

Financial Statements 2013/2014



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Barts and The London
School of Medicine and Dentistry
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Report by the President and Principal

The year 2013/14 has been one of continued progress for Queen Mary University of London (QMUL). After an extensive consultation process with our staff, we have developed and launched a new Strategy for the institution, which will guide our development over the next five years. The new Strategy is intentionally and necessarily ambitious, reflecting a clear desire to maintain the quite exceptional trajectory that the institution has achieved over the last decade and cement QMUL's position as one of the world's leading research-intensive universities. Our standing on the international stage has been reflected in the very recent publication of a major global ranking survey (the QS World University Rankings), which placed QMUL at 98th in the world and 19th in the UK. The institution was ranked 172nd in 2011, which demonstrates quite vividly the extent to which external perceptions of QMUL's academic strength have improved in a relatively short period of time.

In the new QMUL Strategy, we make a commitment to improving the level of operating surplus generated by the institution. We do not see this simply as a standalone objective; rather we view financial strength and sustainability as essential because (and only because) it allows the institution to fulfil its academic and broader social ambitions. An operating surplus is critical as it provides the basis for investment into our estate and infrastructure to support our teaching, research and public engagement activities. Generating these funds internally is now of acute importance, given that un-hypothecated central government funds to support capital expenditure have now been almost completely withdrawn.

Given this context, it has been very encouraging to note that the overall group surplus is fractionally short of £17m, which is a significant improvement on last year's position of a £9m surplus. Perhaps more importantly, our underlying performance after removing one off items shows a surplus of just under £14.8m, which again is a much stronger position than was recorded in 2012/13, when the corresponding figure was £4.2m. It also correlates very closely to the budget that was set for the year (which aimed for a £15m surplus), and the achievement of an outturn position that is so close to our objective is a testament to the efforts of staff from across the institution. This hard work will now allow the institution to progress with a range of critical investments over the coming period, including the refurbishment of our Engineering and Maths buildings, the continuation of a programme to enhance our teaching spaces, and the ongoing delivery of our IT Transformation Programme. This year also sees the start of construction work on the new Graduate Centre, which will also provide a new home to the School of Economics and Finance. This project is financed by external borrowing, informed by a robust business case based on buoyant recruitment of taught postgraduate students.

As an institution that sees Knowledge Creation as a fundamental part of its mission, it is encouraging to note the continued upward trajectory of our income from research grants and contracts, which has increased by 7% compared to 2012/13 figures. We remain focussed on improving our success rates in grant applications, in part through providing our academics with the required support as they formulate their bids. We also intend to co-ordinate our efforts more effectively both internally and externally with partners from the HE sector and beyond. We are acutely aware of the need to diversify our sources of research income. QMUL performs relatively well on this measure compared to other research-intensive universities, but we aim to

derive over 50% of such income from sources other than the UK public purse by 2018/19, and recognise the work that is required to achieve this.

Like other institutions, we await the outcome of the UK-wide assessment of research (the Research Excellence Framework), to which universities submitted in November 2013. Our preparations were thorough and focussed and there is a clear sense that all reasonable steps were taken to ensure the best possible submission. The final outcomes will be based on assessments by panels of experts, and this methodology, combined with a highly competitive landscape, means that predicting an outcome is fraught with difficulty. Throughout the REF process, we remained mindful of the fact that preparations for the exercise did not represent a research strategy per se; our new Research Strategy will be published during 2014/15.

Knowledge Dissemination forms the other key component of our institution's activity and a focus on the student experience remains paramount. Our performance in the latest National Student Survey showed that overall satisfaction levels remain high at 86%, with eight subjects in the top ten nationally and nine subjects rated as top in London. Investments in IT and the Library appear to have led to improved satisfaction, and the excellent work of the Students' Union was also recognised, with satisfaction levels at four percent above the national average. However, we are mindful that overall satisfaction, although high, has dropped slightly compared to 2013, and we are focusing on the outputs from the survey to help guide our future actions and investment.

We are rightly proud of the diversity of our student body and our commitment, as captured in our statement of QMUL Values, to 'recognising talent and nurturing the best and brightest, regardless of background'. We know, however, that while providing an excellent education to students who in previous years may have lacked the opportunity is a major step forward, the job is only half done if we are not able to correct the deficit in social capital with which such students may enter university. We are therefore concerning ourselves increasingly with widening opportunity, not just widening participation. Our Careers & Enterprise team is already placing hundreds of our students a year into internships and work experience through a range of schemes. External recognition of this work was recently received when QProjects, which places students into local charities to deliver challenging projects, won the 2014 Guardian Employability Award, based on evidence that it is helping a high proportion of widening participation students into graduate employment through improved skills, confidence and networks. Given this context, it has been pleasing to see our graduate employability levels increase in 2012/13 to over 91%. This marks an encouraging improvement on the previous year, but we are determined to raise this even further and our new Strategy commits us to these further improvements.

We are now operating in an environment that is more overtly competitive and that offers institutions greater flexibility in terms of the number of students they wish to recruit. It is encouraging that the QMUL 'offer', which includes the support for future employability prospects noted above, remains a highly attractive one to prospective students. Recruitment at all levels of study increased in 2013/14, with numbers at undergraduate level, our largest cohort, increasing by 4%^[1] on the previous year. Postgraduate recruitment was particularly strong, with 7% more students studying in 2013/14 compared to the

^[1] Student numbers are based on Full Time Equivalent population for all levels and modes of study as at 1 December 2013, with comparisons based on the equivalent data as at 1 December 2012.

Report by the President and Principal (cont)

previous year. While this is an excellent performance, we remain concerned that the number of UK students at postgraduate level is diminishing across the sector, and we continue to engage with relevant bodies to determine the appropriate response to this worrying trend.

Although mindful of ensuring an appropriate balance within our student body, we welcome the range of nationalities that chose to come to study at our London campuses and greatly value the manner in which they enrich the experience for all our students and our staff. We are therefore pleased to note that our overseas student numbers increased in 2013/14 by 10%, which is particularly noteworthy given the difficult backdrop posed by immigration policies and changes to visa regulations that we have witnessed in recent years. In part as a response to the continued uncertainty over these issues, we will look to build further on our notable success in developing our transnational education activities. The number of undergraduate students being taught outside London increased by 9% to over 2,200, reflecting the launch of a new Joint Programme with Nanchang University. Our Strategy articulates an ambitious target of increasing the number of offshore students to 5,000 by 2018/19, and we are exploring a number of opportunities to form new partnerships with leading overseas universities, based on our existing model of equally shared and complementary academic input from both contributing institutions.

The above point illustrates how important partnership working will be to the delivery of the objectives set out in our new Strategy. This will be particularly relevant to the delivery of our ambitions in the field of Life Sciences, where we will continue to progress our plans to develop a major Life Sciences campus in Whitechapel, adjacent to our School of Medicine and Dentistry, and in collaboration with the Barts Health Trust and a range of other key organisations from HE, healthcare, industry, the charitable sector and Government. Our membership of the UCL Partners Academic Health Sciences Centre and Network and our Strategic Alliance with the University of Warwick will be important in the context of our Life Sciences initiative as well as other areas.

We will continue to build on the notable successes of recent years whilst recognising the acute challenges, financial and otherwise, that are likely in the years ahead. Our objective is to ensure that QMUL's position as an internationally leading higher education institution is further enhanced.

Alongside this, we will remain an institution that has a strong sense of identity and a deeply-held commitment to social justice, expressed in the way we treat our staff, in the way we recruit and support our students, and in the way that we interact with our local communities.



Professor Simon Gaskell, President and Principal



Charitable Status and Public Benefit

As an exempt charity regulated by the Higher Education Funding Council for England (HEFCE), Queen Mary University of London has regard to the Charity Commission's guidance on public benefit and satisfies the 'public interest' test, as summarised and demonstrated below.

Charitable Status of QMUL

Queen Mary University of London was established by Act of Parliament and granting of a Royal Charter in 1989 following the merger of Queen Mary College (incorporated by Royal Charter in 1934) and Westfield College (incorporated by Royal Charter in 1933). The Charter has been revised on a number of occasions: 1995 to reflect the merger of Queen Mary with the Barts and the London School of Medicine and Dentistry; 2008, following QMUL's successful application to the Privy Council for Degree Awarding Powers; July 2010, following a governance review which led to the deletion of the Statutes in their entirety. In 2013 QMUL elected to change its name to Queen Mary University of London and to exercise its degree awarding powers from 2014.

QMUL is an 'exempt charity' under the Charities Act 1993. This status means that QMUL is not required to register directly with the Charity Commission, and in turn is not subject to its direct supervision. However, following the Charities Act 2006, from 1 June 2010 HEFCE became 'principal regulator' of the vast majority of higher education institutions in England, including Queen Mary.

Statement of compliance with Charity Commission guidance and the 'public interest' test

The public interest underpins all aspects of QMUL's mission and activities as a Higher Education Institution. As stated in the Charter:

"The Objects of QMUL shall be to promote, for the public benefit, education, research and scholarship, to provide courses and instruction leading to degrees and other academic awards of the University of London and/or QMUL and to promote and undertake research, and to disseminate the results of such research."

The 'advancement of education', identified as a key charitable criterion in the Charities Act 2006, underpins QMUL's mission as a higher education institution delivering research-led teaching to 16,000 students across a full range of disciplines at undergraduate, taught postgraduate and doctoral level through its three academic faculties. Examples of QMUL's pioneering contribution to education outreach and partnership include:

- its housing and continuing support for the Centre of the Cell in Whitechapel, an educational resource dedicated to inspiring curiosity and learning by connecting science to everyday life. Centre of the Cell is an online resource, a science education centre and outreach project aimed at young people, teachers, families and community groups;
- its co-sponsorship of the Drapers' Academy with the Drapers' Company, a leading City Livery Company with which QMUL has a long-standing partnership and from which it has received significant support. The Academy is located on Harold Hill in the London Borough of Havering and forms a key part of the Harold Hill Learning Village, a major educational initiative by Havering to regenerate an area of the Borough that has experienced high levels of unemployment and poor progression to further and higher education;

- its involvement as lead partner in a National Challenge Trust School in Tower Hamlets; St Paul's Way Trust School;
- the Queen Mary Legal Advice Centre provides free legal advice to members of the public, students and College staff. The Centre operates for the mutual benefit of clients and students and is committed to enabling students to learn from practical experience.

Ground breaking research at QMUL has a real-world impact supporting a range of charitable criteria. Below are a few examples of the role played by QMUL's research in charitable advancement:

Advancement of health

The EXHALE project in the School of Medicine and Dentistry's Institute for Health Sciences Education is aimed at understanding and improving children's respiratory health through assessment of 8 year old children in Tower Hamlets and Hackney Schools.

The Cancer Research UK Centre at Barts & The London School of Medicine & Dentistry which brings together top-ranked scientists in the medical school with expert clinical teams in the brand new cancer hospital to push forward laboratory discoveries into benefits for patients.

The new Heart Centre, also at Barts & The London School of Medicine & Dentistry, will speed up research from the scientist's bench to the patient's bedside to improve the diagnosis and treatment of cardiovascular disease.

Advancement of equality and diversity

The Centre for Equality and Diversity in the School of Business and Management conducts research underpinned by a commitment to social justice and inclusion in areas including employment relations policies and practices, discrimination, income inequality, labour market migration, professional and low paid work and trade unions.

Advancement of environmental protection or improvement

QMUL's Centre for Aquatic and Terrestrial Environments (CATE) is an interdisciplinary collaboration between the School of Geography and the School of Biological and Chemical Sciences. CATE builds on existing research strengths in areas of environmental research such as hydrology, hydrochemistry, environmental geochemistry, freshwater and marine ecology, terrestrial ecology and conservation.

The work of the ecology and behavioural biology research group in the School of Biological and Chemical Sciences is a major contributor to our understanding of modern eco-systems and animal and insect conservation.

Partnership with London Citizens

As well as work which directly meets the public benefit needs, QMUL also works with London Citizens to develop a community organizing culture and capacity. The School of Geography offers a unique MA in Community Organising which is designed to provide an advanced understanding of the theory, history and practice of community organising in the wider context of contemporary academic debate about social, political and economic change. It provides the intellectual and practical training that postgraduate students require to work as a community organiser, or in a related field. At a broader level it is also designed to strengthen the cadre of community organisers being developed in the UK, through a partnership with Citizens UK.



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Financial and Operating Review

Highlights

	2013/14 £000	2012/13 £000	Change %
Financials (consolidated)			
Total Income	349,157	323,609	+8%
Total Expenditure	333,263	319,737	+4%
Surplus Retained within General Reserves	16,951	8,942	+90%
Purchase of Tangible Assets	24,533	21,304	+15%
Increase in Cash (including Endowment Assets)	7,932	4,627	+71%
Cash and Short Term Investments	24,280	15,715	+55%
Borrowings	104,716	107,291	-2%
Income Highlights			
Funding Body Grants	80,576	87,107	-7%
Full-time Home and EU Students	71,226	51,160	+39%
Full-time Overseas Students	56,961	50,147	+14%
Research Grants and Contracts	87,246	81,272	+7%
Non-Financial			
Staff Numbers			
	3,535	3,488	+1%
Student Numbers (FTE)			
Undergraduate	13,597	13,070	+4%
Postgraduate	3,933	3,663	+7%
Associate	373	320	+17%
Total	17,903	17,053	+5%
Home	11,693	11,422	+2%
Overseas	6,210	5,631	+10%
Total	17,903	17,053	+5%

Financial Review

Overall the university generated a retained surplus of £17.0m, a significant improvement on last year's £8.9m particularly bearing in mind that last year's result included a £4.7m surplus generated from the sale of off-campus residential accommodation (2013/14 £0.5m). Overall, income increased 8% year on year with reduced funding body grants being more than offset by increases in tuition fee income. This was driven by the changes to the UK student funding regime, with an additional year of students paying tuition fees at the higher rate, and increases in postgraduate and overseas student numbers.

