptions used to determine net pension cost | | | |
| Discount rate | 4.50% | 4.10% | 5.20% |
| Expected long-term return on plan assets | 6.30% | 5.90% | 6.20% |
| Rate of compensation increase | 5.00% | 4.30% | 5.00% |
| Rate of inflation | 2.50% | 1.80% | 2.75% |
| Rate of pension increase | 2.50% | 1.80% | 2.75% |

| | Male | Female |
|--|-------------|-------------|
| Weighted average life expectancy for mortality tables used to determine benefit obligations at 31 July 2014 | | |
| Member age 60 (current life expectancy) | 26.6 | 28.1 |
| Member age 40 (life expectancy at age 60) | 29.1 | 29.8 |

| | 2013/14 £000 | 2012/13 £000 | 2011/12 £000 | 2010/11 £000 | 2009/10 £000 |
|---|------------------|-----------------|-----------------|-----------------|-----------------|
| Five year history | | | | | |
| Benefit obligation at 31 July | (360,469) | (327,082) | (302,676) | (270,739) | (266,541) |
| Fair value of plan assets at 31 July | 354,721 | 326,526 | 272,182 | 264,077 | 235,535 |
| Deficit | (5,748) | (556) | (30,494) | (6,662) | (31,006) |
| Difference between expected and actual return on scheme assets | 3,734 | 33,920 | (11,298) | 10,606 | 21,333 |
| Percentage of scheme assets | 1% | 10% | (4%) | 4% | 9% |
| Experience gains/(losses) on scheme liabilities | – | – | – | 7,199 | (876) |
| Percentage of scheme liabilities | 0% | 0% | 0% | 3% | 0% |
| Total amount recognised in Statement of Total Recognised Gains and Losses | (8,926) | 28,039 | (26,241) | 24,416 | (548) |
| Percentage of scheme liabilities | 3% | 9% | (9%) | 9% | 0% |

Contributions

The University expects to contribute £11.5m to the Scheme in 2014/15. This compares with £11m in 2013/14.

31 Capital commitments

| | Consolidated and University | |
|--|-----------------------------|-----------------|
| | 2013/14 £000 | 2012/13 £000 |
| Provision has not been made for the following capital commitments | | |
| Commitments contracted at 31 July | 78,015 | 10,186 |

32 Financial commitments

Annual commitments under operating leases at 31 July

Buildings

| | | |
|---|--------------|-------|
| Expiring within one year | 2,817 | 253 |
| Expiring between one and five years inclusive | 3,771 | 5,617 |
| Expiring in more than five years | 4,752 | 7,010 |

Equipment

| | | |
|---|------------|-----|
| Expiring within one year | 138 | 278 |
| Expiring between one and five years inclusive | 331 | 159 |

| | | |
|--|---------------|--------|
| | 11,809 | 13,317 |
|--|---------------|--------|

33 Contingent liabilities

The University has guaranteed a bank loan of £1.4m (2012/13: £1.8m) from Barclays Bank, to Weetwood Hall Ltd.

34 Related party transactions

Due to the nature of the University's operations it is inevitable that transactions will take place with organisations, from the public and private sectors, in which a University member of staff may have an interest. Any such transactions are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

A number of senior staff and Council members exercised budgetary control during the year over research and teaching projects within the University as well as related expenditure within NHS Trusts, in their capacities as subsidiary undertaking directors, committee members and managers. Professor Paul Stewart, the Dean of the School of Medicine, was a non-executive director of Leeds Teaching Hospitals NHS Trust during the year; Nigel Foster, member of Council, is a remunerated director of Leeds Community Healthcare NHS Trust; Jane Madeley, the Finance Director, is a non-executive director and Chair of the Audit Committee for Leeds Community Healthcare NHS Trust; and Caroline Johnstone, member of Council, is a director and Chair of the Audit Committee of Leeds Teaching Hospitals NHS Trust.

Sir Alan Langlands, Vice-Chancellor, was a board member of a number of organisations which had transactions with the University during the year as follows:

| | Paid by the University | | Paid to the University | |
|---------------------------------------|------------------------|-----------------|------------------------|-----------------|
| | 2013/14 £000 | 2012/13 £000 | 2013/14 £000 | 2012/13 £000 |
| Yorkshire Universities | 129 | 21 | 150 | 128 |
| N8 Ltd | 40 | 4 | – | – |
| White Rose University Consortium | – | – | 1 | 1 |
| The Worldwide Universities Network | – | 48 | 33 | 57 |
| Myscience Ltd | 5 | 12 | – | – |
| Russell Group of Universities | 59 | 59 | – | – |
| Centre for Low Carbon Futures | 60 | 50 | – | – |
| University of Warwick Business School | 114 | – | 103 | – |
| Cancer Research UK | 66 | – | 5,177 | 6,133 |

Professor Michael Arthur, Vice-Chancellor (to August 2013), was a board member of a number of organisations which had transactions with the University during the year as follows:

| | Paid by the University | | Paid to the University | |
|------------------------------------|------------------------|-----------------|------------------------|-----------------|
| | 2013/14 £000 | 2012/13 £000 | 2013/14 £000 | 2012/13 £000 |
| Yorkshire Universities | 129 | 21 | 150 | 128 |
| N8 Ltd | 40 | 4 | – | – |
| Opera North | 56 | 63 | – | 1 |
| White Rose University Consortium | – | – | 1 | 1 |
| The Worldwide Universities Network | – | 48 | 33 | 57 |
| Myscience Ltd | 5 | 12 | – | – |
| Medical Research Council | 333 | 223 | 4,339 | 2,400 |
| Hot Courses | 39 | 35 | – | – |
| Russell Group of Universities | 59 | 59 | – | – |

Notes to the Accounts

for the year ended 31 July 2014

Professor David Hogg, a Pro-Vice-Chancellor, is a director of Medilink. In 2013/14 the University paid £8,000 (2012/13: Nil) for services provided.

Matthew Knight, previously Director of Human Resources, is a member of Leeds City Council's Independent Remuneration Panel. In 2013/14, the University paid £1,144,000 (2012/13: £1,093,000) to the Council for services provided.

Martin Holmes, Marketing Director, is a director of Leeds, York and North Yorkshire Chamber of Commerce. During 2013/14 the University paid £1,000 (2012/13: £37,000) for services provided.

Quentin Woodley, member of Council, is married to Carol Woodley, the Chair of the University of Leeds Pension and Assurance Scheme (PAS) until her resignation on 31 December. In 2013/14 the Scheme paid £24,000 for her services 2013 (2012/13: £49,000).

Nigel Foster, member of Council, is the owner and director of Colbaran Ltd. In 2013/14 the University paid £6,000 (2012/13: £6,000) to it for services provided. During the year he received remuneration from Fore Consulting Ltd in his capacity of director and owner– in 2013/14 the University paid the company £Nil (2012/13: £5,000) for services. He is the president and a director of Leeds, York and North Yorkshire Chamber of Commerce. He is a non-executive director of the Centre for Low Carbon Futures (CLCF). In 2013/14 the University paid CLCF £60,000 (2012/13: £50,000) and received £213,000 (2012/13: £66,000) from it for goods and services. He is also a director of The Ahead Partnership to which the University paid £100,000 in 2013/14 (2012/13: £112,000) for services provided.

Ed Anderson, member of Council and Chair of the Audit & Risk Committee is father of Sarah Anderson who works at Deloitte LLP. In 2013/14 the University paid £158,000 for services provided (2012/13: £190,000) and received £4,000 (2012/13: £5,000) from it for services rendered. He is also a board trustee at Opera North.

Professor Jane Francis, a member of staff until October 2013 and a member of the Council to July 2013, was previously a trustee of the Geological Society (until June 2013). In 2013/14 the University paid it £1,000 (2012/13: £2,000) for services provided.

John Stoddart-Scott, member of Council, was remunerated £6,500 (2012/13: £6,500) for his services as a director of Weetwood Hall Ltd, a wholly owned subsidiary.

Robin Johnson, member of Council was a partner at Eversheds during the year. In 2013/14 the University paid £52,000 (2012/13: £82,000) to Eversheds for services provided.

David Gray, member of Council, is a member of the board of DWF LLP. In 2013/14 the University received £Nil (2012/13: £1,000) from DWF LLP for services rendered.

Geoff Potter, member of Council, was a board trustee of Opera North until 16 September 2013.

Elizabeth Barber, member of Council, is a director of Yorkshire Water. In 2013/14 the University received £212,000 (2012/13: £363,000) from Yorkshire Water and in 2013/14 paid £466,000 (2012/13 £284,000) for services provided.

The wife of Dr G D Reid, Senior Lecturer in the School of Chemistry works for Reckitt-Benkiser. In 2013/14 the University received £2,000 (2012/13: £1,000) from it for services rendered.

Professor J Hayes, professor in Leeds University Business School, is Managing Partner of John Hayes and Associates. During 2013/14 the University paid £26,000 (2012/13: £3,000) to it for services provided.