The undergraduate student numbers include around 2,300 based in China studying on joint degree programmes run in collaboration with the Beijing University of Post and Telecommunications.

Operating costs grew by 4%, mainly due to higher staff costs, though these did fall as a percentage of income, and higher depreciation charges, reflecting the significant investment in IT infrastructure in the last few years through our IT Transformation Programme.

Income

The recurrent grant that the university receives from HEFCE reduced by £6.8m (9%) as funding for teaching moves from central grants to the student. This recurrent grant now represents 20% of our total income (2012/13 24%).

Student tuition fees and education contract income grew by £25.0m (23%) due to the funding changes for home undergraduate students where we now have two years of students paying higher tuition fees,

however more importantly as a result of successful student recruitment with student numbers increasing by 5.0%.

Research grant and contract income increased by £6.0m (7%) with increases in income from all types of funder; particularly pleasing is a 23% increase in funding from UK industry and commerce given our stated aim of diversifying our research income and reducing our dependence on government grants. Other operating income, deriving from sources other than teaching and research, such as student residences, grew by £1.0m (2%).

Costs

Over 60% of total operating expenditure is staff costs. These increased by £7.8m (4%) which was in line with the change in staff numbers, annual increments and a general pay award of 1%. The increase in staff reflects higher student numbers. The Higher Education (HE) sector has a widely used benchmark, staff costs as a percentage of income. Our percentage continued to fall to 58% (2012/13 61%), partly because staff numbers rose at a lower rate than the student numbers. We continue to review our staffing to ensure that we have the optimal staffing structures and projects include a review of our administrative processes and introduction in some parts of QMUL of a workforce planning tool.

Other operating expenses only increased by £2.2m (2%) as we continued to focus on cost control. Depreciation increased by £3.3m (20%) as a result of capital investments, particularly short life IT equipment, as detailed below.

Financial and Operating Review (cont)

Fixed Assets

There were £26.6m of tangible fixed asset additions in the year. We continue to invest heavily in IT through the IT Transformation Programme (£3.0m), a multi-year programme with an estimated total spend of over £23m designed to overhaul our IT infrastructure; key areas of spend in the year were new, standardised desktop equipment under finance leases and standardised desktop software, a Business Intelligence tool and migration of applications into the new data centres that were constructed last year. The most significant estates project was the refurbishment of the physics building on which a further £6.9m was spent in addition to spend in the previous year.

We received £4.8m of deferred capital grants in the year (2012/13 £5.5m) with the balance largely being funded from university funds. There has been a decline in grant funding for capital from HEFCE related to the overall changes in HE funding.

Cash and Debt

Cash balances and short-term deposits, including endowment assets, ended the year at £27.8m (2012/13 £19.9m). This increase reflects the stronger operating result.

Total long term borrowing for the university and its subsidiaries stood at £92.3m at 31 July 2014, broadly unchanged from last year (2012/13 £104.1m). £72.4m of this borrowing is in bank loans, most of which is at fixed interest rates. These loans are long term, with repayment of the full amount of the principal not due for at least 20 years. During the year we restructured some of our bank debt and further details can be found in note 17 to the financial statements.

A further £19.9m (2012/13 £30.8m) is in the form of finance leases for equipment to support research and teaching and improvements in the IT infrastructure.

Queen Mary has a £15m revolving credit facility with Barclays, which enables us to more effectively manage our variable cash flows during the year, and further improve our liquidity. This has not been utilised during the year.

The university's short term investment of working cash balances is with an approved list of organisations, all of which are required to have strong, externally rated, credit worthiness.

Investments and Treasury Management

Endowment investments stood at £33.0m (2012/13 £34.1m). Our investment manager is Ruffer LLP.

The investment strategy is a single investment approach – an absolute return. This seeks capital preservation, not to lose money on a rolling annual basis and consistent positive returns, significantly greater than the return from cash.

Other Balance Sheet Movements

Overall net current assets have remained fairly consistent year on year. The fall in creditors due after more than one year is due to a move from long term to short term creditors caused by the upcoming need to repay a significant proportion of our finance leases. This gives us the opportunity to look at refinancing this debt at more advantageous rates.

Cash Flow

Cash balances, including endowment assets, increased by £7.9m (2012/13 £4.6m) and net debt reduced by £10.5m (2012/13 reduced by £1.5m). As noted above this was largely due to the better operating result.

Operating Review

QMUL has launched a new Strategy for the institution, which outlines our areas of focus and our aspirations over the period until 2018/19. The document provides continuity from our previous Strategic Plan

(2010-15), in terms of the level of our ambition and the embedding of all our activity within a continuum from knowledge creation to knowledge dissemination. The Strategy identifies six broad Strategic Aims for the institution and the following sections identify some key objectives within these areas and our progress in achieving the associated targets.

Strategic Aim 1 – People

Fundamental to our activity is the recruitment and teaching of students of the highest intrinsic talent. Recruitment increased across all levels, with the total number of FTE students enrolled increasing to 17,903, a 5% increase on the previous year. The number of undergraduate students was 13,597 (an increase of 4%) and postgraduate students numbered 3,933 (up 7%). Over 2,300 QMUL students were studying on our Joint Programmes in China.

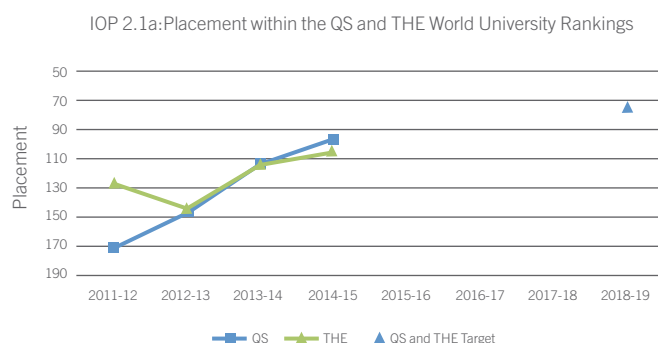
We recognise the importance of ensuring that QMUL maintains its proud tradition of nurturing the brightest and best talents, regardless of backgrounds. We aim to ensure that we continue to exceed our externally set (by the Higher Education Statistics Agency (HESA)) benchmarks for widening participation, which we have achieved consistently over recent years. We are placed second in the Russell Group (on 2012/13 data) for the extent to which we exceed our benchmarks.

While widening access is critical, we recognise that it must be mirrored by efforts to widen opportunities for our students, so that they can make the most of their talents and qualifications post-university. We are putting an increasing emphasis on expanding opportunities for students to undertake activities that will broaden their experience and networks, such as internships, projects in the workplace, or through support to develop their own business ideas. We are pleased to note that the number of students in employment or further study six months after graduation has increased from 2011/12 to 2012/13 (the latest data point) to meet our HESA benchmark, although we fully recognise we have more to do to meet our target of matching the Russell Group median.

Our staff are self-evidently fundamental to all that we do and are a key focus under this Aim, with more detail provided towards the end of this section.

Strategic Aim 2 – Research

QMUL is a research-led institution and we have made extraordinary progress in recent years in achieving prominence in research areas across all three Faculties. Many within the sector have reservations concerning the methodological and/or philosophical underpinnings of league tables, but our progress over recent years in the QS and THE world rankings (up approximately 50 and 40 places respectively since 2012/13) is we feel testament to the much improved external perception of our academic strength. We are consequently on track to achieve our target of a top 75 position within both rankings.

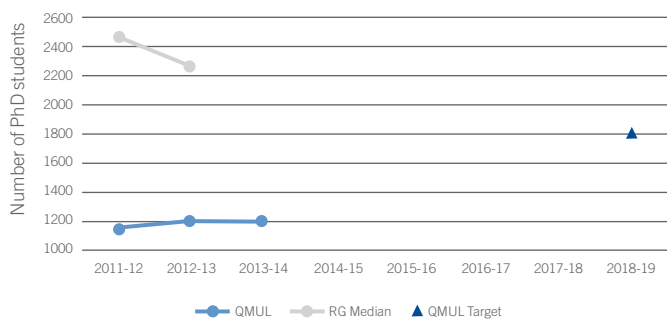


Financial and Operating Review (cont)

We aim to increasingly translate our research strength into an enhanced success rate for grant applications to major funding bodies. We have historically underperformed in this area and, following a slight decrease in the proportion of successful applications we will continue to concentrate on this area, mindful of the trend towards collaborative bidding and the importance of scale, and with an aim of matching the median success rates of our Russell Group peers.

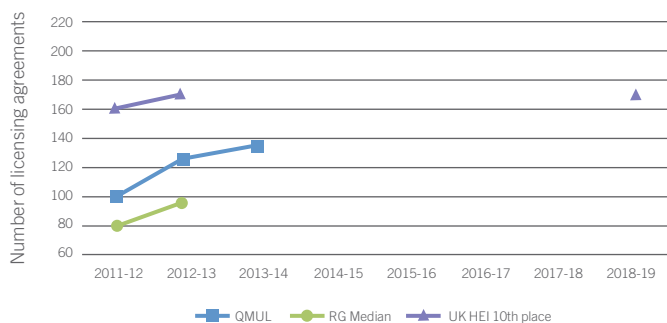
We recognise that a healthy research environment requires the active recruitment of talented staff at all levels and, as part of this, we will ensure that we continue to recruit a high level of doctoral, postdoctoral and early career researchers. In terms of the former group, we have consistently been working towards a target in terms of growing this cohort, which while very ambitious in terms of growth (a 50% increase on 2012/13 numbers by 2018/19), would (approximately) bring us into line with the median position in the Russell Group. We recognise the work that is required in this area.

IOP 2.2a: Number of PhD students



We continue to foster the application and commercialisation of our research and the Strategy outlines ambitions to enhance disclosure of inventions, licensing agreements and spin out companies so that we sit within the top 10 performing Higher Education Institutions by this measure. Progress has been encouraging in this broad area, with the chart below showing increases that have been achieved in relation to licensing agreements.

IOP 2.4b(i): Number of licensing agreements



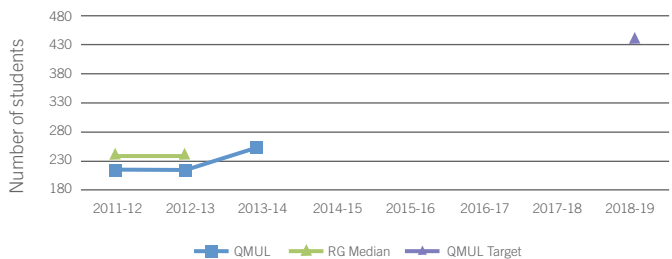
Strategic Aim 3 – Teaching and Learning

QMUL students have recorded high levels of satisfaction in recent years but we recognise that there needs to be an ongoing focus on ensuring that there continues to be investment and innovation in the delivery of courses and in resources and support available to students. While continuing to retain and recruit excellent teaching staff, we will also look to invest in teaching rooms and provide the informal study spaces that students increasingly look to use. Surveys of

undergraduate and postgraduate students show that we must continue to enhance the provision of learning resources, which in part is being addressed through our IT Transformation Programme.

We are committed to an enhanced virtual presence for QMUL and will work with appropriate partners to expand our offer of online provisions. Steady progress over recent years should be accelerated over the course of the Strategy period.

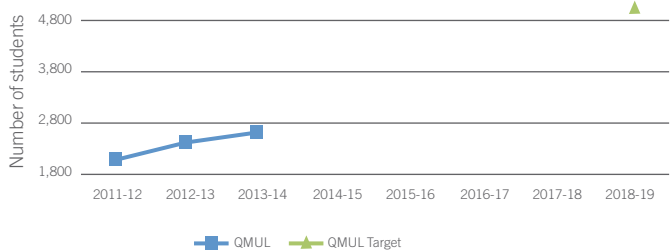
IOP 3.3: Students completing distance and blended learning programmes



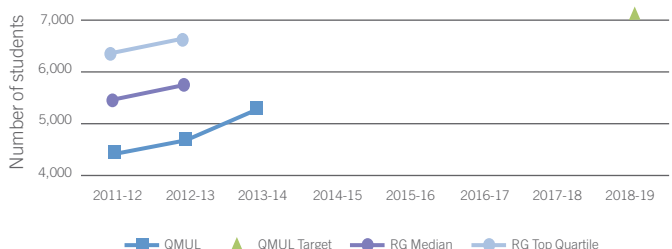
Strategic Aim 4 – International

We are advancing our international focus in a number of ways, through international research collaborations and also by teaching overseas students both in London and via transnational education programmes. We have enjoyed sustained growth in both these cohorts, which provides a good base for reaching our ambitious targets of 100% increase in those studying in London and 5,000 transnational students by 2018/19. Our transnational education is currently focussed on China and our model of equally shared academic input with an in-country partner is very well regarded and provides a template for further partnerships in this and other territories.

IOP 4.3: Number of students studying offshore on QMUL programmes



IOP 4.4: EU and Overseas students studying at QMUL's London campuses (FTE)



Financial and Operating Review (cont)

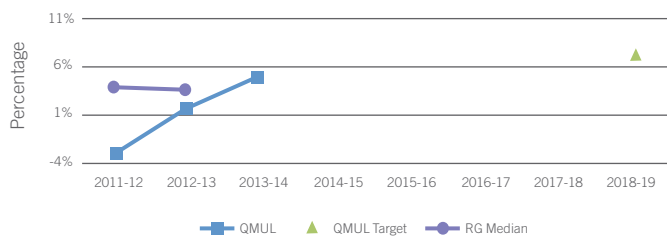
Strategic Aim 5 – Impact and Public Engagement

We are seen as leaders in the sector in engaging with the public and disseminating our research to as wide a set of audiences as possible. We are working towards being one of the first institutions to be awarded the National Coordinating Centre for Public Engagement Chartermark. We will also harness and support the enthusiasm of our student entrepreneurs and look to increase the number of students accessing entrepreneur support services by 100% (on 2012/13 levels) by 2018/19. We have made an encouraging start towards achieving this target, achieving a 25% increase over the last year.

Strategic Aim 6 - Financial Strength

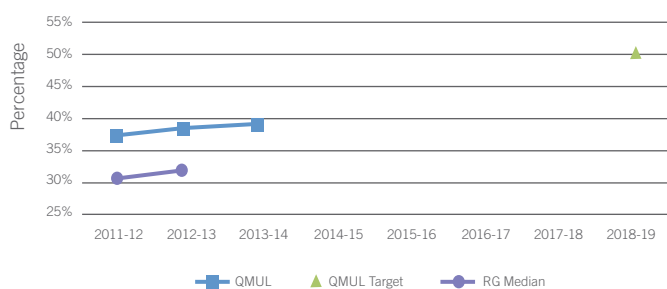
A key commitment under this Aim is to improve the level of operating surplus generated by the institution, so that we can sustain investment into our estate and infrastructure to support the ambitions outlined in the Strategy. It has been very encouraging to see the surplus, as a percentage of turnover, increase to 4.8% for 2013/14, which (based on 2012/13 data) would place QMUL comfortably within the top ten institutions in the Russell Group. We recognise that a 7% surplus level will require further advances across the Aims outlined in the Strategy.

IOP 6.1a: Operating surplus as a proportion of turnover



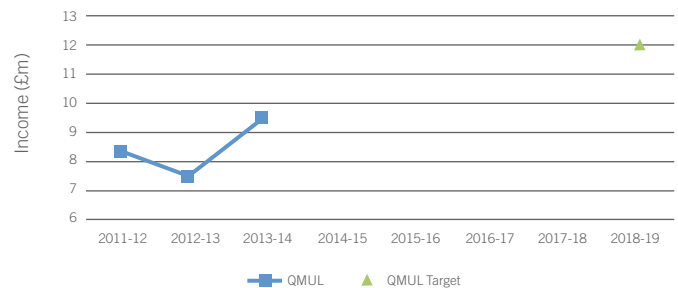
In research, we continue to argue forcefully for the national benefits of UK Government investment but recognise the excessive reliance on the UK public purse is unwise. We therefore target a majority of our research income being derived from other sources, and have seen steady progress in this area to a point where we record one of the highest such proportions in the Russell Group.

IOP 6.2b: Proportion of research income from sources other than the UK public purse



In the absence of a significant endowment, the Strategy commits the institution to achieving increased income from philanthropic sources. We are pleased to note that income from philanthropic donations increased to £9.5m in 2013/14, following investment into our Development Directorate, and we are on track to achieve an income of at least £12m per annum by 2018/19.

IOP 6.4: Annual income for philanthropic donations



Staff

Queen Mary senior leadership keeps in regular contact with staff through publicised open meetings with the President and Principal, newsletters and through local meetings. We engage with a number of key stakeholders throughout the year. Regular union consultations are held with Unison, the University and College Union (UCU) and Unite at the Joint Consultative Forum (JCF), held each semester, and meetings are held throughout the year to discuss major restructurings to ensure staff views are represented in any proposed changes. The Students' Union is represented on many committees, including Council, Senate, Estate and Service Committee and the Equality and Diversity Steering Group. Communication is undertaken with HEFCE, as our lead government funding body, throughout the year in addition to the Annual Monitoring process.

We encourage staff participation and collaboration with other universities and through Higher Education networks.

Queen Mary had a number of achievements in 2013/14 in terms of equality and diversity. The organisation successfully renewed the bronze Athena SWAN award (charter to advance women's career in science, technology, engineering, mathematic and medicine – STEMM) and the School of Dentistry successfully achieved their first bronze award. All STEMM schools at the university now hold an Athena SWAN award. The School of Politics and International Relations successfully achieved the bronze Gender Equality Mark. This is a pilot scheme in Humanities and Social Science to formally launch in Spring 2015.

BMEntor the cross-institutional London-wide mentoring scheme for academic and research staff from Black and Minority Ethnic (BME) backgrounds which is being run in partnership with King's College London and University College London was shortlisted for 2 awards this year: the ENEI Tapping into Talent award and the Race for Opportunity Developing Talent (Progression) Award.

The Women's Mentoring Scheme at QMUL was launched across all faculties in January 2014 having previously piloted in the Medical School and currently has 31 active mentoring relationships.

We held a total of 9 awareness raising events throughout the year and this was the first year where partnership working with the Student Union was introduced in order to increase student engagement. We once again increased our scoring and ranking in the Stonewall Workplace Equality Index.

Pension Funds

Our employees are mostly members of the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) scheme or the NHS Pension Scheme. All of these are pooled defined benefit schemes so it is not possible to identify the share of assets and liabilities that relate to QMUL and consequently these are not shown in the balance sheet.

Financial and Operating Review (cont)

Outlook

We recognise the challenges and uncertainties, financial and otherwise, that are likely in the years ahead for QMUL and the sector as a whole. These include, but are not limited to, further changes to student financing; the removal of student number controls; uncertainties over funding arrangements for postgraduate taught students; the potential continuation of real-term cuts to UK Government research funding; issues with immigration policy as it affects overseas students; and the negotiation of pay and pensions matters.

We recognise that minimisation of risk is no longer a viable sole approach and that the new imperative is instead to manage this risk in a creative way in order to meet our academic aspirations. We will pursue major opportunities, such as the development of our Life Sciences ambitions, alongside a continued and measured growth in student numbers and research income, in a way which achieves a balanced portfolio of activities and appropriately balances ambition and risk.

Our planned growth, together with a continued focus on cost control across the university, means that we are anticipating (as noted above) that our net surpluses will increase in the medium term and we are increasing our focus on medium term financial planning to ensure that we strike the right investment balance between revenue and capital and that the finances underpin and enable the new Strategy from a financial perspective.

Auditors

The contract to provide audit services to QMUL is due for renewal and will be put out to competitive tender during the year ended 31 July 2015.





Statement of Corporate Governance and Internal Control

Queen Mary endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life. QMUL's Governing Body, is guided by, but not limited by, the Committee of University Chairs' (CUC) governance code of practice and general principles within the CUC Guide for Higher Education Governing Bodies in the UK issued in 2009. QMUL's practices are consistent with the provisions of the code.

Constitution and Governing Body

Queen Mary is formed by Royal Charter. The Charter and Ordinances constitute the instruments of QMUL's governance, the principles and provisions of which are amplified in the Ordinances. Queen Mary, as with any other chartered institution, requires Privy Council approval to revise the Charter.

The Charter establishes the Council and Senate, each with clearly defined functions and responsibilities detailed in the Ordinances, to oversee and manage Queen Mary's activities.

The Council is QMUL's governing body and is responsible for the strategic oversight of the institution. Its specific responsibility includes approval of the financial strategy and securing its assets. The Council comprises a majority of external members whose principal role is to bring independent expertise from a range of sectors and professional spheres and to hold, collectively, the Executive to account. A Governance Committee exists, with a majority of external members, to recommend nomination to the Committees of Council and so fulfils the roles and expectations of a nominations committee within the CUC guidance.

The Chairman of Council is required to be elected from among the external members of Council. There is also provision for the election of members of the academic staff, and representatives of other staff groups, to Council and for a Students' Union representative. No members of the Council receive remuneration for their role, apart from staff members and the QMSU sabbatical solely in the context of their employment. Details of membership of Council and Audit and Risk Committee are set out as the final page of these financial statements.

Subject to the overall superintendence of the Council, the Senate has oversight of the academic affairs of Queen Mary and draws its membership entirely from academic staff and students, with a majority of elected representatives. It is particularly concerned with issues relating to academic policy, setting and maintaining academic standards, the quality of the student experience and academic freedom.

The Role of the President and Principal

The President and Principal is appointed by the Council as chief academic and accounting officer to head Queen Mary. The President and Principal is accountable to the Council for the organisation, direction and management of QMUL. Under the terms of the memorandum of assurance and accountability between Queen Mary and HEFCE, the President and Principal is the designated officer of QMUL and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

The President and Principal exercises considerable influence upon the development of QMUL strategy, the identification and planning of new developments and the shaping of the QMUL ethos. The President and Principal is assisted in this by the Senior Executive comprising the Senior Vice Principal, Vice Principal & Executive Dean (Health), Vice Principal & Executive Dean (Humanities and Social Sciences), Vice Principal & Executive Dean (Science and Engineering), Vice Principal (Teaching and Learning), Vice Principal (Research), Vice Principal

(External Partnerships and Public Engagement), Vice Principal (International), Chief Operating Officer and Chief Strategy Officer.

Committees of Council

Although the Council meets up to six times in each academic year, much of its detailed work is handled initially by committees, in particular Finance and Investment Committee and Audit and Risk Committee. The decisions of all of these committees are reported formally to the Council.

The Finance and Investment Committee focuses on oversight of the Senior Executive's planning and management of finance, investments and assets of QMUL. It has a particular remit in relation to providing advice and recommendations to Council, or reviewing/monitoring and approving on behalf of Council, in respect of the following:

- Recommends to Council a Finance strategy;
- Recommends to Council the annual budgets and financial forecasts;
- Monitors the financial situation of QMUL, both capital and revenue;
- Advises Council on plan and budgets produced by QMUL's Senior Executive for large capital projects;
- Considers proposals affecting major Queen Mary assets, in particular the estate;
- Approves QMUL's value for money strategy; and
- Approves a strategy for borrowing, investment of funds and raising of monies.

The Audit and Risk Committee oversees QMUL's procedures for external audit, internal audit, financial control and risk management, and provides assurances in these key areas through its annual report to Council which is copied to HEFCE. More specifically, the Committee will:

- Oversee external and internal audit services, including receiving reports and recommendations from both on the results of their work;
- Review the effectiveness of QMUL's systems for submission of regulatory returns, financial control, value for money and alleged financial irregularities; and
- Review the effectiveness of mechanisms operated by the Senior Executive for identifying, assessing and mitigating risks.

The categories of membership of the Finance and Investment and Audit and Risk Committees are laid down by Ordinance.

The Financial Statements are adopted by Council following review by Finance & Investment Committee and on the recommendation of the Audit and Risk Committee after it has received a report from the External Auditors.

There is a Remuneration Committee which acts within the principles of the CUC guidance.

Responsibilities of the Council

QMUL maintains a Register of Interests of members of the Council and of members of the senior executive which is published on the Council and Governance web pages (www.qmul.ac.uk).

In accordance with the Charter and Ordinances of QMUL, the Council Secretary provides independent advice on matters of governance to all Council members.

In line with recommendations within CUC guidance, Council undertakes a formal and rigorous review of its effectiveness every five years.

Statement of Corporate Governance and Internal Control (cont)

Council is responsible for the appointment of the Auditors and approval of the Annual Accounts which are prepared in accordance with the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between HEFCE and the Council of Queen Mary, the Council, through its designated office holder, the President and Principal, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of QMUL and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council is assured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that QMUL will continue in operation. The Council is satisfied that it has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

So far as the Council is aware, there is no relevant audit information of which QMUL's auditors are unaware. Relevant information is defined as information needed by QMUL's auditors in connection with preparing their report.

The Council, through its designated officer, the President and Principal, has taken reasonable steps to:

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

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

- clear definition of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance and Investment Committee under delegated authority from Council;

- internal audit carried out by an external firm of auditors. The programme is approved by the Audit and Risk Committee; and
- regular reviews of financial performance involving variance reporting, sensitivity analysis and updates of forecast out-turn.