Professor J Colyer, professor in the Faculty of Biological Sciences, is a director of Badrilla Ltd. During 2013/14 the University received £2,000 (2012/13: £1,000) from it and paid £1,000 (2012/13: £Nil) to it for services provided.

Dr M J Raxworthy, Operations Director of Regener8 in The School of Mechanical Engineering, is a director of Neotherix Ltd. During 2013/14 the University paid £Nil (2012/13: £3,000) to it and received £Nil (2012/13: £6,000) from it for services.

Professor P A Millner, professor in the Faculty of Biological Sciences, is a director of Elisha Systems Ltd. During 2013/14 the University paid £8,000 (2012/13: £20,000) to it for services provided. He is also a remunerated scientific advisor for NetScientific Ltd, from which, £81,000 was received (2012/13: £39,000 was owed) and £1,000 (2012/13: Nil) was paid for services provided.

Dr D M Ross, director for the Centre of Innovation in Health Management, is a director of Southwood Associates Ltd. During 2013/14 the University paid £63,000 (2012/13: £42,000) to it for services provided.

Mr O A Johnson, Senior Teaching Fellow in the School of Computing, and Dr S E Clamp, Senior Lecturer in the School of Medicine, are directors of X-Lab Ltd. During 2013/14 the University received £57,000 (2012/13: Nil) from it, and paid £123,000 (2012/13: £162,000) to it for services provided.

Professor S A E G Falle, professor in the School of Mathematics, is a director of Mantis Numerics Ltd. During 2013/14 the University paid £3,000 (2012/13: £13,000) to it for services provided.

Professor C F Taylor, professor in the Faculty of Performance, Visual Arts and Communications, is a director of CIDA Ltd. During 2013/14 the University paid £13,000 (2012/13: £Nil) to it for services provided.

Dr K A Exley, tutor in the Staff and Departmental Development Unit, is a director of HE Assessment and Development Ltd. In 2013/14 the University paid £Nil (2012/13: £1,000) to it for services provided.

Dr N J Horan, reader in the School of Civil Engineering, is the Chair of Aqua Enviro Ltd. In 2013/14 the University paid £2000 (2012/13: £1,000) to it and received £8,000 (2012/13: £8,000) from it for services provided.

Mr M Hamilton, Head of New Funding Development is a director of Association of Research Managers and Administrators. In 2013/14 the university paid £4,000 (2012/13: £2,000) for services provided.

Professor M Wang, professor in the Faculty of Engineering, is a non-executive director of Industrial Tomography plc. In 2013/14 the University paid £3,000 (2012/13: £3,000) to it and received £5,000 (2012/13: £14,000) from it for services provided.

Two Members of Council are officers of Leeds University Union (LUU): Bradley Escorio, Union Affairs Officer, and Alice Smart, Education Officer served until 30 June 2013; Bradley Escorio and Tom Dixon, served from 1 July 2013. During 2013/14 the University paid £2,047,000 (2012/13: £2,216,000) grant to LUU and £832,000 (2012/13: £981,000) for services provided. The University received £587,000 (2012/13: £464,000) for premises recharges from LUU.

35 Connected charitable institution

Bright Beginnings Childcare Centre Leeds is a connected charitable institution of the University. Its charitable objects are the advancement of education through the provision of nursery education and childcare facilities for the staff and students of the University of Leeds.

| | 2013/14 £000 | 2012/13 £000 |
|--|-----------------|-----------------|
| Bright Beginnings Childcare Centre Leeds: | | |
| Member's funds at 1 August | (26) | (62) |
| Income | 1,450 | 1,360 |
| Expenditure | (1,371) | (1,324) |
| Members' funds at 31 July | 53 | (26) |

36 Amounts disbursed as agent

Access to learning (hardship) funds

| | | |
|--|-----------|----------|
| At 1 August | – | – |
| HEFCE grant | 374 | 352 |
| Other funds provided by the University to supplement the Access Fund | – | 44 |
| Disbursed to students | (331) | (385) |
| Administration costs | (11) | (11) |
| At 31 July | 32 | – |

The above Funding Council grants are available solely for students; the University acts only as paying agent for which it receives an allowance in respect of administration costs. The grant and related disbursements are therefore excluded from the Income and Expenditure Account.

The National College for Teaching and Leadership (NCTL) - formerly the Teaching Agency (TA)

| | | |
|-----------------------|------------|------------|
| At 1 August | 165 | 41 |
| Funding in the year | 1,639 | 2,456 |
| Disbursed to students | (1,673) | (2,332) |
| At 31 July | 131 | 165 |

The above training bursaries from the NCTL are available solely for students in Initial Teacher Training; the University acts only as a paying agent. The bursaries and related disbursements are therefore excluded from the Income and Expenditure Account.