Internal Controls

The Council has established processes to comply with the direction from HEFCE for the identification, evaluation and management of risks Queen Mary faces. These processes have been in place throughout the year under review and to the date of approval of the annual report and financial statements. The following is a statement of QMUL's internal control and risk management policy:

- The Council has responsibility for maintaining an effective system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which the Council is responsible, in accordance with the responsibilities assigned to the Council in the Charter and the memorandum of assurance and accountability with HEFCE.
- The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
- The system of internal control is based on a continuing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.
- The Council receives periodic reports from the Chairman of the Audit and Risk Committee concerning internal control. The appropriate committees of the Council receive reports from the Senior Executive on the steps QMUL is taking to manage risks in their areas of responsibility, including progress reports on key projects.
- During the year under review QMUL has:
 - a. Continued carrying out 'deep dive' assessments of particular areas within Queen Mary including Marketing, Public Engagement and Estates and Facilities. These look at risk monitoring at an operational level and consider how it links to the strategic risk register. For each a senior staff member, such as the Director of Marketing and Communication or Estates, will discuss how that department monitors risks, citing case studies as well as demonstrating that the controls in place to mitigate risks and ensure success were based on analysis and evidence.
 - b. A new Strategic Risk Register which is aligned with the new strategic plan, has been developed in consultation with the Audit and Risk Committee and the Council. Audit and Risk Committee and the Council have approved the new risk register which will be implemented in line with the new strategic plan from 2014. Strategic and significant business risks are owned and managed by QMUL's Strategic Risk Management Group which works with Queen Mary Senior Executive to monitor and review the high-level Strategic Risk Register and Risk Matrix, which documents the impact and likelihood of a risk. The group meets quarterly and the Audit and Risk Committee receives regular reports on the monitoring of the Strategic Risk Register. Schools/Institutes, Faculties and Professional Services will be supported to update their own, detailed risk registers in order to align with the content and format of the new Strategic Risk Register. These will feed upwards into the overall Strategic Risk Register.

Statement of Corporate Governance and Internal Control (cont)

- QMUL procures its internal audit service from KPMG, which operates to standards defined in the revised HEFCE Audit Code of Practice. The work of the internal audit service is informed by an analysis of risks to which QMUL is exposed, and annual internal audit plans are based on this analysis. The Council endorses the analysis of risks and the internal audit plans on the recommendations of the Audit and Risk Committee. At least annually the head of internal audit provides the Audit and Risk Committee with a report on internal audit activity in QMUL. The report includes the head of internal audit's independent opinion on the adequacy and effectiveness of QMUL's system of internal control, including internal financial control.
- The Council's review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within QMUL who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.
- The Audit and Risk Committee followed a programme reviewing compliance risks by way of receiving reports from those responsible for those risks.





Independent Auditors' Report to the Council of Queen Mary University of London (the 'institution')

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2014 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and parent institution financial statements (the "financial statements"), which are prepared by Queen Mary University of London, comprise:

- the consolidated and parent institution Balance Sheets as at 31 July 2014;
- the consolidated Income and Expenditure Account for the year then ended;
- the consolidated Statement of Consolidated Total Recognised Gains and Losses for the year then ended;
- the consolidated Statement of Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Generally Accepted Accounting Practice.

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

What an audit of financial statements involves

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

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

In addition, we read all the financial and non-financial information in the President and Principal's 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.

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

In our opinion, in all material respects:

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

Other matters on which we are required to report by exception

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

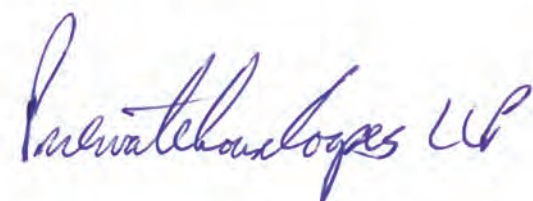
Independent Auditors' Report to the Council of Queen Mary University of London (the 'institution') (cont)

Responsibilities for the financial statements and the audit

Respective responsibilities of the Council and auditors

As explained more fully in the Responsibilities of the Council statement set out on pages 14-15 the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London



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





Consolidated Income and Expenditure Account for the year ended 31 July 2014

	Note	2014 £000	2013 £000
Income			
Funding body grants	2	80,576	87,107
Tuition fees and education contracts	3	134,426	109,386
Research grants and contracts	4	87,246	81,272
Other income	5	46,114	45,129
Endowment and investment income	6	795	715
Total income		349,157	323,609
Expenditure			
Staff costs	7	203,885	196,104
Other operating expenses	8	106,211	104,043
Depreciation	11	20,139	16,845
Interest and other finance costs		3,028	2,745
Total expenditure	9	333,263	319,737
Surplus after depreciation of tangible fixed assets at valuation and before tax and minority interest			
		15,894	3,872
Share of operating loss in associate	13	(35)	(184)
Taxation	10	(7)	18
Surplus after depreciation of tangible fixed assets at valuation and tax and before minority interest			
		15,852	3,706
Minority interest		5	0
Surplus before exceptional items			
		15,857	3,706
Sale of investments and fixed assets	11,12	481	4,712
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax and minority interest			
		16,338	8,418
Deficit for the year transferred to accumulated income in endowment funds	20	613	524
Surplus for the year retained within general reserves			
	31	16,951	8,942

Results for the year and the previous year, as set out above, are derived entirely from continuing operations.

Statement of Group Historical Cost Surpluses and Deficits for the year ended 31 July 2014

	Note	2014 £000	2013 £000
Surplus on continuing operations before taxation and exceptional items			
Difference between historical cost depreciation and actual depreciation charge for the year calculated on re-valued fixed assets	21	159	163
Historical cost surplus for the year before taxation and exceptional items			
		16,023	3,851
Retained historical cost surplus after taxation and before exceptional items			
		16,016	3,869

The notes on pages 25 to 44 form part of these financial statements

Balance Sheets

at 31 July 2014

	Note	Consolidated		QMUL	
		2014 £000	2013 £000	2014 £000	2013 £000
Fixed assets					
Tangible assets	11	403,454	397,076	399,121	390,988
Investments	12	3,533	4,213	7,029	7,729
Investments in associates	13	55	115	1	1
		407,042	401,404	406,151	398,718
Endowment assets	14	33,048	34,072	32,790	34,001
Current assets					
Stocks		173	251	173	251
Debtors	15	40,143	39,821	40,192	40,947
Cash at bank and in hand		24,280	15,715	22,883	14,552
		64,596	55,787	63,248	55,750
Creditors: amounts falling due within one year	16	(103,281)	(89,119)	(105,298)	(91,673)
Share of net liabilities in associates	13	(437)	(570)	0	0
Net current liabilities		(39,122)	(33,902)	(42,050)	(35,923)
Total assets less current liabilities		400,968	401,574	396,891	396,796
Creditors: amounts falling due after more than one year	17	(92,824)	(104,573)	(75,843)	(87,592)
Net assets excluding pension liability		308,144	297,001	321,048	309,204
Net Pension liability	28	(225)	(187)	(225)	(187)
Net assets including pension liability		307,919	296,814	320,823	309,017
Deferred capital grants	19	181,847	186,259	177,506	181,422
Endowment funds					
Expendable	20	10,488	10,889	10,230	10,818
Permanent	20	22,560	23,183	22,560	23,183
		33,048	34,072	32,790	34,001
Reserves					
Income and expenditure account excluding pension reserve		81,072	63,988	98,457	81,327
Pension reserve	28	(225)	(187)	(225)	(187)
Income and expenditure account including pension reserve		80,847	63,801	98,232	81,140
Revaluation reserve	21	12,295	12,454	12,295	12,454
Other reserves		(113)	228	0	0
		93,029	76,483	110,527	93,594
Minority interest		(5)	0	0	0
Total Funds		307,919	296,814	320,823	309,017

The notes on pages 25 to 44 form part of these financial statements

The financial statements on pages 21 to 44 were approved by Council on 25 November 2014 and signed on its behalf by:



SIR N MONTAGU
Chairman



PROFESSOR S GASKELL
President and Principal

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 July 2014

	<u>Note</u>	<u>2014</u> £000	<u>2013</u> £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets, tax and minority interest		16,338	8,418
Add			
Currency translation on net foreign investment		(14)	2
Revaluation of investments		(327)	105
New endowments	20	526	198
Revaluation of endowment investments	20	(671)	3,796
Management fee charged to endowment funds	20	(313)	(301)
Repayments of student benevolence loans	20	47	74
Actuarial adjustment on defined benefit pension scheme	28	(64)	323
Total recognised gains relating to the year		15,522	12,615
Reconciliation			
Opening reserves and endowments		110,555	97,940
Total recognised gains relating to the year		15,522	12,615
Closing reserves and endowments		126,077	110,555

The notes on pages 25 to 44 form part of these financial statements

Consolidated Cash Flow Statement

for the year ended 31 July 2014

	<u>Note</u>	<u>2014</u> £000	<u>2013</u> £000
Net cash inflow from operating activities	23	31,536	15,709
Returns on investments and servicing of finance	24	(2,247)	(2,028)
Capital expenditure and financial investment	25	(18,472)	(8,501)
Management of liquid resources	27	0	1,880
Financing	26	(2,885)	(2,433)
Increase in cash	27	<u>7,932</u>	<u>4,627</u>

Reconciliation of net cash flow to movement in net debt

Increase in cash for the year	27	7,932	4,627
Change in short term deposits	27	0	(1,880)
Repayment of bank loans and finance leases	26	2,885	2,433
New finance leases	27	(302)	(3,684)
Change in net debt		<u>10,515</u>	1,496
Net debt at 1 August		(87,012)	(88,508)
Net debt at 31 July	27	<u>(76,497)</u>	<u>(87,012)</u>

The notes on pages 25 to 44 form part of these financial statements

Notes to the financial statements

1. Accounting Policies

The following accounting policies have been applied consistently by both QMUL and subsidiaries in dealing with items which are considered material in relation to QMUL's financial statements.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain tangible assets and investments and in accordance with both the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions 2007 (SORP), and applicable Accounting Standards in the United Kingdom.

Basis of consolidation

The financial statements consolidate the financial statements of QMUL and its subsidiaries and associated undertakings for the financial year ended 31 July 2014.

The consolidated income and expenditure account includes the results of QMUL subsidiaries and the share of profits, losses and taxation of associated undertakings. Intragroup transactions are eliminated on consolidation. Details of the investments made in these companies are presented in notes 12 and 13.

The consolidated financial statements do not include those of the Queen Mary, University of London Students' Union because it is an independent association with separate control. The grant to the Students' Union is disclosed in note 8.

Recognition of income

- i. Funding body block grants are accounted for in the year to which they relate.
- ii. Fee income is credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment income received is shown net of the discount. Bursaries paid to students are accounted for gross as expenditure and not deducted from income. Scholarships which reduce the tuition fees payable and fee waivers are deducted from tuition fee income.
- iii. Income from sponsored research grants and contracts is accounted for on an accruals basis and included to the extent that direct expenditure and recoverable overheads were incurred during the year. Any payments received in advance of performance are recognised in the balance sheet as liabilities. Funds QMUL receives and disburses as paying agent for the grant giving body are excluded from income and expenditure where there is minimal exposure to risk or minimal economic benefit received.
- iv. Other operating income is recorded in income when it has been earned.
- v. Investment income is credited to the Income and Expenditure Account on a receivable basis. Income from restricted endowments not required to cover expenditure in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowments in the balance sheet and are reported in the statement of total recognised gains and losses.
- vi. Grants or donations received in respect of expenditure on fixed assets are treated as deferred capital grants and released to the income and expenditure account in line with depreciation over the life of the asset.
- vii. Charitable donations are recognised when received or when there is sufficient evidence to provide the necessary certainty that the donation will be received and the amount can be measured with sufficient reliability. Donations which are to be retained for the benefit of QMUL are recognised in the statement of total recognised gains and losses and in endowments: other donations are recognised by inclusion as other income in the income and expenditure account.
- viii. Increases or decreases in value arising on the revaluation or disposal of fixed asset investments are added to or subtracted from the fund concerned and are reported in the statement of total recognised gains and losses.

Accrued or deferred income arising from the policies at i-vi above are recognised respectively in current assets or current liabilities in the balance sheet.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

- i. Freehold land and buildings and long leasehold buildings are stated at cost or valuation. QMUL has applied the transitional rules, contained in Financial Reporting Standard 15, Tangible Fixed Assets, to retain the previous valuations of these properties but not to adopt a policy of revaluation in the future. Since 1 August 2001 all additions to fixed assets have been at cost.
- ii. Depreciation on buildings is calculated at 2% per annum using the reducing balance method. Depreciation on leased buildings is calculated at 2% per annum or over the life of the lease if the lease is less than 50 years. No provision for depreciation is made against the value of land.
- iii. Assets in the course of construction are stated at cost and are not depreciated until they are transferred to the completed asset class when ready for use.
- iv. Plant and Machinery is depreciated over 10 to 15 years.
- v. Equipment costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

Notes to the financial statements (cont)

1. Accounting Policies (cont)

Tangible fixed assets (cont)

vi. Capitalised equipment is depreciated over 3 to 8 years.

vii. Expenditure on an asset after it is purchased is capitalised when the expected future benefits from that asset as a result of the expenditure are greater than those previously assessed.

viii. Where assets are acquired with the aid of specific grants they are capitalised and depreciated over the shorter of the term of the grant or the depreciation terms as set out above. The related grants are treated as deferred capital grants and released to income in line with the depreciation charge.

ix. Assets held under finance leases are depreciated over the period of the finance lease or their useful economic life whichever is shorter.

x. Improvements to properties held under short leases are depreciated over the life of the lease.

xi. Where it is considered that there has been any impairment in the value of an asset, the difference between the carrying value and the higher of its net realisable value or value in use is expensed in the income and expenditure account. Circumstances which could give rise to an impairment are reviewed annually.

xii. QMUL owns heritage assets, none of which either individually or collectively are material to these Financial Statements, which have not been capitalised.

xiii. Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the year it is incurred. QMUL has a planned maintenance programme which is reviewed annually.

Investments

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

ii. Investments in subsidiary and associate undertakings are shown at the lower of cost or net realisable value in QMUL's balance sheet. Associate undertakings are shown at QMUL's attributable share of net assets in the consolidated balance sheet.

iii. Unquoted investments are held at cost or impaired value.

iv. Current asset investments are held at the lower of cost and net realisable value.

Stocks

Stock is valued on a first in first out basis and stated at the lower of cost and net realisable value. Included in the valuation are stocks in the refectories and central and departmental stores. An annual review is undertaken of slow moving, obsolete and defective stock and the difference between the carrying value and the higher of its net realisable value or value in use is expensed in the income and expenditure account.

Liabilities

Liabilities are recognised where legal or constructive obligations mean that it is more likely than not that a transfer of economic benefits will be made.

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are 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 held as part of QMUL's treasury management activities, but exclude any such assets held as fixed asset investments.

Leases

Finance leases which transfer substantially all the benefits and risks of ownership of an asset to QMUL, are treated as if the asset was purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to provide the outstanding obligation at the next option date and the interest element is charged to the income and expenditure account so as to give a constant periodic rate of charge of the remaining balance outstanding at the end of each accounting year.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the lease.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Exchange differences arising have been included in the income and expenditure account for the year.

Financial Instruments

QMUL uses derivative financial instruments called interest rate swaps to reduce exposure to interest rate movements. Such derivative financial instruments are not held for speculative purposes and relate to actual liabilities or probable commitments, changing the nature of the interest rate by converting a variable rate to a fixed rate. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts. If the derivative financial instrument ceases to be a hedge for an actual liability, it is marked to market and any resulting profit or loss recognised at that time. Break costs associated with refinancing are to be spread over the term of the new loan facility.

A financial asset and liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the financial statements (cont)

1. Accounting Policies (cont)

Associate companies

QMUL's share of assets and liabilities in associate entities is recognised in the consolidated balance sheet in accordance with FRS 9.

Associate entities are consolidated using the equity method in accordance with FRS 9.

Pension Schemes

As described in note 28, QMUL is a member of three defined benefit pension schemes: the Superannuation Arrangements of the University of London, the Universities Superannuation Scheme, and the NHS Public Service Scheme which are multi-employer schemes where it is not possible to identify the share of assets and liabilities attributable to each employer on a consistent and reasonable basis. QMUL therefore accounts for its pension costs on a defined contribution basis as permitted by FRS 17. Differences between amounts charged to the income and expenditure account and amounts funded are shown as either provisions or prepayments in the balance sheet. QMUL also operates a closed defined benefit pension scheme for the non teaching staff of the London Hospital and St Bartholomew's Hospital medical colleges which is accounted for in accordance with FRS 17 and further described in Note 28. QMUL is not a member of any defined contribution schemes which incur costs or liabilities other than the defined contributions themselves.

Endowment funds

Endowments are charitable donations to be retained for the benefit of the institution as specified by the donors. There are three main types:

- i. Unrestricted permanent endowments which the donor has specified are to be permanently invested to generate an income stream for the general benefit of QMUL.
- ii. Restricted expendable endowments which the donor has specified are to be used for a specific purpose other than purchase or construction of tangible fixed assets.
- iii. Restricted permanent endowments which the donor has specified are to be permanently invested to generate an income stream for a particular purpose.

Tax status

QMUL is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charity for corporation tax purposes. Accordingly, QMUL is potentially exempt from tax in respect of income or capital gains received within categories covered by Section 287 of CTA 2009 and sections 471 and 478-488 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. QMUL is registered for Value Added Tax (VAT) but is unable to recover input tax incurred on the majority of its expenditure, most education and research being exempt activities under VAT legislation. Irrecoverable VAT is included in the cost of the goods or service.

2. Funding Body Grants

	<u>Note</u>	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
Recurrent grant		70,622	77,460
Specific grants			
Higher education innovation fund		2,715	2,567
Teacher quality enhancement fund		0	457
Other		928	679
		<u>3,643</u>	<u>3,703</u>
Deferred capital grants released in year			
Buildings	19	2,900	2,971
Plant	19	1,160	1,166
Equipment	19	2,251	1,807
		<u>6,311</u>	<u>5,944</u>
		<u>80,576</u>	<u>87,107</u>

Notes to the financial statements (cont)

3. Tuition Fees and Education Contracts

	<u>Note</u>	<u>2014</u>	<u>2013</u>
		<u>£000</u>	<u>£000</u>
Full-time students charged home/EU fees		71,226	51,160
Full-time students charged overseas fees		56,961	50,147
Part-time students		3,201	2,873
Research training support grants		0	21
Short course fees		1,138	1,255
Other fees and support grants		1,220	3,159
Education Contracts		680	771
		<u>134,426</u>	<u>109,386</u>

4. Research Grants and Contracts

Research councils		22,408	21,269
UK central government bodies		16,372	15,186
UK industry and commerce		5,664	4,607
UK-based charitable and health bodies		23,460	23,028
European Community		10,862	10,435
Other overseas countries		3,569	3,446
Other		2,621	1,643
Deferred capital grants released in year	19	2,290	1,658
		<u>87,246</u>	<u>81,272</u>

5. Other income

Residences, catering and conferences		16,001	15,881
Other services rendered		5,456	7,096
Health authorities		16,654	14,397
Other income		7,353	7,069
Deferred capital grants released in year	19	650	686
		<u>46,114</u>	<u>45,129</u>

6. Endowment and Investment Income

Income from expendable endowments	20	135	147
Income from restricted permanent endowments	20	290	310
Income from investments and cash		370	258
		<u>795</u>	<u>715</u>

Notes to the financial statements (cont)

7. Staff costs

	<u>Note</u>	<u>2014</u> £000	<u>2013</u> £000
(i) Staff costs:			
Wages and salaries		166,157	158,797
Social security costs		14,259	13,884
Other pension costs	28	22,088	20,352
Compensation for loss of office		1,381	3,071
		<u>203,885</u>	<u>196,104</u>

Severance pay was in accordance with the policies approved by the Remuneration Committee.

(ii) Emoluments of the President and Principal

Basic salary	259	201
Benefits in kind	10	10

The emoluments of the President and Principal are shown on the same basis as for higher paid staff. QMUL's pension contributions to USS for the President and Principal were paid at the same rate as for other academic staff and amounted to £6,616 (2013 £32,160). From 1 October 2013 QMUL does not pay any pension contributions for the President and Principal.

There are no other senior post-holders for which disclosure is required.

(iii) Remuneration of other higher-paid staff

Excluding employer's pension contributions, but including payments made on behalf of the NHS in respect of its contractual obligations to QMUL staff, in bands of £10,000 from a starting point of £100,000.

	<u>2014</u> Number of staff	<u>2013</u> Number of staff
£100,000 — £110,000	21	19
£110,001 — £120,000	22	19
£120,001 — £130,000	16	15
£130,001 — £140,000	12	15
£140,001 — £150,000	13	10
£150,001 — £160,000	7	7
£160,001 — £170,000	8	6
£170,001 — £180,000	3	4
£180,001 — £190,000	6	3
£190,001 — £200,000	0	4
£200,001 — £210,000	1	2
£210,001 — £220,000	1	0
£220,001 — £230,000	1	0
£230,001 — £240,000	1	2
£240,001 — £250,000	2	0
£250,001 — £260,000	2	1
	<u>116</u>	<u>107</u>

£154,302 (2013 £210,648) in compensation for loss of office was made to 2 (2013 1) higher-paid members of staff in the year to 31 July 2014.

(iv) Average number of full time equivalent employees by category

Academic and education	1,687	1,572
Professional services	1,375	1,445
Technical services	212	208
Operational services	261	263
	<u>3,535</u>	<u>3,488</u>

(v) Trustees (members of Council)

The Trustees neither received nor waived any emoluments during the year (2013 £nil) in respect of their position as Trustees. All Trustees are entitled to be reimbursed for reasonable travel and subsistence expenses incurred in the performance of their duties. In 2014, 7 Trustees (2013 5) were reimbursed a total of £1,522 (2013 £2,292).

Notes to the financial statements (cont)

8. Other Operating Expenses

	2014	2013
	£000	£000
Other operating expenses include:		
Residences, catering and conferences	3,240	3,197
Consumables and laboratory expenditure	20,043	22,381
Funds payable to other colleges	219	153
Equipment	7,192	6,957
Books and periodicals	3,412	3,168
Fellowships, scholarships, prizes and studentships	19,345	17,098
Heat, light, water and power	5,456	4,665
Repairs and general maintenance	3,464	3,371
Rent, rates and insurance	2,048	2,955
Other premises costs	1,065	1,318
Provision for doubtful debts	(352)	565
Grant to Students' Union	1,180	1,115
Auditor's remuneration for audit of QMUL	113	127
Auditor's remuneration for audit of the subsidiaries	57	48
Auditor's remuneration in respect of other services	73	213
Operating lease rental charges in respect of land and buildings	1,647	1,463
Operating lease rental charges in respect of other leases	1,565	772
University of London central charges	1,417	1,192
Professional and other fees	9,480	8,271
Conferences, travel and training	9,544	8,882
Contract and Agency Staff	9,120	9,083
Miscellaneous expenditure*	6,883	7,049
	106,211	104,043

* Includes £141,492 in respect of Internal Audit fees (2013 £106,620).

9. Analysis of expenditure by activity

	Staff Costs	Depreciation	Other operating expense	Interest Payable and other finance costs	2014 Total	2013 Total
	£000	£000	£000	£000	£000	£000
Academic departments	116,031	1,920	32,445	0	150,396	144,892
Academic services	8,541	3,053	5,888	145	17,627	18,495
Research grants and contracts	40,889	2,089	31,980	0	74,958	72,848
Residences, catering and conferences	3,599	88	3,240	0	6,927	6,978
Premises	7,867	10,049	10,369	2,861	31,146	30,836
Administration	23,896	2,507	18,278	16	44,697	38,169
Other	3,062	433	4,011	6	7,512	7,519
Total per income and expenditure account	203,885	20,139	106,211	3,028	333,263	319,737
Total for year ended 31 July 2013	196,104	16,845	104,043	2,745		319,737

The depreciation charge has been funded by:

	Note		
Deferred capital grants released	19	9,251	8,288
Revaluation reserve released	21	159	163
General income		10,729	8,394
		20,139	16,845

Other operating expenses include:

External auditor's remuneration in respect of audit services	170	175
External auditor's remuneration in respect of other services	73	213

Notes to the financial statements (cont)

10. Taxation

	2014	2013
	£000	£000
Reversal of Macau complementary (corporation) tax charged in earlier periods on the profits of Queen Mary Research Laboratories (Macau) Limited	0	(2)
Macau complementary (corporation) tax on the profits of Queen Mary Research Laboratories (Macau) Limited	4	0
Corporation tax/(research and development tax credits) for Associate Companies	3	(16)
Tax Charge/(Credit)	<u>7</u>	<u>(18)</u>

Council does not believe that QMUL is liable for any UK corporation tax arising out of its activities during the year.

11. Tangible assets

	Freehold land and buildings	Long leasehold	Short leasehold	Assets in course of construction	Plant and machinery	Equipment	Total
	£000	£000	£000	£000	£000	£000	£000
Consolidated							
Cost							
At 1 August 2013	383,086	26,516	3,708	14,709	39,348	85,035	552,402
Transfers	2,380	0	0	(7,235)	26	4,829	0
Additions at cost	0	0	(15)	11,484	813	14,314	26,596
Disposal	(119)	0	0	0	0	0	(119)
At 31 July 2014	<u>385,347</u>	<u>26,516</u>	<u>3,693</u>	<u>18,958</u>	<u>40,187</u>	<u>104,178</u>	<u>578,879</u>
Accumulated Depreciation							
At 1 August 2013	(62,231)	(8,807)	(706)	0	(20,179)	(63,403)	(155,326)
Charge for the year	(6,261)	(350)	(185)	0	(3,369)	(9,974)	(20,139)
Disposal	40	0	0	0	0	0	40
At 31 July 2014	<u>(68,452)</u>	<u>(9,157)</u>	<u>(891)</u>	<u>0</u>	<u>(23,548)</u>	<u>(73,377)</u>	<u>(175,425)</u>
Net book value							
At 31 July 2014	<u>316,895</u>	<u>17,359</u>	<u>2,802</u>	<u>18,958</u>	<u>16,639</u>	<u>30,801</u>	<u>403,454</u>
Net book value							
At 1 August 2013	<u>320,855</u>	<u>17,709</u>	<u>3,002</u>	<u>14,709</u>	<u>19,169</u>	<u>21,632</u>	<u>397,076</u>
QMUL							
Cost							
At 1 August 2013	378,616	26,516	3,708	14,709	30,490	80,188	534,227
Transfers	2,380	0	0	(7,235)	26	4,829	0
Additions at cost	0	0	(15)	11,484	813	14,314	26,596
Disposal	(119)	0	0	0	0	0	(119)
At 31 July 2014	<u>380,877</u>	<u>26,516</u>	<u>3,693</u>	<u>18,958</u>	<u>31,329</u>	<u>99,331</u>	<u>560,704</u>
Accumulated Depreciation							
At 1 August 2013	(57,631)	(8,807)	(706)	0	(15,436)	(60,659)	(143,239)
Charge for the year	(6,015)	(350)	(185)	0	(2,650)	(9,184)	(18,384)
Disposal	40	0	0	0	0	0	40
At 31 July 2014	<u>(63,606)</u>	<u>(9,157)</u>	<u>(891)</u>	<u>0</u>	<u>(18,086)</u>	<u>(69,843)</u>	<u>(161,583)</u>
Net book value							
At 31 July 2014	<u>317,271</u>	<u>17,359</u>	<u>2,802</u>	<u>18,958</u>	<u>13,243</u>	<u>29,488</u>	<u>399,121</u>
Net book value							
At 31 July 2013	<u>320,985</u>	<u>17,709</u>	<u>3,002</u>	<u>14,709</u>	<u>15,054</u>	<u>19,529</u>	<u>390,988</u>

Freehold land and buildings includes land with a cost of £8,854k (QMUL £21,160k) which is not depreciated.