University Only Income and Expenditure Account

for the year ended 31 July 2014

| | 2013/14 £000 | 2012/13 £000 |
|--|-----------------|-----------------|
| Income | | |
| Funding Council grants | 111,773 | 128,642 |
| Tuition fees and education contracts | 235,919 | 191,883 |
| Research grants and contracts | 132,677 | 128,554 |
| Other operating income | 90,731 | 84,271 |
| Endowment income and interest receivable | 9,319 | 6,485 |
| Total income | 580,419 | 539,835 |
| Expenditure | | |
| Staff costs (excluding exceptionals) | 312,158 | 300,348 |
| Staff costs – exceptionals | 1,082 | (1,814) |
| Total staff costs | 313,240 | 298,534 |
| Other operating expenses | 197,653 | 192,382 |
| Depreciation | 29,452 | 25,774 |
| Interest payable and similar charges | 1,755 | 1,797 |
| Total expenditure | 542,100 | 518,487 |
| Surplus after depreciation and before exceptional items | 38,319 | 21,348 |
| Profit on disposal of fixed assets | 6,247 | 18,927 |
| Surplus after depreciation and exceptional items | 44,566 | 40,275 |
| Transfer to accumulated income within restricted endowments | (557) | (22) |
| Surplus for the year transferred to reserves | 44,009 | 40,253 |

Consolidated Five Year Results

for the year ended 31 July 2014

| | 2013/14 £000 | 2012/13 £000 | 2011/12 £000 | 2010/11 £000 | 2009/10 £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Income and Expenditure Account | | | | | |
| Income | | | | | |
| Funding Council grants | 111,773 | 128,642 | 148,466 | 160,821 | 157,733 |
| Tuition fees and education contracts | 236,083 | 192,033 | 166,700 | 156,513 | 147,792 |
| Research grants and contracts | 132,677 | 128,554 | 120,431 | 123,975 | 119,319 |
| Other operating income | 97,655 | 91,893 | 96,384 | 98,564 | 90,414 |
| Endowment income and interest receivable | 9,305 | 6,479 | 5,574 | 3,129 | 2,441 |
| | 587,493 | 547,601 | 537,555 | 543,002 | 517,699 |
| Expenditure | | | | | |
| Staff costs | 316,661 | 301,773 | 284,950 | 292,538 | 303,691 |
| Other operating expenses | 200,396 | 196,207 | 171,718 | 189,077 | 181,751 |
| Depreciation | 30,051 | 26,365 | 24,992 | 21,149 | 18,268 |
| Interest payable and similar charges | 1,757 | 1,811 | 2,166 | 2,291 | 1,287 |
| | 548,865 | 526,156 | 483,826 | 505,055 | 504,997 |
| Surplus after depreciation and before tax | 38,628 | 21,445 | 53,729 | 37,947 | 12,702 |
| Balance Sheet | | | | | |
| Assets | | | | | |
| Fixed assets | 629,364 | 478,807 | 451,999 | 451,673 | 423,487 |
| Endowment asset investments | 65,718 | 62,337 | 53,599 | 52,167 | 49,284 |
| Current assets | 259,312 | 251,329 | 230,264 | 183,426 | 165,742 |
| Liabilities | | | | | |
| Current liabilities | (149,616) | (152,415) | (140,640) | (139,976) | (148,087) |
| Long-term liabilities and provisions | (49,395) | (52,737) | (60,124) | (79,417) | (74,678) |
| Pension deficit | (5,748) | (556) | (30,494) | (6,662) | (31,006) |
| Net assets | 749,635 | 586,765 | 504,604 | 461,211 | 384,742 |
| | Number | Number | Number | Number | Number |
| Average number of staff (fte) | 6,581 | 6,454 | 6,333 | 6,175 | 6,510 |
| Number of students (fte) | 31,750 | 30,911 | 33,167 | 32,838 | 32,526 |

Key performance indicators (KPIs)

| | | | | | |
|---|--------------|-------|-------|-------|-------|
| World league table position (rolling three year average) | 96 | 95 | 91 | 92 | 96 |
| Research grant income per academic FTE (£000) | 89 | 89 | 86 | 89 | 82 |
| HSE reportable accidents per 1,000 employees | 1.3 | 0.8 | 2.5 | 2.5 | 3.1 |
| Research grant income growth | 3% | 7% | -3% | 4% | 6% |
| Income per square metre (£) | 1,293 | 1,207 | 1,167 | 1,201 | 1,176 |

INDEX OF DEFINED TERMS

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