Notes to the financial statements (cont)

11. Tangible assets (cont)

The freehold of the Medical College site at Charterhouse Square is vested in the Trustees of the Medical College of St Bartholomew's Hospital Trust. The site is leased to QMUL for a term of 25 years from 25 November 2008. The rent reserved is one peppercorn per annum plus an annual rent equal to the rents received from the sub-tenancies. In addition QMUL holds an underlease on premises at Goswell Road also for a term of 25 years from 25 November 2008, on similar terms.

Plant and machinery includes plant at a cost of £24,763k with a net book value of £8,040k in respect of assets under finance leases. The annual depreciation charge in respect of these assets is £2,226k. Equipment includes assets at a cost of £8,332k with a net book value of £5,000k in respect of assets under finance leases. The annual depreciation charge in respect of these assets is £1,482k.

QMUL holds two main classes of heritage assets: one comprises portraits of former Principals of QMUL and institutions with which it merged; and the other is silverware. The value of neither class is material to these financial statements.

Sale of fixed assets

During the year, QMUL sold a property for £497,000 with a net book value of £79,000 giving a profit of £418,000.

12. Investments

	Consolidated		QMUL	
	2014 £000	2013 £000	2014 £000	2013 £000
Subsidiary companies and other investments				
Investment in subsidiary companies at cost	0	0	3,516	3,516
Other investments	223	203	203	203
Investment in shared equity property	3,310	4,010	3,310	4,010
	3,533	4,213	7,029	7,729

Sale of investment in shared equity property

During the year, QMUL sold its investments in 3 shared equity properties for £763,000, a profit of £63,000.

Subsidiary companies

QMUL holds directly the following shares in subsidiary companies:

	Country of registration	Equity holding	Proportion held	Principal activity
Biomin Technologies Limited	England	Ordinary	100.0%	Dental materials
People's Palace Projects	England	Limited by guarantee	100.0%	Participatory arts charity
Queen Mary Innovation Limited	England	Ordinary	100.0%	Holding Company
Queen Mary Innovation Limited	England	Preference	100.0%	Holding Company
Queen Mary Research Laboratories (Macau) Limited	Macau	Ordinary	48.0%	Smart antennas for wireless networks
Stealthyx Therapeutics Limited	England	Ordinary	72.0%	Drug delivery
Vaxome Limited	England	Ordinary	33.3%	Vaccine technology

Whilst QMUL does not have an equity holding in Queen Mary University of London Foundation, it is treated as a subsidiary in the consolidated financial statements as all of its assets are held for the benefit of QMUL.

Queen Mary Innovation Limited holds directly the following shares in subsidiary companies:

Nanoforce Technology Limited	England	Ordinary	100.0%	Micro and nanotechnology facility
Q.M.W. Developments Limited	England	Ordinary	100.0%	Property development
Queen Mary Bioenterprises Limited	England	Ordinary	100.0%	Developing Innovation Centre
Queen Mary Research and Consulting (Hong Kong) Limited	Hong Kong	Ordinary	100.0%	Supporting QMUL activities
Queen Mary Research Laboratories (Macau) Limited	Macau	Ordinary	52.0%	Smart antennas for wireless networks
Vaxome Limited	England	Ordinary	33.4%	Vaccine technology

Queen Mary Research and Consulting (Hong Kong) Limited holds directly the following shares in subsidiary companies:

Mary Education Management Advisory (Beijing) Co. Limited	China	Ordinary	100.0%	Supporting QMUL activities
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Notes to the financial statements (cont)

12. Investments (cont)

Other Investments

QMUL holds 2,610,000 shares in Actual Experience PLC.

QMUL holds 1,838,236 shares in Biomoti Limited.

QMUL holds 1,537 ordinary shares in Chatterbox Analytics Limited.

QMUL holds 1 ordinary A share in Combined London Colleges (General Partner) Limited.

QMUL holds 36,028 shares in CVCP Properties PLC.

QMUL holds 196,572 ordinary shares in Mixgenius Inc.

QMUL holds 2,013,195 ordinary shares in Retroscreen Virology Group PLC, representing 3.7% of the share capital.

QMUL is a limited partner in Kinetique Biomedical Seed Fund LP and Combined London Colleges University Challenge LP. Both of these partnerships have an independent general partner that fully controls the partnership.

QMUL is a member of Association for University Research and Industry Links, London University Purchasing Consortium and UCL Partners Limited, all of which are limited by guarantee companies.

Queen Mary Innovation Limited holds 46,500 shares in Actual Experience PLC, representing 0.2% of the share capital.

Queen Mary Innovation Limited holds 24,500 ordinary shares in Phosphonics Limited, representing 0.6% of the share capital.

Queen Mary Innovation Limited holds 223,500 ordinary shares in Retroscreen Virology Group PLC, representing 0.4% of the share capital.

13. Investments in Associates

QMUL holds directly the following shares in associate companies:

	Country of registration	Equity holding	Proportion held	Principal activity
Automatic Music Production Systems Limited	England	Ordinary	55.0%	Music Software
Degrasense Limited	England	Ordinary	47.7%	Industrial biosensors
Emdot Limited	England	Ordinary	27.6%	Inkjet printing technology
Varydose Limited	England	Ordinary	25.0%	Pharmaceutical dispensing
Vision Semantics Limited	England	Ordinary	39.0%	CCTV analytics
William Harvey Research Limited	England	Ordinary	40.0%	Research

QMUL holds indirectly the following shares in associate companies:

Vision Semantics (HK) Limited	Hong Kong	Ordinary	39.0%	CCTV analytics
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Queen Mary Innovation Limited holds directly the following shares in associate companies:

Abonetics 2000 Limited	England	Ordinary	50.0%	Intellectual property
Abonetics 2000 Limited	England	Preference	100.0%	Intellectual property

14. Endowment Assets

	Consolidated		QMUL	
	2014	2013	2014	2013
	£000	£000	£000	£000
Balance at 1 August 2013 (2012)	34,072	30,829	34,001	30,696
New endowments invested	0	0	0	0
(Decrease)/increase in market value of investments	(671)	3,796	(671)	3,796
Management Fee	(313)	(301)	(313)	(301)
Change in accrued bond income due	(5)	(16)	(5)	(16)
Decrease in cash balance held by QMUL for endowment funds	(222)	(174)	(222)	(174)
Increase/(decrease) in cash balance held by subsidiary charities	187	(62)	0	0
Balance at 31 July 2014 (2013)	33,048	34,072	32,790	34,001
Represented by:				
Fixed interest stocks	10,802	10,149	10,802	10,149
Equities	16,920	16,998	16,920	16,998
Property investment trusts and shares	1,757	2,718	1,757	2,718
Hedge funds	3	8	3	8
Cash balance with fund manager	2,102	2,700	2,102	2,700
Cash held by QMUL for endowment funds	1,206	1,428	1,206	1,428
Cash held by subsidiary charities	258	71	0	0
	33,048	34,072	32,790	34,001

Notes to the financial statements (cont)

15. Debtors

	Consolidated		QMUL	
	2014 £000	2013 £000	2014 £000	2013 £000
Research grants/contracts	19,731	16,350	19,702	16,315
Other debtors	14,066	20,872	13,459	19,821
Amounts owed by subsidiaries	0	0	808	2,156
Prepayments and accrued income	6,346	2,599	6,223	2,655
	40,143	39,821	40,192	40,947

Other debtors includes amounts held in Escrow against the warranties provided by the collective sellers in relation to the sale of Apatech Limited to the value of £4,053 (2013 £16,280)

16. Creditors: Amounts falling due within one year

Bank loans and overdrafts	1,175	2,029	1,175	2,029
Finance Leases	11,217	1,189	11,217	1,189
Social security and other taxation payable	4,364	4,321	4,353	4,317
Research grants/contracts in advance	51,024	48,443	50,956	48,395
Other creditors and credit balances	16,846	14,301	16,073	13,974
Deferred grants	504	698	504	699
Accruals and deferred income	18,151	18,138	17,853	17,907
Amounts owed to subsidiaries	0	0	3,167	3,163
	103,281	89,119	105,298	91,673

17. Creditors: Amounts falling due after more than one year

Bank loan	72,439	73,241	55,458	56,260
Finance leases	19,885	30,832	19,885	30,832
Other creditors	500	500	500	500
	92,824	104,573	75,843	87,592

Analysis of bank loans and finance leases

Within one year	12,019	2,853	12,019	2,853
Within two and five years	23,762	37,518	22,948	37,518
In five years or more	68,562	66,556	52,395	49,574
Total	104,343	106,927	87,362	89,945

Included within bank loans are the following:

Lender	Amount £000	Term years	Interest rate %	Borrower
Lloyds PLC (unsecured)	8,559	28	0.18 above base	QMUL
Lloyds PLC (unsecured)	47,700	28	5.01	QMUL
Barclays Bank PLC (secured)	16,981	27	5.27	Queen Mary Bioenterprises Limited
	73,240			

On 6 June 2014 QMUL restructured its existing £60m loan facility with Lloyds which was entered into on 6 March 2007 with the associated fixed interest rate swaps being terminated. As a result of this restructure a new fixed interest loan of £47.7m and a variable rate loan of £8.6m were entered into. Both loan facilities are for 28 years.

QMUL has given notice that they wish to repay a £10.1m finance lease entered into with Lloyds for the funding of plant and machinery in the Student Village as permitted by a break clause. It is intended to refinance in 2014/15 with a 10 year bank loan.

Notes to the financial statements (cont)

17. Creditors: Amounts falling due after more than one year (cont)

Queen Mary Bioenterprises Limited entered into a loan facility for £16.5m with Barclays Bank PLC on 15 February 2007 to fund the building of an innovation centre. The loan facility is for 27 years to 2034 and £16.475m of the loan facility has been drawn down. Interest is fixed at a rate of 5.27% p.a. Interest is accrued and added to the drawn down loan principal for the period to September 2008. From December 2008, and until the end of the loan facility, interest is paid quarterly in arrears. The loan principal and accrued interest to September 2008 is repaid by quarterly instalments from March 2019 and until the end of the loan facility. The loan facility is guaranteed by QMUL until such time as Queen Mary Bioenterprises Limited meets defined finance covenants for three consecutive years. The loan is secured on the QMB Innovation Centre.

QMUL entered into a loan facility agreement with Queen Mary Bioenterprises Limited for £15.5m in 2009/10. The loan is not secured over any assets and incurs interest at 5.27% p.a. As at the end of the year £13.3m of this facility was drawn down (2013 £12.6m).

18. Financial commitments

At 31 July 2014 QMUL had annual commitments under operating leases as follows:

	Consolidated and QMUL			Consolidated and QMUL		
	Buildings	Equipment	Total	Buildings	Equipment	Total
	2014	2014	2014	2013	2013	2013
	£000	£000	£000	£000	£000	£000
Leases which expire within one year	0	280	280	104	1	105
Leases which expire in the second to fifth year	238	1,755	1,993	196	1,084	1,280
Leases which expire in five years or more	1,255	0	1,255	1,124	0	1,124
	1,493	2,035	3,528	1,424	1,085	2,509

19. Deferred capital grants

	Note	HEFCE	Research grants	Other gifts	Total	Total
		2014	2014	2014	2014	2013
		£000	£000	£000	£000	£000
Consolidated						
At 1 August 2013 (2012)						
Buildings		143,395	14,069	8,696	166,160	166,992
Assets in the course of construction		1,682	0	0	1,682	3,695
Plant		6,952	3	1,242	8,197	9,535
Equipment		6,496	3,218	506	10,220	8,782
Total		158,525	17,290	10,444	186,259	189,004
Cash received/receivable						
Buildings		0	0	355	355	241
Assets in the course of construction		0	0	0	0	1,682
Plant		0	0	0	0	1
Equipment		2,656	1,826	2	4,484	3,619
Total		2,656	1,826	357	4,839	5,543
Released to income and expenditure						
Buildings	2,4,5	(2,900)	(281)	(141)	(3,322)	(3,430)
Plant	2,4,5	(1,160)	(1)	(241)	(1,402)	(1,409)
Equipment	2,4,5	(2,251)	(2,008)	(268)	(4,527)	(3,449)
Total		(6,311)	(2,290)	(650)	(9,251)	(8,288)
Transfers						
Buildings		1,612	0	(1,721)	(109)	2,356
Assets in the course of construction		(1,682)	0	0	(1,682)	(3,694)
Plant		101	0	231	332	70
Equipment		(31)	0	1,490	1,459	1,268
Total		0	0	0	0	0
At 31 July 2014 (2013)						
Buildings		142,107	13,788	7,189	163,084	166,160
Assets in the course of construction		0	0	0	0	1,682
Plant		5,893	2	1,232	7,127	8,197
Equipment		6,870	3,036	1,730	11,636	10,220
Total		154,870	16,826	10,151	181,847	186,259

Notes to the financial statements (cont)

19. Deferred capital grants (cont)

	HEFCE	Research grants	Other gifts	Total	Total
Note	2014 £000	2014 £000	2014 £000	2014 £000	2013 £000
QMUL					
At 1 August 2013 (2012)					
Buildings	143,395	14,069	5,611	163,075	163,845
Assets in the course of construction	1,682	0	0	1,682	3,695
Plant	6,952	0	0	6,952	8,048
Equipment	6,496	3,217	0	9,713	8,084
Total	158,525	17,286	5,611	181,422	183,672
Cash received					
Buildings	0	0	355	355	241
Assets in the course of construction	0	0	0	0	1,682
Plant	0	0	0	0	1
Equipment	2,656	1,826	2	4,484	3,618
Total	2,656	1,826	357	4,839	5,542
Released to income and expenditure					
Buildings	2 (2,900)	(281)	(79)	(3,260)	(3,368)
Plant	2 (1,160)	0	(1)	(1,161)	(1,167)
Equipment	2 (2,251)	(2,007)	(76)	(4,334)	(3,257)
Total	(6,311)	(2,288)	(156)	(8,755)	(7,792)
Transfers					
Buildings	1,612	0	(1,721)	(109)	2,357
Assets in the course of construction	(1,682)	0	0	(1,682)	(3,695)
Plant	101	0	231	332	70
Equipment	(31)	0	1,490	1,459	1,268
Total	0	0	0	0	0
At 31 July 2014 (2013)					
Buildings	142,107	13,788	4,166	160,061	163,075
Assets in the course of construction	0	0	0	0	1,682
Plant	5,893	0	230	6,123	6,952
Equipment	6,870	3,036	1,416	11,322	9,713
Total	154,870	16,824	5,812	177,506	181,422

Notes to the financial statements (cont)

20. Endowments

	Total restricted permanent 2014 £000	Total restricted expendable 2014 £000	Total endowment 2014 £000	Total endowment 2013 £000
Consolidated				
Balances at 1 August 2013 (2012)				
Capital	21,994	0	21,994	19,623
Accumulated income	1,189	10,889	12,078	11,206
	23,183	10,889	34,072	30,829
New endowments	15	511	526	198
Investment income	290	135	425	457
Expenditure	(305)	(733)	(1,038)	(981)
Repayments of benevolence loans made to students	47	0	47	74
(Decrease)/increase in market value of investments	(457)	(214)	(671)	3,796
Management fee	(213)	(100)	(313)	(301)
Balances at 31 July 2014 (2013)	22,560	10,488	33,048	34,072
Represented by:				
Capital	21,339	0	21,339	21,994
Accumulated income	1,221	10,488	11,709	12,078
	22,560	10,488	33,048	34,072
QMUL				
Balances at 1 August 2013 (2012)				
Capital	21,994	0	21,994	19,623
Accumulated income	1,189	10,818	12,007	11,073
	23,183	10,818	34,001	30,696
New endowments	15	245	260	61
Investment income	290	135	425	457
Expenditure	(305)	(654)	(959)	(782)
Repayments of benevolence loans made to students	47	0	47	74
(Decrease)/increase in market value of investments	(457)	(214)	(671)	3,796
Management fee	(213)	(100)	(313)	(301)
Balances at 31 July 2014 (2013)	22,560	10,230	32,790	34,001
Represented by:				
Capital	21,339	0	21,339	21,994
Accumulated income	1,221	10,230	11,451	12,007
	22,560	10,230	32,790	34,001

Notes to the financial statements (cont)

21. Revaluation reserve

	Consolidated and QMUL	
	2014	2013
	£000	£000
Balance at 1 August 2013 (2012)	12,454	12,617
Released in year	(159)	(163)
Balance at 31 July 2014 (2013)	<u>12,295</u>	<u>12,454</u>

22. Capital commitments

	Consolidated and QMUL	
	2014	2013
	£000	£000
Capital expenditure contracted but not provided for in financial statements	<u>7,602</u>	<u>2,932</u>

23. Reconciliation of consolidated operating surplus before tax and exceptional item to net cash inflow from operating activities

		Consolidated	
	Note	2014	2013
		£000	£000
Surplus for the year after depreciation of assets at valuation and before tax and exceptional item		15,894	3,872
Depreciation	11	20,139	16,845
Macau taxation	10	(7)	2
Net return on pension asset		6	20
Cash payment to reduce pension deficit		(32)	(19)
Deferred capital grants released to income	19	(9,251)	(8,288)
Investment income	6	(795)	(715)
Interest payable		3,028	2,745
Decrease in stocks		78	98
Increase in debtors	15	(322)	(4,272)
Increase in creditors		14,547	5,642
Decrease in creditors due after one year	17	(11,749)	(221)
Net cash inflow from operating activities		<u>31,536</u>	<u>15,709</u>

24. Returns on investment and servicing of finance

Income from investments	6	425	457
Interest received	6	370	258
Interest paid		(3,028)	(2,745)
Exchange rate (loss)/gain on opening net assets of foreign subsidiary		(14)	2
Net cash outflow from returns on investment and servicing of finance		<u>(2,247)</u>	<u>(2,028)</u>

25. Capital expenditure and financial investment

Purchase of tangible assets		(24,533)	(21,304)
Purchase of investments		(10,933)	(11,578)
Total payments to acquire fixed and endowment asset investments		<u>(35,466)</u>	<u>(32,882)</u>
Sale of endowment investments		10,322	13,146
Sale of equity share investments		763	0
Sale of land and buildings		497	5,420
Deferred capital grants received	19	4,839	5,543
Endowments received	20	573	272
		<u>16,994</u>	<u>24,381</u>
Net cash outflow from investing activities		<u>(18,472)</u>	<u>(8,501)</u>

Notes to the financial statements (cont)

26. Financing

	Consolidated	
	2014	2013
	£000	£000
Repayment of amounts borrowed	(2,885)	(2,433)
Net cash outflow from financing	(2,885)	(2,433)

27. Analysis of changes in net debt

	At 1 August 2013	Cash Flows	Non cash movement	At 31 July 2014
	£000	£000	£000	£000
Cash at bank and in hand:				
Endowment assets	4,199	(633)	0	3,566
Others	15,715	8,565	0	24,280
Total cash at bank and in hand	19,914	7,932	0	27,846
Bank Loan due within one year	(1,664)	1,664	(802)	(802)
Bank Loan due after one year	(73,241)	0	802	(72,439)
Finance Lease due within one year	(1,189)	1,221	(11,249)	(11,217)
Finance Lease due after one year	(30,832)	0	10,947	(19,885)
Total net debt	(87,012)	10,817	(302)	(76,497)

28. Pension costs

The three principal pension schemes for QMUL's staff are the Superannuation Arrangements for the University of London (SAUL), the Universities Superannuation Scheme (USS) and the Public Service Scheme (NHS). QMUL also operates a closed scheme for the non teaching staff of the London Hospital and St Bartholomew's Hospital medical college prior to their merger with QMUL.

QMUL's contributions to the schemes, as at 31 July 2014, are shown below.

	USS	SAUL	NHS
	%	%	%
Employees' contributions - final salary scheme	7.50	6.00	6.00
Employees' contributions - career revalued benefits scheme	6.50	6.00	N/A
Employer's contributions	16.00	13.00	14.00
		2014	2013
		£000	£000
Contribution to USS		17,243	15,844
Contribution to SAUL		2,803	2,482
NHS Public Service scheme		2,035	2,023
Contribution paid to other pension schemes (note 28(v))		7	3
Net charge to income and expenditure account		22,088	20,352

At 31 July 2014 £2,860,000 (2013 £2,789,000) of pension payments were outstanding which were paid when due in August. There were no prepayments in either year.

(i) USS

QMUL participates in USS, a defined benefit scheme which is contracted out of the State Second pension. The assets of the scheme are held in a separate Trust administered by the trustee, Universities Superannuation Scheme Limited. USS is a multi employer scheme and QMUL is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. QMUL therefore accounts for its pension costs on a defined contribution basis, as permitted by Financial Reporting Standard 17 Accounting for Pension Costs. As a result, the amounts charged to the income and expenditure account represent the contributions payable to the schemes in respect of the accounting year.

The last available actuarial valuation of the scheme was at 31 March 2011 using the projected unit method. The assumptions which have the most significant effect on the result of the valuation and the valuation results have been given below. Following UK government legislation, from 2011 statutory pension increases are based on the Consumer Prices Index not the Retail Price Index as previously.

The QMUL contribution rate required for future service benefits alone at the date of valuation was 16% of pensionable salaries.

As part of this valuation the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall of £2,910m by 31 March 2021. The next triennial actuarial valuation takes place as at 31 March 2014 but the findings are unlikely to be issued before these statements are finalised. If experience up to that date is in line with the assumptions made for the current valuation and contributions paid at the determined rates, the shortfall at 31 March 2014 is estimated to be £2,200m, equivalent to a funding level of 95%.

Notes to the financial statements (cont)

28. Pension costs (cont)

The actuary has estimated that the funding level at 31 March 2014 has fallen to 85% from 92% at 31 March 2011. The estimate is based on the results from the valuation of 31 March 2011 allowing primarily for investment returns and changes to market conditions which were identified as the two most significant factors affecting the funding position.

In October 2011, a number of changes to the benefits provided by the scheme were introduced: other than in specific circumstances the pensions provided to new entrants are on a career revalued benefits basis, the normal pension age was increased for future service and new entrants to 65; flexible retirement options were introduced; member contributions were increased to 7.5% and 6.5% for final salary and career revalued benefit members respectively; any future increases in the total contribution level will be funded 65% by the employer and 35% by the employee and for service accruing after 30 September 2011, pensions in payment will be increased by matching an increase in official pensions up to 5% and then half of the difference up to a maximum of 10%.

(ii) SAUL

QMUL participates in SAUL which is a centralised defined benefit scheme for all qualifying employees and is contracted out of the State Second Pension. The assets are held in separate Trust-administered funds. SAUL is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. QMUL therefore accounts for its pension costs on a defined contribution basis, as permitted by Financial Reporting Standard 17 Accounting for Pension Costs. As a result, the amounts charged to the income and expenditure account represent the contributions payable to the schemes in respect of the accounting year.

The last available actuarial valuation of the scheme was at 31 March 2011 using the projected unit method. The assumptions which have the most significant effect on the result of the valuation and the valuation results have been given below. Following UK government legislation, from 2011 statutory pension increases are based on the Consumer Prices Index not the Retail Price Index as previously.

In July 2012 the career average revalued earnings (CARE) benefit structure was introduced for new members joining the scheme. As a consequence, the cost of benefit accrual is expected to fall as existing final salary scheme members are replaced by members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021.

The main feature of the most recent valuations of the USS and SAUL schemes, under a FRS 17 basis, are as follows:

Latest Actuarial Valuations

	USS 31/03/2011	SAUL 31/03/2011
Assumptions		
Investment returns per annum – past service liabilities	4.4%	6.8%
Investment returns per annum – future service liabilities	6.1%	6.8%
Salary scale increases per annum	4.4%	N/A
Salary scale increases per annum until 31 March 2014	N/A	3.75%
Salary scale increases per annum after 31 March 2014	N/A	4.5%
Pension increases per annum	N/A	2.8%
Pension increases per annum for the three years 2011-2014	3.4%	N/A
Pension increases per annum after 2014	2.6%	N/A
Results		
Market value of assets at date of last valuation	£32,433.5m	£1,506m
Regular contribution rate	16.0%	13.0%
Proportion of members' accrued benefits covered by the actuarial valuation of the assets	92%	95%

(iii) NHS Public Service Scheme

The Public Service scheme is an unfunded defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for QMUL to identify its share of the underlying scheme assets and liabilities. QMUL therefore accounts for its pension costs on a defined contribution basis as permitted by Financial Reporting Standard 17.

Membership of this scheme is restricted to existing staff who are members and new staff who were already members by virtue of their previous National Health Service employment. The NHS scheme is funded centrally by the Treasury on a current cost basis.

(iv) London Hospital and St Bartholomew's Hospital non teaching staff scheme

QMUL operates a defined benefit scheme in the UK, which provided both pensions in retirement and death benefits to non teaching staff of the London Hospital and St Bartholomew's Hospital medical colleges. Pension benefits are related to member's final salary at retirement and their length of service. Following the merger of the two medical colleges with QMUL, the members were offered membership of SAUL and ceased to accrue benefits in the scheme on 1 August 1996. There are no active members in the scheme. The last triennial valuation of the scheme was at 31 July 2012. At that date the value of the assets was lower than the actuarial valuation by £260,000, a funding level of 84%. QMUL has agreed a plan to reduce the actuarial deficit by annual payments of £32,000 on 1 August each year, rising each year by the increase in Consumer Prices

Notes to the financial statements (cont)

28. Pension costs (cont)

Index (CPI) to the previous September. A final contribution is due on 1 August 2020, totalling half the contribution paid at 1 August 2019 increased in line with the CPI to the previous September. QMUL meets the ongoing running expenses of the scheme together with any PPF levies.

The Government's announcement of a change for statutory increases for pensions from the Retail Prices Index to the CPI has affected the scheme as follows:

Non Guaranteed Minimum Pension benefits for both the London Hospital and St Bartholomew's section increase in deferment in line with the statutory minimum of CPI from 2011.

Discretionary pension increases in the London Hospital section are set with reference to CPI subject to a maximum of 5% per annum. Pension increases for the Barts section are unaffected and remain fixed at 3% per annum.

At 31 July 2014 the market value of assets in the scheme, the expected long term rate of return from them and the present value of the scheme liabilities, as defined in accordance with Financial Reporting Standard 17 and valued by the group's actuary were as follows:

	<u>31/07/2014</u>	<u>31/07/2013</u>	<u>31/07/2012</u>	<u>31/07/2011</u>	<u>31/07/2010</u>
Rate of increase in salaries	N/A	N/A	N/A	N/A	N/A
Discount rate	4.20%	4.50%	4.00%	5.20%	5.40%
Inflation RPI assumption	N/A	N/A	N/A	N/A	3.40%
Inflation CPI assumption	2.40%	2.50%	2.00%	3.00%	N/A

Rate of increases in pensions in payment:

RPI up to a maximum of 5% pa (LHMC members)	N/A	N/A	N/A	N/A	3.20%
CPI up to a maximum of 5% pa (LHMC members)	2.40%	2.50%	2.00%	3.00%	N/A
Fixed increases of 3% pa (Barts members)	3.00%	3.00%	3.00%	3.00%	3.00%

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assumed life expectancies on retirement at age 60 are:					
Retiring today					
Males	26.3	25.9	25.5	25.4	25.3
Females	28.7	28.8	28.0	28.0	27.9
Retiring in 20 years time					
Males	27.8	27.0	26.9	26.8	26.8
Females	30.3	30.0	29.3	29.3	29.2

The assumptions used in determining the overall expected return of the scheme have been set with reference to yields available on government bonds and appropriate risk margins.

The expected rate of return of the assets in the scheme were:

	Long-term rate of return expected at 31/07/2014	Long-term rate of return expected at 31/07/2013	Long-term rate of return expected at 31/07/2012	Long-term rate of return expected at 31/07/2011	Long-term rate of return expected at 31/07/2010
Equities	6.40%	6.60%	5.78%	6.99%	7.28%
Bonds and gilts	3.70%	3.90%	3.41%	4.60%	4.84%
Cash/net current assets	0.50%	0.50%	0.50%	0.50%	0.50%

The value of the assets in the scheme were:

	Value at 31/07/2014	Value at 31/07/2013	Value at 31/07/2012	Value at 31/07/2011	Value at 31/07/2010
	£000	£000	£000	£000	£000
Equities	378	388	348	301	277
Bonds	592	1,070	525	959	810
Index linked gilts	591	6	528	0	0
Cash	5	0	20	2	20
Net current liabilities	0	0	(14)	0	0
Total market value of assets	1,566	1,464	1,407	1,262	1,107
Present value of scheme liabilities	(1,791)	(1,651)	(1,916)	(1,685)	(1,596)
Deficit in scheme	(225)	(187)	(509)	(423)	(489)

The scheme has been closed since 1 August 1996. £32,000 was charged to operating profit in the year (2013 £19,000).

Notes to the financial statements (cont)

28. Pension costs (cont)

Analysis of the amount credited to other finance income:

	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Expected return on scheme assets	68	55	65	60	61
Interest cost	(74)	(75)	(87)	(86)	(88)
Net Return	(6)	(20)	(22)	(26)	(27)

Analysis of amount recognised in statement of total recognised gains and losses:

Actual return less expected return on pension scheme assets	22	43	82	79	75
Experience gains and losses arising on the scheme liabilities	(86)	280	(165)	(6)	(173)
Changes in assumptions underlying the present value of the scheme liabilities	0	0	0	0	0
Actuarial (loss)/gain recognised in STRGL	(64)	323	(83)	73	(98)

History of scheme assets, obligations and experience adjustments

Experience adjustments arising on scheme liabilities	0	60	0	0	(173)
Experience item as a percentage of scheme liabilities	0.0%	3.6%	0.0%	0.0%	(10.8%)
Actual return less expected return on pension scheme assets	22	43	82	79	75
Percentage of scheme assets	1.40%	2.90%	5.80%	6.30%	6.80%

A cumulative gain of £42,000 has been recognised in the Statement of Recognised Gains and Losses (2013 gain of £106,000).

The movement in the deficit in the year was:

Deficit in scheme at 1 August	(187)	(509)	(423)	(489)	(383)
Contribution by Employer	32	19	19	19	19
Current service cost	0	0	0	0	0
Other finance income	(6)	(20)	(22)	(26)	(27)
Actuarial (loss)/gain	(64)	323	(83)	73	(98)
Deficit in scheme at 31 July	(225)	(187)	(509)	(423)	(489)

(v) Defined contribution scheme

One of QMUL's subsidiaries offers a defined contribution pension scheme to its staff. The cost for the year was £7,000 (2013 £3,000). There were no outstanding or prepaid contributions at the balance sheet date.

29. Access funds

	2014	2013
	£000	£000
Balance brought forward	7	0
Grant received	188	181
Interest	1	0
Expenditure	(195)	(173)
Outstanding loans	0	(1)
Balance carried forward	1	7

Funding body access grants are available solely for students; QMUL acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

Notes to the financial statements (cont)

30. Related party disclosures

Transactions between QMUL and its subsidiary undertakings have been eliminated on consolidation and therefore do not need to be disclosed in this note.

Due to the nature of QMUL's operations and the composition of the Council (being drawn from public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of Council will have an interest. All such transactions are conducted at arms length and in accordance with QMUL's financial regulations and normal procedures.

Name	Related Party	Income 2014 £000	Expenditure 2014 £000	Debtor Balance 2014 £000	Creditor Balance 2014 £000
Dr Veronique Bouchet, Trustee	Breast Cancer Campaign	467	0	131	0
Professor Mark Caulfield, Member of the chairs and programme grants committee	British Heart Foundation	2,074	0	318	0
Professor Mark Caulfield, Chief Scientist	Genomics England	311	0	0	0
Professor Susan Dilly, Board Member	Human Tissue Authority	0	3	0	0
Professor Susan Dilly, Director	Centre of the Cell Ltd	0	150	0	206
Ms Mary Elford, Non Executive Director	East London NHS Foundation Trust	987	303	334	4
Ms Mary Elford, Non Executive Director	Health Education England	4,728	0	1,242	0
Professor Simon Gaskell, Treasurer	Universities UK	0	35	0	0
Professor Simon Gaskell, Chairman	Higher Education Statistics Agency	0	1	0	0
Professor Simon Gaskell, Chairman	HESA Services Ltd	0	30	0	0
Professor Simon Gaskell, Trustee	University of London	35	814	0	86
Professor Simon Gaskell, Director Professor Richard Trembath, Director	} UCL Partners	138	0	43	0
Professor Richard Trembath, Non Executive Director	Barts and the London NHS Trust	12,880	4,191	191	124
Professor Richard Trembath, Trustee	William Harvey Research Foundation	114	0	10	0
Professor Richard Trembath, Director	GMEC Management Company Ltd	0	35	0	0
Ms Elizabeth Hall, Trustee Professor Jeremy Kilburn, Trustee	} Bow Arts	0	2	0	0
Professor Jeremy Kilburn, Trustee	Medical College of St Barts Hospital Trust	1,004	0	242	0
Professor Nick Lemoine, Director	National Institute for Health Research Comprehensive Local Research Network for Central and East London	71	0	0	0
Professor Nick Lemoine, Chairman, Scientific Advisory Board	Diabetes UK	7	0	0	0
Professor Nick Lemoine, Chairman, Scientific Advisory Board	Pancreatic Cancer UK	2	0	0	0
Professor Nick Lemoine, Chairman, Scientific Advisory Board	Pancreatic Cancer Research Fund	469	0	21	0
Ms Sarah Sarwar, Chair	Queen Mary University of London Students' Union	53	1,415	825	117
Mr Anthony Walker, Chair	QMSU Services Ltd	78	134	509	40
Mr Anthony Walker, Member of Court of Assistants	Draper's Company	0	10	0	0
Mr Anthony Walker, Member of Court of Assistants	Draper's Charitable Fund	64	0	0	0

Notes to the financial statements (cont)

31. Surplus on continuing operations for the year

The surplus on continuing operations for the year is made up as follows:

	2014	2013
	£000	£000
QMUL's surplus for the year before Gift Aid and gain on sales of fixed assets	16,996	8,504
Deficit retained by subsidiary undertakings	(2,093)	(2,916)
Elimination of losses on intra-group transactions on consolidation	2,048	3,354
Total	16,951	8,942

32. Contingent liability

QMUL has entered into a guarantee with Barclays Bank PLC to meet the liabilities arising from a £16,500,000 loan to Queen Mary Bioenterprises Limited for the purpose of constructing a technology innovation centre at Whitechapel. As at 31 July 2014 the value of the draw downs including bank interest stood at £16,981,157 (2013 £16,981,157). QMUL's liability under the guarantee is contingent upon Queen Mary Bioenterprises Limited being unable to meet the schedule of loan repayments. At present it is expected that Queen Mary Bioenterprises Limited should be able to meet the repayments.

Queen Mary Bioenterprises Limited has received funding through a government grant to build the QMB Innovation Centre. This grant would become a liability in the event of the company being unable to meet the terms of the grant agreement. As at 31 July 2014 the value of the government grant received stood at £7,000,000, of which a cumulative amount of £3,018,529 has been taken to the profit and loss. QMUL has agreed that should certain conditions be met, it would acquire the QMB Innovation Centre on 31 July 2020 for educational use.

Nanoforce Technology Limited received £1,800,000 and £1,300,000 in grant funding from the London Development Agency/Greater London Authority and the Department for Trade and Industry/Technology Strategy Board respectively that was subject to certain deliverables. The main deliverables have been met and it remains for the company to keep trading until the end of 2015 to complete the conditions of grant.

Council and Audit and Risk Committee Membership

Council Membership 2013/14

Chairman	Sir Nicholas Montagu	
Treasurer	Mr Simon Linnett	
Vice-Chairman	Ms Elizabeth Hall	
Ex Officio Members		
The President and Principal	Professor Simon Gaskell	
The President of the Students' Union 2013/14	Ms Sarah Sarwar (appointed 01/08/2013 and resigned 31/07/2014)	
Nominees of the President and Principal		Tenure ends
Vice Principal and Executive Dean (Humanities and Social Sciences)	Professor Morag Shiach	23/01/2016
Vice Principal, School of Medicine and Dentistry	Professor Richard Trembath	31/08/2015
Elected Members [Staff]		
Professor Nick Lemoine		30/09/2014
Professor Mark Caulfield		30/09/2014
Professor Raymond Kuhn		30/09/2017
Professor Mike Watkinson		30/09/2014
Dr Paul Anderson (appointed 01/10/2013)		30/09/2017
Ms Cheryl Mason		17/07/2016
External Members		
Ms Kathryn Barrow		31/12/2016
Ms Veronique Bouchet		31/12/2015
Ms Mary Elford (resigned 26/11/2013)		
Ms Elizabeth Hall		12/12/2015
Mr Richard Learwood		31/12/2016
Mr Simon Linnett		19/10/2017
Mr Vernon McClure (resigned 31/08/2013)		
Sir Nicholas Montagu		18/01/2018
Mr Bushra Nasir (appointed 01/09/2013)		31/08/2017
Ms Patricia Newton		31/08/2016
Mr David Thomas (resigned 01/04/2014)		
Mr Luke Savage (appointed 01/02/2014)		31/01/2018
Mr Anthony Walker		31/08/2014
Mr David Willis (appointed 01/01/2014)		31/12/2017
Mr John Yard		31/08/2017

Audit and Risk Committee Membership 2013/14

Chairman [an external member of Council]

Mr David Thomas (resigned 01/04/2014)

Mr David Willis (appointed 01/04/2014)

Up to four other external members of Council

Ms Elizabeth Hall

Ms Kathryn Barrow

Mr Anthony Walker

Mr David Willis (appointed 01/01/2014)

Co-opted member of Audit and Risk Committee

Ms Melissa Tatton (appointed 04/09/2013)



This report has been produced by
the Marketing and Communications for
the Finance Department – 329_14

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